



Division of Planning & Engineering

Local Government Assistance Office

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Pierre, South Dakota 57501

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MEMORANDUM

DATE: January 22, 2026

TO: Mike Behm, Director
Division of Planning and Engineering

FROM: Joanne Hight, Program Manager
Office of Administration

SUBJECT: Transportation Commission Meeting – January 29, 2026
Item for Consideration

Consideration of the modification of a State Infrastructure Bank Loan (SIB)

The City of Lemmon is requesting a modification to the State Infrastructure Bank (SIB) loan approved February 29, 2024 from \$1,500,000.00 to \$3,000,000.00. Project improvements include reconstructing the roadway to a curb and gutter section with Concrete Pavement and the installation of a storm sewer system along 1st Street East from Main Avenue to 1st Avenue; 1st Avenue East from 1st Street East to 2nd Street East and 2nd Street East from Main Avenue to 2nd Avenue East. This project includes approximately 1527 feet of roadway reconstruction including drainage improvements in Lemmon.

Memo

Date: Monday, December 08, 2025

Project: PCN 09V7 City of Lemmon Street Reconstruction Project

To: South Dakota Transportation Commission

From: City of Lemmon, SD

Subject: Request to amend existing funding agreement

Following discussions during the October 23, 2025 Transportation Commission meeting, this memo provides the requested information for your consideration to amend the existing SIB funding agreement between the City of Lemmon, SD, and the South Dakota Department of Transportation for the Lemmon Street Reconstruction Project. Specifically, we request:

1. Increasing the loan amount to \$3,000,000 at the agreement interest rate, 1.5%
2. Extending the term of the loan from 7 years to 10 years

The City of Lemmon explored alternative funding options; however, as the project advanced, the SDDOT SIB loan funding opportunity proved to be the most fiscally responsible funding option for the community and taxpayers.

The Commission requested expenditures and revenue details, which are included in the attached financial audits for 2021–2023. The City's 2024 Audit Report has not been reviewed and accepted to date. Municipality audit reports are available on the Department of Legislative Audit website: <https://legislativeaudit.sd.gov/reports/reports.aspx>. Key financial highlights are summarized below:

Sales Tax Revenue (2021–2023): 4% increase each year over three years

Sales Tax Revenue Projection (assuming 4% growth continues)

2024: \$846,323

2025: \$880,177

2026: \$915,384

2027: \$951,999

In addition, the City of Lemmon has approximately \$5 million in savings and CDs. The City is planning to contribute approximately \$1.5 million to the street improvement project while prudently preserving reserves to safeguard against potential emergencies.

The City of Lemmon has also provided a Letter of Credit from the local financial institution that includes additional collateral payment guarantee, see attached. This is consistent with the previous SIB Loan Application request from SDDOT and resulted in the executed Joint Powers SIB Loan and Community Access Grant Funding Agreement.

CITY OF LEMMON
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LEMMON
CITY OFFICIALS
DECEMBER 31, 2021

Mayor:

Neal Pinnow

Governing Board:

Pat Dalzell
Matt Barnes
Jill Anderson
Wayne Corcoran
Tim Pelkofer
Cathy Evans

Financial Officer:

Chad Abel

Attorney:

Shane C. Penfield

CITY OF LEMMON

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WITH OFFICES IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' 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

City Council
City of Lemmon
Lemmon, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota (City), as of and for the year ended December 31, 2021, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2022, which was adverse due to certain capital assets not being recorded and no proper inventory records being maintained by management.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as items 2021-001 through 2021-005, that we consider to be material weaknesses.

Report on Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Current Audit Findings as item 2021-004 and 2021-005.

City's Response to Findings

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

Purpose of this Report

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



September 28, 2022

CITY OF LEMMON

303 First Ave West
Lemmon, SD 57638

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Phone: 605-374-5681 Fax: 605-374-5789

SCHEDULE OF PRIOR AUDIT FINDINGS

2020-001

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: The City does not have written policies and procedures in place outlining processes and internal control activities for federal award programs as required by Uniform Guidance.

Status: This finding is not restated.

2020-002

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: A material weakness was reported for lack of segregation of duties for cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures, and payroll which could result in errors not being found in a timely manner.

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2021-001. The reason for recurrence is, due to cost considerations, the City has determined it is not practical to employ additional staff to adequately segregate duties. The City will implement compensating controls where practical.

2020-003

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements.

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2021-002. The reason for recurrence is, due to cost considerations, the City has determined it is not practical to employ additional staff to implement an internal control structure adequate to identify all material adjustments. The City will implement compensating controls where practical.

2020-004

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2021-003. The reason for the recurrence is, due to cost considerations, the City accepts the risks associated with the auditors preparing the financial statements. The City will implement compensating controls where practical.

2020-005

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: The City has an inventory listing that does not contain any values; therefore, the City is not in compliance with SDCL 5-24-2.

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2021-004. The reason for the recurrence is, due to cost considerations, the City has determined it is not practical to employ additional staff to maintain an inventory listing. The City will implement compensating controls where practical.

2020-006

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: A material weakness was reported for a lack of proper capital asset records to support the amounts reported for general capital assets, enterprise capital assets, and depreciation expense; therefore, the City is not in compliance with SDCL 5-24-4.

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2021-005. The reason for recurrence is, due to cost considerations the City has determined it is not practical to employ additional staff to maintain a capital asset listing. The City will implement compensating controls where practical.

2020-007

Initial Fiscal Year Finding Occurred: 2020

Finding Summary: The budget for the operating transfers out function of the General Fund, the airport function of the Airport Capital Project Fund, and the debt service function of TIF Debt Service Fund were materially overspent by \$188,444.56, \$120,000.00, and \$9,931.57, respectively.

Status: This finding is not restated.

Finance Officer

Mayor

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2021

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2021-001

Criteria

Internal control can help the City achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and that the City complies with laws and regulations.

Condition Found

A material weakness was reported for lack of segregation of duties for cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures and payroll.

Cause

The City has a limited number of employees who prepare all records for cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures and payroll.

Effect

This is undesirable from an internal control viewpoint and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation

We recommend the City Council take a more active role in their oversight of cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures and payroll.

Identification as a Repeat Finding

Yes, this is a restatement of 2020-002.

Views of Responsible Officials

See the City's corrective action plan on pages 9 - 10.

2021-002

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2021
(Continued)

Cause

The City does not have adequate controls in place to prevent or detect and correct misstatements.

Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement 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.

Identification as a Repeat Finding

Yes, this is a restatement of 2020-003.

Views of Responsible Officials

See the City's corrective action plan on pages 9 - 10.

2021-003

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Condition Found

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with the generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Cause

The City does not have sufficient staff to ensure the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP).

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.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2021
(Continued)

Identification as a Repeat Finding

Yes, this is a restatement of 2020-004.

Views of Responsible Officials

See the City's corrective action plan on pages 9 - 10.

2021-004

Criteria

The City is responsible for maintaining accurate records for amounts reported as inventories for governmental activities, business-type activities, and each major fund. The City is not in compliance with South Dakota Codified Law (SDCL) 5-24-2, which states inventories shall show the actual cost for each item, or the estimated cost at the time of acquisition, if the actual cost cannot be ascertained. In the case of gifts, the estimated fair market value at the time of acquisition shall be used. The officer or employee shall retain one copy of the inventory in the officer's or employee's office. The others shall be filed as provided.

Condition Found

The City has an inventory listing that does not contain any values; therefore, the City is not in compliance with SDCL 5-24-2.

Cause

Inventory records are not complete.

Effect

This limits accurate valuation of inventory, and amounts cannot be determined.

Recommendation

We recommend the City prepare an inventory listing using the actual cost or the estimated cost at the time of acquisition.

Identification as a Repeat Finding

Yes, this is a restatement of 2020-005.

View of Responsible Officials

See the City's corrective action plan on pages 9 - 10.

2021-005

Criteria

The City is responsible for maintaining proper general capital assets, enterprise capital assets, and depreciation records. The City is not in compliance with SDCL 5-24-4. South Dakota Codified Law (SDCL) 5-24-4 states purchased property must be noted in an inventory report. When any personal property is purchased by the state or any county, municipality, township, or school district, to be utilized in pursuance of the duties of the office for which supplied, a note shall at once be made of its purchase and receipt in the inventory report for that year.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2021
(Continued)

Condition Found

A material weakness was reported for lack of proper capital asset records to support the amounts reported for general capital assets, enterprise capital assets, and depreciation expense; therefore, the City is not in compliance with SDCL 5-24-4.

Cause

Capital assets were not recorded properly.

Effect

This has resulted in diminished controls over capital assets and can result in misleading information being presented to the users of the financial statements.

Recommendation

We recommend general capital assets, enterprise capital assets, and depreciation records be established and maintained.

Identification as a Repeat Finding

Yes, this is a restatement of 2020-006.

Views of Responsible Officials

See the City's corrective action plan on pages 9 - 10.

COMPLIANCE AND OTHER MATTERS:

2021-004

This finding has already been stated under the section entitled: Internal Control-Related Findings - Material Weaknesses." See that section for more details on this finding.

2021-005

This finding has already been stated under the section entitled: Internal Control-Related Findings - Material Weaknesses." See that section for more details on this finding.

Closing Conference

The contents of this report were discussed with Chad Abel, Finance Officer; Gary Ericsson, Councilman; Wayne Corcoran, Councilman; and Pat Dalzel, Councilman on May 10, 2022.

CITY OF LEMMON

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Lemmon, SD 57638

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Corrective Action Plan (Unaudited)

City of Lemmon submits the following corrective action plan for the year ended December 31, 2021:

Current Audit Findings:

2021-001

Condition: A material weakness was reported for lack of segregation of duties for cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures, and payroll.

Responsible official: Pat Dalzell

Planned corrective actions: The City of Lemmon has determined that it is not cost beneficial to employ additional personnel to be able to adequately segregate duties for cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures, and payroll and accepts the risks involved. The Council is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. Some of the compensating controls that have been implemented include dual signature of checks and board members reviewing vouchers.

Anticipated completion date: This is ongoing.

2021-002

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Responsible official: Pat Dalzell

Planned corrective actions: The City of Lemmon accepts the risks associated with this deficiency. The Council is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical.

Anticipated completion date: This is ongoing.

2021-003

Condition: The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we are requested to draft the financial statements.

Responsible official: Pat Dalzell

Planned corrective actions: Both management and the City Council are aware of this condition and are confident that the information is accurate and are willing to accept this risk.

Anticipated completion date: This is ongoing.

2021-004

Condition: The City of Lemmon has an inventory listing that does not contain any values; therefore, the City is not in compliance with SDCL 5-24-2.

Responsible official: Pat Dalzell

Planned corrective actions: The City will review the costs versus the benefits of completing an inventory.

Anticipated completion date: This is ongoing.

2021-005

Condition: A material weakness was reported for lack of proper capital asset records to support the amounts reported for general capital assets, enterprise capital assets, and depreciation expense; therefore, the City is not in compliance with SDCL 5-24-4.

Responsible official: Pat Dalzell

Planned corrective actions: The City will review the costs versus the benefits of completing an capital asset listing.

Anticipated completion date: This is ongoing.

Chad Abel

Matthew Barnes

Chad Abel, Finance Officer

Matthew A. Barnes, Mayor

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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WITH OFFICES IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Lemmon
Lemmon, South Dakota

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components unit, each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota (City), as of and for the year ended December 31, 2021, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2021, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on the Financial Statements as a Whole

Management has not recorded certain capital assets in the governmental and business-type activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities and business-type activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental and business-type activities has not been determined.

The City has not prepared notes to the financial statements. As a result, numerous disclosures required by U.S. generally accepted accounting principles are not made a part of these financial statements. The amount by which this departure would affect these financial statements is not reasonably determinable.

Management has not maintained proper inventory records in the governmental activities, business-type activities, and each major fund. Accounting principles generally accepted in the United States of America require that inventory be properly recorded, which would affect assets, net assets, and expenses of the governmental activities, business-type activities and each major fund. The amount by which this departure would affect the assets, net assets and expenses of the governmental activities, business-type activities and each major fund is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on the Financial Statements as a Whole" paragraphs, the financial statements referred to previously do not present fairly the financial position of the City as of December 31, 2021, or the changes in financial position or, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Pension Schedules on pages 23 through 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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.


The City has omitted the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 28, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



September 28, 2022

CITY OF LEMMON
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Primary Government			9/30/2021
	Governmental	Business-	Total	Component
	Activities	Type		Unit
		Activities		
ASSETS:				
Cash and cash equivalents	\$ 2,095,280	\$ 2,041,520	\$ 4,136,800	\$ 304,503
Investments	651,694	-	651,694	-
Accounts receivable, net	171,541	50,918	222,459	25,142
Inventories	4,293	-	4,293	-
Other assets	8,547	-	8,547	10,538
Restricted Assets:				
Cash and cash equivalents	64,701	-	64,701	24,390
Net pension asset	77,286	21,360	98,646	26,023
Capital Assets:				
Other capital assets, net of depreciation	2,921,900	3,943,485	6,865,385	1,858,170
TOTAL ASSETS	5,995,242	6,057,283	12,052,525	2,248,766
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related deferred outflows	100,265	27,179	127,444	35,247
TOTAL DEFERRED OUTFLOWS OF RESOURCES	100,265	27,179	127,444	35,247
LIABILITIES:				
Accounts payable	-	-	-	4,272
Other current liabilities	1,220	1,602,396	1,603,616	88,495
Unearned revenue	104,971	-	104,971	-
Noncurrent Liabilities:				
Due within one year	142,566	5,247	147,813	73,562
Due in more than one year	418,238	-	418,238	1,009,347
TOTAL LIABILITIES	666,995	1,607,643	2,274,638	1,175,676
DEFERRED INFLOWS OF RESOURCES:				
Pension related deferred inflows	149,792	42,305	192,097	50,428
TOTAL DEFERRED INFLOWS OF RESOURCES	149,792	42,305	192,097	50,428
NET POSITION:				
Net investment in capital assets	2,371,755	2,391,324	4,763,079	758,969
Restricted for:				
SDRS pension purposes	27,759	6,234	33,993	10,842
Other purposes	329,234	-	329,234	-
Unrestricted	2,549,972	2,036,956	4,586,928	288,098
TOTAL NET POSITION	\$ 5,278,720	\$ 4,434,514	\$ 9,713,234	\$ 1,057,909

CITY OF LEMMON
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		9/30/2021 Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Govern-mental Activities	Business - Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 196,727	\$ 43,128	\$ -	\$ -	\$ (153,599)	\$ (153,599)	
Public safety	314,860	16,280	-	-	(298,580)	(298,580)	
Public works	1,144,128	240,244	112,705	416,460	(374,719)	(374,719)	
Health and welfare	7,798	-	-	-	(7,798)	(7,798)	
Culture and recreation	368,542	21,533	-	-	(347,009)	(347,009)	
Conservation and development	141,360	-	-	-	(141,360)	(141,360)	
Miscellaneous	-	71,716	-	-	71,716	71,716	
*Interest on long-term debt	18,697	-	-	-	(18,697)	(18,697)	
Total Governmental Activities	2,192,112	392,901	112,705	416,460	(1,270,046)	(1,270,046)	
Business-Type Activities:							
Water	485,093	578,966	-	-	\$ 93,873	93,873	
Sewer	40,399	100,638	-	-	60,239	60,239	
Total Business-Type Activities	525,492	679,604	-	-	154,112	154,112	
Total Primary Government	\$ 2,717,604	\$ 1,072,505	\$ 112,705	\$ 416,460	(1,270,046)	(1,115,934)	
Component Unit:							\$ 23,168
Housing and Redevelopment Commission	\$ 464,672	\$ 342,540	\$ 141,110	\$ 4,190			
General Revenues:							
Taxes:							
Property taxes					732,571	732,571	-
Sales taxes					789,309	789,309	-
Slate shared revenues					16,481	16,481	-
Grants and contributions not restricted to specific programs					4,154	4,154	-
Unrestricted investment earnings					17,569	17,569	101
Miscellaneous revenue					2,890	2,890	38,251
Total General Revenues					1,562,974	1,562,974	38,352
Change in Net Position					292,928	154,112	447,040
Net Position - Beginning					4,985,792	4,280,402	9,266,194
Net Position - Ending					\$ 5,278,720	\$ 4,434,514	\$ 9,713,234
							\$ 1,057,909

* The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

**CITY OF LEMMON
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 1,916,543	\$ -	\$ 178,737	\$ 2,095,280
Investments	503,946	-	147,748	651,694
Taxes receivable - delinquent	40,989	-	-	40,989
Accounts receivable, net	20,898	-	-	20,898
Unbilled accounts receivable	12,941	-	-	12,941
Due from Capital Project Fund	52,995	-	-	52,995
Due from state government	91,088	-	5,625	96,713
Inventory of supplies	4,293	-	-	4,293
Prepaid expenses	8,547	-	-	8,547
Restricted cash and cash equivalents	45,107	-	19,594	64,701
TOTAL ASSETS	\$ 2,697,347	\$ -	\$ 351,704	\$ 3,049,051
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
LIABILITIES:				
Due to General Fund	\$ -	\$ 52,995	\$ -	\$ 52,995
Accrued taxes payable	1,220	-	-	1,220
Unearned revenue	104,971	-	-	104,971
TOTAL LIABILITIES	106,191	52,995	-	159,186
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	36,327	-	-	36,327
TOTAL DEFERRED INFLOWS OF RESOURCES	36,327	-	-	36,327
FUND BALANCES:				
Nonspendable:				
Prepaid purposes	8,547	-	-	8,547
Inventory purposes	4,293	-	-	4,293
Perpetual care for cemetery purposes	-	-	67,577	67,577
Restricted:				
Bamblle Petrified Park purposes	43,238	-	111,252	154,490
Facilities and promoting the City	-	-	172,875	172,875
Library improvements	1,869	-	-	1,869
Assigned:				
Fire department	98,061	-	-	98,061
General parks	18,000	-	-	18,000
Police department	16,000	-	-	16,000
Street department	37,879	-	-	37,879
Swimming pool	30,000	-	-	30,000
Subsequent year's budget	41,532	-	-	41,532
Unassigned	2,255,410	(52,995)	-	2,202,415
TOTAL FUND BALANCES	2,554,829	(52,995)	351,704	2,853,538
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,697,347	\$ -	\$ 351,704	\$ 3,049,051

CITY OF LEMMON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Total Fund Balances - Governmental Funds	\$ 2,853,538
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Amounts reported for governmental activities in the statement of net position are different because:

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	77,286
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,921,900
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Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	100,265
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Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.

Accrued leave	\$ 10,659	
Other long-term debt	550,145	(560,804)

Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and noncurrent), are not available to pay for current period expenditures and therefore are deferred in the funds.

Property taxes	\$ 36,327	36,327
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Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(149,792)
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Net Position - Governmental Activities	\$ 5,278,720
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CITY OF LEMMON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
General property taxes	\$ 689,789	\$ -	\$ 35,278	\$ 725,067
General sales and use taxes	739,697	-	49,612	789,309
Penalties and interest on delinquent taxes	5,265	-	-	5,265
Licenses and Permits	36,368	-	-	36,368
Intergovernmental Revenue:				
Federal grants	32,464	349,656	-	382,120
State grants	14,915	19,425	-	34,340
State shared revenue:				
Bank franchise tax	7,619	-	-	7,619
Prorate license fees	3,529	-	-	3,529
Liquor tax reversion (25%)	8,862	-	-	8,862
Motor vehicle licenses	24,457	-	-	24,457
Local government highway and bridge fund	65,952	-	-	65,952
County shared revenue:				
Other	6,725	-	-	6,725
Charges for Goods and Services:				
General government	6,760	-	-	6,760
Public safety	16,150	-	-	16,150
Highways and streets	2,100	-	-	2,100
Sanitation	230,143	-	-	230,143
Culture and recreation	21,533	-	-	21,533
Cemetery	-	-	8,001	8,001
Fines and Forfeits:				
Court fines and costs	130	-	-	130
Miscellaneous Revenue:				
Investment earnings	16,096	-	1,473	17,569
Rentals	12,042	-	-	12,042
Contributions and donations from private sources	4,154	-	-	4,154
Liquor operating agreement income	71,716	-	-	71,716
Other	870	-	-	870
TOTAL REVENUES	2,017,336	369,081	94,364	2,480,781
EXPENDITURES:				
General Government:				
Executive	70,442	-	-	70,442
Elections	993	-	-	993
Financial administration	99,758	-	-	99,758
Other	29,758	-	-	29,758
Public Safety:				
Police	237,000	-	-	237,000
Fire	77,860	-	-	77,860
Public Works:				
Highways and streets	445,464	-	-	445,464
Sanitation	246,629	-	-	246,629
Airport	30,986	420,940	-	451,926
Cemeteries	-	-	11,593	11,593

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Health and Welfare:				
Health	3,298	-	-	3,298
Home health	1,500	-	-	1,500
Mental health centers	3,000	-	-	3,000
Culture and Recreation:				
Recreation	123,898	-	-	123,898
Parks	189,536	-	2,153	191,689
Libraries	57,500	-	-	57,500
Conservation and Development:				
Economic development and assistance	82,481	-	24,169	106,650
Economic opportunity	34,710	-	-	34,710
Debt Service	136,491	-	35,723	172,214
TOTAL EXPENDITURES	1,871,304	420,940	73,638	2,365,882
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	146,032	(51,859)	20,726	114,899
OTHER FINANCING SOURCES:				
Sale of surplus property	2,020	-	-	2,020
TOTAL OTHER FINANCING SOURCES	2,020	-	-	2,020
NET CHANGE IN FUND BALANCES	148,052	(51,859)	20,726	116,919
FUND BALANCE - BEGINNING	2,406,777	(1,136)	330,978	2,736,619
FUND BALANCE - ENDING	<u>\$ 2,554,829</u>	<u>\$ (52,995)</u>	<u>\$ 351,704</u>	<u>\$ 2,853,538</u>

CITY OF LEMMON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Net Change in Fund Balances - Total Governmental Funds		\$ 116,919
Amounts reported for governmental activities in the statement of activities are different because:		
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.		
Other long-term debt	<u>\$ 153,517</u>	153,517
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.		
Vacation leave	<u>\$ (5)</u>	(5)
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".		
		2,239
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
		19,805
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.		
		<u>453</u>
Change in Net Position of Governmental Activities		<u><u>\$ 292,928</u></u>

CITY OF LEMMON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 1,072,298	\$ 969,222	\$ 2,041,520
Accounts receivable, net	44,935	5,983	50,918
Total Current Assets	1,117,233	975,205	2,092,438
Noncurrent Assets:			
Net pension asset	18,011	3,349	21,360
Capital Assets:			
Improvements other than buildings	4,570,299	-	4,570,299
Machinery and equipment	14,350	77,072	91,422
Less: accumulated depreciation	(693,332)	(24,904)	(718,236)
Total Noncurrent Assets	3,909,328	55,517	3,964,845
TOTAL ASSETS	5,026,561	1,030,722	6,057,283
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	23,314	3,865	27,179
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,314	3,865	27,179
LIABILITIES:			
Current Liabilities:			
Notes payable	1,552,160	-	1,552,160
Customer deposits	50,236	-	50,236
Total Current Liabilities	1,602,396	-	1,602,396
Noncurrent Liabilities:			
Accrued leave payable	4,192	1,055	5,247
Total Noncurrent Liabilities	4,192	1,055	5,247
TOTAL LIABILITIES	1,606,588	1,055	1,607,643
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	35,670	6,635	42,305
TOTAL DEFERRED INFLOWS OF RESOURCES	35,670	6,635	42,305
NET POSITION:			
Net investment in capital assets	2,339,156	52,168	2,391,324
Restricted for:			
SDRS pension purposes	5,655	579	6,234
Unrestricted	1,062,806	974,150	2,036,956
TOTAL NET POSITION	\$ 3,407,617	\$ 1,026,897	\$ 4,434,514

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUE:			
Charges for goods and services	\$ 578,966	\$ 100,638	\$ 679,604
TOTAL OPERATING REVENUE	578,966	100,638	679,604
OPERATING EXPENSES:			
Personal services	72,952	12,187	85,139
Other current expense	47,589	28,212	75,801
Materials (cost of goods sold)	312,624	-	312,624
TOTAL OPERATING EXPENSES	433,165	40,399	473,564
OPERATING INCOME	145,801	60,239	206,040
NONOPERATING EXPENSE:			
Interest expense	51,928	-	51,928
TOTAL NONOPERATING EXPENSE	51,928	-	51,928
CHANGE IN NET POSITION	93,873	60,239	154,112
NET POSITION - BEGINNING	3,313,744	966,658	4,280,402
NET POSITION - ENDING	\$ 3,407,617	\$1,026,897	\$ 4,434,514

CITY OF LEMMON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 578,966	\$ 100,638	\$ 679,604
Cash payments to employees for services	(77,629)	(12,962)	(90,591)
Cash payments to suppliers of goods and services	(359,607)	(28,212)	(387,819)
Net cash provided by operating activities	141,730	59,464	201,194
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest paid on capital debt	(51,928)	-	(51,928)
Principal paid on capital debt	(23,181)	-	(23,181)
Net cash used in capital and related financing activities	(75,109)	-	(75,109)
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	66,621	59,464	126,085
BALANCES - BEGINNING	1,005,677	909,758	1,915,435
BALANCES - ENDING	<u>\$ 1,072,298</u>	<u>\$ 969,222</u>	<u>\$ 2,041,520</u>

**RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 145,801	\$ 60,239	\$ 206,040
Adjustments to reconcile operating income to net cash provided by operating activities:			
Increase in net pension asset	(17,889)	(3,336)	(21,225)
Decrease in pension related deferred outflows	(9,098)	(1,659)	(10,757)
Increase in customer deposits	606	-	606
Increase in accrued leave payable	31	65	96
Increase in pension related deferred inflows	22,279	4,155	26,434
Net cash provided by operating activities	<u>\$ 141,730</u>	<u>\$ 59,464</u>	<u>\$ 201,194</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEMMON
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST 7 FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.0128810%	0.0118955%	0.0105683%	0.0114002%	0.0112544%	0.0114535 %	0.0116046%
City's proportionate share of the net pension liability (asset)	\$ (98,646)	\$ (517)	\$ (1,120)	\$ (266)	\$ (1,021)	\$ 38,689	\$ (49,218)
City's covered payroll	\$ 289,624	\$ 261,071	\$ 224,704	\$ 236,999	\$ 228,669	\$ 217,789	\$ 211,871
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	34.06%	0.20%	.50%	0.11%	0.45%	17.76%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	106%	100%	100%	100%	100%	97%	104%

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

CITY OF LEMMON
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
LAST 10 YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 17,913	\$ 16,734	\$ 14,436	\$ 13,782	\$ 13,959	\$ 13,279	\$ 12,884	\$ 12,510	\$ 14,876	\$ 18,898
Contributions in relation to the contractually required contribution	17,913	16,734	14,436	13,782	13,959	13,279	12,884	12,510	14,876	18,898
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 298,542	\$ 278,895	\$ 240,560	\$ 229,702	\$ 232,642	\$ 221,321	\$ 214,733	\$ 208,506	\$ 241,815	\$ 284,309
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.15%	6.65%

CITY OF LEMMON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS

Changes from Prior Valuation:

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

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

Benefit Provision Changes

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

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

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

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

Actuarial Method Changes

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

SUPPLEMENTARY INFORMATION

**CITY OF LEMMON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	Bambl Park Fund	Cemetery Fund	3B Fund	TIF Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 26,581	\$ 4,500	\$ 147,656	\$ -	\$ 178,737
Investments	84,671	63,077	-	-	147,748
Due from state government	-	-	5,625	-	5,625
Restricted cash and cash equivalents	-	-	-	19,594	19,594
TOTAL ASSETS	<u>\$111,252</u>	<u>\$ 67,577</u>	<u>\$ 153,281</u>	<u>\$ 19,594</u>	<u>\$ 351,704</u>
FUND BALANCES:					
Nonspendable:					
Perpetual care of cemetery purposes	\$ -	\$ 67,577	\$ -	\$ -	\$ 67,577
Restricted:					
Bambl Petrified Park purposes	111,252	-	-	-	111,252
Facilities and promoting the City	-	-	153,281	19,594	172,875
TOTAL FUND BALANCES	<u>\$111,252</u>	<u>\$ 67,577</u>	<u>\$ 153,281</u>	<u>\$ 19,594</u>	<u>\$ 351,704</u>

CITY OF LEMMON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	Bambl Park Fund	Cemetery Fund	3B Fund	TIF Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:					
Taxes:					
General property taxes	\$ -	\$ -	\$ -	\$ 35,278	\$ 35,278
General sales and use taxes	-	-	49,612	-	49,612
Charges for Goods and Services:					
Cemetery	-	8,001	-	-	8,001
Miscellaneous Revenue:					
Investment earnings	1	1,410	-	62	1,473
TOTAL REVENUES	1	9,411	49,612	35,340	94,364
EXPENDITURES					
Public Works:					
Cemeteries	-	11,593	-	-	11,593
Culture and Recreation:					
Parks	2,153	-	-	-	2,153
Conservation and Development:					
Economic development and assistance	-	-	24,169	-	24,169
Debt Service	-	-	-	35,723	35,723
TOTAL EXPENDITURES	2,153	11,593	24,169	35,723	73,638
NET CHANGE IN FUND BALANCES	(2,152)	(2,182)	25,443	(383)	20,726
FUND BALANCE - BEGINNING	113,404	69,759	127,838	19,977	330,978
FUND BALANCE - ENDING	\$ 111,252	\$ 67,577	\$ 153,281	\$ 19,594	\$ 351,704

CITY OF LEMMON
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LEMMON
CITY OFFICIALS
DECEMBER 31, 2022

Mayor:

Matthew Barnes

Governing Board:

Pat Dalzell
Art Pederson
Gary Ericsson
Wayne Corcoran
Tim Pelkofer
Christine Becker

Financial Officer:

Chad Abel

Attorney:

Shane C. Penfield

CITY OF LEMMON

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CITY OF LEMMON

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CERTIFIED PUBLIC ACCOUNTANTS

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WITH OFFICES IN
MILLER, SOUTH DAKOTA

**INDEPENDENT AUDITORS' 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**

City Council
City of Lemmon
Lemmon, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota (City), as of and for the year ended December 31, 2022, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 30, 2023, which was adverse due to certain capital assets not being recorded and no proper inventory records being maintained by management. Our report includes a reference to other auditors who audited the financial statements of Lemmon Housing and Redevelopment Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs, as items 2022-001 through 2022-006, that we consider to be material weaknesses.

Report on Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2022-004 through 2022-006.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



October 30, 2023

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

City Council
City of Lemmon
Lemmon, SD

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lemmon, South Dakota (City's) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended December 31, 2022. The City's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood

that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for the major federal program are matters of public record and their distribution is not limited.

October 30, 2023

CITY OF LEMMON

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SCHEDULE OF PRIOR AUDIT FINDINGS

2021-001

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: A material weakness was reported for lack of segregation of duties for cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures, and payroll, which could result in errors not being found in a timely manner.

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2022-001. The reason for recurrence is, due to cost considerations, the City has determined it is not practical to employ additional staff to adequately segregate duties. The City will implement compensating controls where practical.

2021-002

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements.

Status: Ongoing. This finding has not been corrected and is restated as current auditing finding 2022-002. The reason for recurrence is, due to cost considerations, the City has determined it is not practical to employ additional staff to implement an internal control structure adequate to identify all material adjustments. The City will implement compensating controls where practical.

2021-003

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with the generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2022-003. The reason for the recurrence is, due to cost considerations, the City accepts the risks associated with the auditors preparing the financial statements. The City will implement compensating controls where practical.

2021-004

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: The City has an inventory listing that does not contain values for all inventory items; therefore, the City is not in compliance with SDCL 5-24-2.

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2022-004. The reason for the recurrence is, due to cost considerations, the City has determined it is not practical to employ additional staff to maintain an inventory listing. The City will implement compensating controls where practical.

2021-005

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: A material weakness was reported for lack of proper capital asset records to support the amounts reported for general capital assets, enterprise capital assets, and depreciation expense; therefore, the City is not in compliance with SDCL 5-24-4.

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2022-005. The reason for the recurrence is, due to cost considerations, the City has determined it is not practical to obtain an appraisal of City capital assets. The City will implement compensating controls where practical.



Finance Officer

Mayor

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022

SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

Financial Statements:

- a. An unmodified opinion was issued on the discretely presented component unit. An adverse opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information opinion units.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described as findings 2022-001 through 2022-006.
- c. Our audit did disclose one instance of noncompliance which was material to the financial statements. This is described as finding 2022-006.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to the major program.
- e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal award tested as a major program was:
 - a. Airport Improvement Program #20.106
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. City of Lemmon did not qualify for a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2022-001

Criteria

Internal control can help the City achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and that the City complies with laws and regulations.

Condition Found

A material weakness was reported for lack of segregation of duties for cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures and payroll.

Cause

The City has a limited number of employees who prepare all records for cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures and payroll.

Effect

This is undesirable from an internal control viewpoint and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation

We recommend the City Council take a more active role in their oversight of cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures and payroll.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022
(Continued)

Identification as a Repeat Finding

Yes, this is a restatement of 2021-001.

Views of Responsible Officials

See the City's corrective action plan on pages 12 - 13.

2022-002

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements.

Cause

The City does not have adequate controls in place to prevent or detect and correct misstatements.

Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement 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.

Identification as a Repeat Finding

Yes, this is a restatement of 2021-002.

Views of Responsible Officials

See the City's corrective action plan on pages 12 - 13.

2022-003

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022
(Continued)

Condition Found

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with the generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Cause

The City does not have sufficient staff to ensure the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP).

Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement 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.

Identification as a Repeat Finding

Yes, this is a restatement of 2021-003.

Views of Responsible Officials

See the City's corrective action plan on pages 12 - 13.

2022-004

Criteria

The City is responsible for maintaining accurate records for amounts reported as inventories for governmental activities, business-type activities, and each major fund. The City is not in compliance with South Dakota Codified Law (SDCL) 5-24-2, which states inventories shall show the actual cost for each item, or the estimated cost at the time of acquisition, if the actual cost cannot be ascertained. In the case of gifts, the estimated fair market value at the time of acquisition shall be used. The officer or employee shall retain one copy of the inventory in the officer's or employee's office. The others shall be filed as provided.

Condition Found

The City has an inventory listing that does not contain values for all inventory items; therefore, the City is not in compliance with SDCL 5-24-2.

Cause

Inventory records are not complete.

Effect

This limits accurate valuation of inventory, and amounts cannot be determined.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022
(Continued)

Recommendation

We recommend the City prepare an inventory listing using the actual cost or the estimated cost at the time of acquisition.

Identification as a Repeat Finding

Yes, this is a restatement of 2021-004.

Views of Responsible Officials

See the City's corrective action plan on pages 12 - 13.

2022-005

Criteria

The City is responsible for maintaining proper general capital assets, and depreciation records. The City is not in compliance with SDCL 5-24-4. South Dakota Codified Law (SDCL) 5-24-4 states purchased property must be noted in an inventory report. When any personal property is purchased by the state or any county, municipality, township, or school district, to be utilized in pursuance of the duties of the office for which supplied, a note shall at once be made of its purchase and receipt in the inventory report for that year.

Condition Found

A material weakness was reported for lack of proper capital asset records to support the amounts reported for general capital assets, enterprise capital assets, and depreciation expense; therefore, the City is not in compliance with SDCL 5-24-4.

Cause

Capital assets were not recorded properly.

Effect

This has resulted in diminished controls over capital assets and can result in misleading information being presented to the users of the financial statements.

Recommendation

We recommend general capital assets, enterprise capital assets, and depreciation records be established and maintained.

Identification as a Repeat Finding

Yes, this is a restatement of 2021-005.

Views of Responsible Officials

See the City's corrective action plan on pages 12 - 13.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022
(Continued)

2022-006

Criteria

South Dakota Codified Law (SDCL) 9-21-9 states that neither the governing body nor any department or officer of the municipality shall add to the municipal expenditures in any fiscal year any sum in excess of the amount provided for the annual appropriation ordinance except as otherwise specially provided. Nor shall the amount spent for any purpose or any department exceed the total amount appropriated for such department in the annual appropriation ordinance for such year, except as otherwise specially provided.

Condition Found

The budget for the airport function of the Airport Capital Project Fund was materially overspent by \$62,723.03.

Cause

The City did not sufficiently budget for the above stated function or provide the necessary supplemental budgets.

Effect

The City is not in compliance with SDCL 9-21-9.

Recommendation

We recommend the City and the Financial Officer monitor compliance more closely.

Identification as a Repeat Finding

No, this is not a restatement.

Views of Responsible Officials

See the City's corrective action plan on pages 12 - 13.

COMPLIANCE AND OTHER MATTERS:

2022-004

This finding has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more details on this finding.

2022-005

This finding has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more details on this finding.

2022-006

This finding has already been stated under the section entitled "Internal Control-Related Findings - Material Weaknesses." See that section for more details on this finding.

Closing Conference

The contents of this report were discussed with Chad Abel, Finance Officer; Matthew Barnes, Mayor; Wayne Corcoran, Councilman and Pat Dalzel (via phone), Councilman on June 14, 2023.

CITY OF LEMMON

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CORRECTIVE ACTION PLAN (UNAUDITED)

City of Lemmon submits the following corrective action plan for the year ended December 31, 2022:

Current Audit Findings:

2022-001

Condition: A material weakness was reported for lack of segregation of duties for cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures and payroll.

Responsible official: Pat Dalzell

Planned corrective actions: The City of Lemmon has determined that it is not cost beneficial to employ additional personnel to be able to adequately segregate duties for cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures and payroll and accepts the risks involved. The Council is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. Some of the compensating controls that have been implemented including dual signature of checks and board members reviewing vouchers.

Anticipated completion date: This is ongoing.

2022-002

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Responsible official: Pat Dalzell

Planned corrective actions: The City of Lemmon accepts the risks associated with this deficiency. The Council is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical.

Anticipated completion date: This is ongoing.

2022-003

Condition: The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we are requested to draft the financial statements.

Responsible official: Pat Dalzell

Planned corrective actions: Both management and the City Council are aware of this condition and are confident that the information is accurate and are willing to accept this risk.

Anticipated completion date: This is ongoing.

2022-004

Condition: The City of Lemmon has an inventory listing that does not contain values for all inventory items; therefore, the City is not in compliance with SDCL 5-24-2.

Responsible official: Pat Dalzell

Planned corrective actions: The City will review the costs versus the benefits of completing an inventory.

Anticipated completion date: This is ongoing.

2022-005

Condition: A material weakness was reported for lack of proper capital asset records to support the amounts reported for general capital assets, enterprise capital assets, and depreciation expense; therefore, the City is not in compliance with SDCL 5-24-4.

Responsible official: Pat Dalzell

Planned corrective actions: The City will review the costs versus the benefits of completing a capital asset listing.

Anticipated completion date: This is ongoing.

2022-006

Condition: The budget for the airport function of the Airport Capital Project Fund was materially overspent by \$62,723.03.

Responsible official: Pat Dalzell and Chad Abel

Planned corrective actions: The City Council will monitor compliance more closely. The Finance Officer will monitor more closely the budget process and will make adjustments to the supplemental appropriations budget prior to the year end.

Anticipated completion date: December 2023

Chad Abel, Finance Officer

Matthew Barnes, Mayor

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
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WITH OFFICES IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Lemmon
Lemmon, South Dakota

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota (City), as of December 31, 2022, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents.

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business-Type Activities	Adverse
Aggregate Discretely Presented Component Units	Unmodified
General Fund	Adverse
Airport Capital Project Fund	Adverse
Water Fund	Adverse
Sewer Fund	Adverse
Aggregate Remaining Fund Information	Adverse

Basis for Adverse Opinions on Governmental Activities, the Business-Type Activities, Each Major Fund, and the Aggregate Remaining Fund Information

Management has not recorded certain capital assets in the governmental and business-type activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities and business-type activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental and business-type activities has not been determined.

The City has not prepared notes to the financial statements. As a result, numerous disclosures required by U.S. generally accepted accounting principles are not made a part of these financial statements. The amount by which this departure would affect these financial statements is not reasonably determinable.

Management has not maintained proper inventory records in the governmental activities, business-type activities, and each major fund. Accounting principles generally accepted in the United States of America require that inventory be properly recorded, which would affect assets, net assets, and expenses of the governmental activities, business-type activities and each major fund. The amount by which this departure would affect the assets, net assets and expenses of the governmental activities, business-type activities and each major fund is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinions on Governmental Activities, the Business-Type Activities, Each Major Fund and the Aggregate Remaining Fund Information" paragraphs, the financial statements referred to previously do not present fairly the financial position of the City as of December 31, 2022, or the changes in financial position or, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 the Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We require 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 generally accepted 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 generally accepted 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Pension Schedules on pages 27 through 30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

The City has omitted the Management's Discussion and Analysis (MD&A) and the Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the combining nonmajor fund financial statements and Schedule of Expenditures of Federal Awards are not fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City's internal control over financial reporting and compliance.

October 30, 2023

CITY OF LEMMON
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Primary Government			9/30/2022 Component Units
	Governmental Activities	Business- Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 1,624,760	\$ 2,214,730	\$ 3,839,490	\$ 635,967
Investments	630,046	-	630,046	-
Accounts receivable, net	646,121	50,918	697,039	20,903
Due from other government	-	346,610	346,610	-
Inventories	4,293	-	-	-
Other assets	8,547	-	8,547	12,648
Restricted assets:				
Cash and cash equivalents	69,915	-	69,915	25,056
Net pension asset	930	237	1,167	360
Capital assets:				
Other capital assets, net of depreciation	2,921,900	3,943,485	6,865,385	1,792,911
TOTAL ASSETS	<u>5,906,512</u>	<u>6,555,980</u>	<u>12,458,199</u>	<u>2,487,845</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related deferred outflows	82,231	24,096	106,327	32,569
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>82,231</u>	<u>24,096</u>	<u>106,327</u>	<u>32,569</u>
LIABILITIES:				
Accounts payable	327,414	41,818	369,232	7,601
Other current liabilities	1,202	1,570,339	1,571,541	37,235
Internal balances	(18,513)	18,513	-	-
Noncurrent liabilities:				
Due within one year	143,875	4,825	148,700	32,028
Due in more than one year	268,135	-	268,135	649,792
TOTAL LIABILITIES	<u>722,113</u>	<u>1,635,495</u>	<u>2,357,608</u>	<u>726,656</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension related deferred inflows	51,444	17,239	68,683	21,525
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>51,444</u>	<u>17,239</u>	<u>68,683</u>	<u>21,525</u>
NET POSITION:				
Net investment in capital assets	2,522,295	2,391,324	4,913,619	1,131,271
Restricted for:				
SDRS pension purposes	31,717	7,094	38,811	18,397
Other purposes	518,071	-	518,071	-
Unrestricted	2,143,103	2,528,924	4,672,027	622,565
TOTAL NET POSITION	<u>\$ 5,215,186</u>	<u>\$ 4,927,342</u>	<u>\$ 10,142,528</u>	<u>\$ 1,772,233</u>

CITY OF LEMMON
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Expenses	Program Revenues			9/30/2022 Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General government	\$ 196,617	\$ 30,699	\$ -	\$ -	\$ (165,918)
Public safety	617,244	32,246	-	-	(584,998)
Public works	1,259,085	236,791	119,549	771,848	(130,897)
Health and welfare	6,979	-	-	-	(6,979)
Culture and recreation	411,114	25,587	-	-	(385,527)
Conservation and development	140,277	-	-	-	(140,277)
Miscellaneous	-	64,817	-	-	64,817
*Interest on long-term debt	17,835	-	-	-	(17,835)
Total Governmental Activities	2,649,151	390,140	119,549	771,848	(1,367,614)
Business-Type Activities:					
Water	456,932	549,672	-	-	92,740
Sewer	497,451	143,704	346,610	-	(7,137)
Total Business-Type Activities	954,383	693,376	346,610	-	85,603
Total Primary Government	\$ 3,603,534	\$ 1,083,516	\$ 466,159	\$ 771,848	(1,282,011)
Component Unit:					
Housing and Redevelopment					
Commission	\$ 563,847	\$ 345,413	\$ 194,457	\$ 499,541	\$ 475,564
General Revenues:					
Taxes:					
Property taxes					737,310
Sales taxes					861,906
State shared revenues					25,022
Grants and contributions not restricted to specific programs					2,327
Unrestricted investment earnings					13,018
Miscellaneous revenue					71,722
Transfers					(407,225)
Total General Revenues and Transfers					1,304,080
Change in Net Position					(63,534)
Net Position - Beginning					5,278,720
ADJUSTMENTS:					
Customer deposit understated in prior period					-
ADJUSTED NET POSITION - BEGINNING					5,278,720
NET POSITION - ENDING					\$ 5,215,186
					\$ 4,927,342
					\$ 10,142,528
					\$ 1,772,233

* The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

CITY OF LEMMON
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 1,379,047	\$ 42,831	\$ 202,883	\$ 1,624,761
Investments	481,268	-	148,777	630,045
Taxes receivable - delinquent	50,806	-	-	50,806
Accounts receivable, net	4,406	-	-	4,406
Unbilled accounts receivable	12,941	-	-	12,941
Due from other funds	71,508	-	-	71,508
Due from state governments	76,316	497,644	4,008	577,968
Inventory of supplies	4,293	-	-	4,293
Prepaid expenses	8,547	-	-	8,547
Restricted cash and cash equivalents	45,107	-	24,808	69,915
TOTAL ASSETS	\$ 2,134,239	\$ 540,475	\$ 380,476	\$ 3,055,190
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ -	\$ 327,414	\$ -	\$ 327,414
Due to general funds	-	52,995	-	52,995
Accrued taxes payable	1,202	-	-	1,202
TOTAL LIABILITIES	1,202	380,409	-	381,611
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue-property taxes	38,603	-	-	38,603
TOTAL DEFERRED INFLOWS OF RESOURCES	38,603	-	-	38,603
FUND BALANCES:				
Nonspendable:				
Prepaid purposes	8,547	-	-	8,547
Inventory purposes	4,293	-	-	4,293
Perpetual care for cemetery purposes	-	-	64,206	64,206
Restricted:				
Bambl Petrified Park purposes	43,238	-	109,100	152,338
Facilities and promoting the City	-	160,066	207,170	367,236
Library improvements	1,869	-	-	1,869
Assigned:				
Fire department	98,061	-	-	98,061
General parks	18,000	-	-	18,000
Police department	16,000	-	-	16,000
Street department	37,879	-	-	37,879
Swimming pool	30,000	-	-	30,000
Subsequent year's budget	41,532	-	-	41,532
Unassigned	1,795,015	-	-	1,795,015
TOTAL FUND BALANCES	2,094,434	160,066	380,476	2,634,976
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,134,239	\$ 540,475	\$ 380,476	\$ 3,055,190

CITY OF LEMMON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022

Total Fund Balances - Governmental Funds		\$ 2,634,976
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		930
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,921,900
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		82,231
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued leave	\$ 12,405	
Other long-term debt	<u>399,605</u>	(412,010)
Assets such as taxes receivable (delinquent) and special assessment receivables (current, delinquent, and noncurrent) are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	\$ <u>38,603</u>	38,603
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		<u>(51,444)</u>
Net Position - Governmental Activities		<u>\$ 5,215,186</u>

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
General property taxes	\$ 687,221	\$ -	\$ 43,827	\$ 731,048
General sales and use taxes	812,449	-	49,457	861,906
Tax deed revenue	530	-	-	530
Penalties and interest on delinquent taxes	3,456	-	-	3,456
License and Permits	23,463	-	-	23,463
Intergovernmental Revenue:				
Federal grants	224,041	547,807	-	771,848
State shared revenue:				
Bank franchise tax	9,100	-	-	9,100
Prorate license fees	14,826	-	-	14,826
Liquor tax reversion (25%)	8,128	-	-	8,128
Motor vehicle licenses	23,773	-	-	23,773
Local government highway and bridge fund	66,480	-	-	66,480
State payments in lieu of taxes	7,794	-	-	7,794
County shared revenue:				
Other	1,237	-	-	1,237
Charges for Goods and Services:				
General government	7,236	-	-	7,236
Public safety	32,127	-	-	32,127
Highways and streets	3,940	-	-	3,940
Sanitation	227,735	-	-	227,735
Culture and recreation	25,587	-	-	25,587
Cemetery	-	-	5,116	5,116
Fines and Forfeits:				
Court fines and costs	119	-	-	119
Miscellaneous Revenue:				
Investment earnings	11,946	-	1,072	13,018
Rentals	13,233	-	-	13,233
Contributions and donations from private sources	1,142	-	1,185	2,327
Liquor operating agreement income	64,817	-	-	64,817
Other	<u>722</u>	<u>-</u>	<u>-</u>	<u>722</u>
TOTAL REVENUES	<u>2,271,102</u>	<u>547,807</u>	<u>100,657</u>	<u>2,919,566</u>
EXPENDITURES:				
General Government:				
Executive	59,189	-	-	59,189
Elections	2,112	-	-	2,112
Financial administration	105,322	-	-	105,322
Other	29,932	-	-	29,932
Public Safety:				
Police	237,000	-	-	237,000
Fire	380,244	-	-	380,244

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Public Works:				
Highways and streets	393,495	-	-	393,495
Sanitation	256,365	-	-	256,365
Airport	32,167	562,723	-	594,890
Cemeteries	-	-	15,556	15,556
Health and Welfare:				
Health	2,979	-	-	2,979
Home health	1,000	-	-	1,000
Mental health centers	3,000	-	-	3,000
Culture and Recreation:				
Recreation	118,085	-	-	118,085
Parks	206,089	-	2,152	208,241
Libraries	85,842	-	-	85,842
Conservation and Development:				
Economic development and assistance	82,550	-	20,376	102,926
Economic opportunity	37,351	-	-	37,351
Debt Service	129,717	-	38,657	168,374
TOTAL EXPENDITURES	2,162,439	562,723	76,741	2,801,903
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	108,663	(14,916)	23,916	117,663
OTHER FINANCING SOURCES (USES):				
Transfers in	-	227,977	4,856	232,833
Sale of municipal property	71,000	-	-	71,000
Transfers out	(640,058)	-	-	(640,058)
TOTAL OTHER FINANCING SOURCES (USES)	(569,058)	227,977	4,856	(336,225)
NET CHANGE IN FUND BALANCES	(460,395)	213,061	28,772	(218,562)
FUND BALANCE - BEGINNING	2,554,829	(52,995)	351,704	2,853,538
FUND BALANCE - ENDING	\$ 2,094,434	\$ 160,066	\$ 380,476	\$ 2,634,976

CITY OF LEMMON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Net Change in Fund Balances - Total Governmental Funds \$ (218,562)

Amounts reported for governmental activities in the Statement of Activities are different because:

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position.

Other long-term debt	\$ <u>150,539</u>	150,539
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Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave debits.

Vacation leave	\$ <u>1,745</u>	(1,745)
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The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available."	2,276
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	4,110
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Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(152)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (63,534)</u></u>
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CITY OF LEMMON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 1,132,092	\$ 1,082,639	\$ 2,214,731
Accounts receivable, net	44,935	5,983	50,918
Due from other government	-	346,610	346,610
Total Current Assets	<u>1,177,027</u>	<u>1,435,232</u>	<u>2,612,259</u>
Noncurrent Assets:			
Net pension asset	203	34	237
Capital Assets:			
Improvements other than buildings	4,570,299	-	4,570,299
Furnishings and equipment	14,350	77,072	91,422
Less: accumulated depreciation	<u>(693,332)</u>	<u>(24,904)</u>	<u>(718,236)</u>
Total Noncurrent Assets	<u>3,891,520</u>	<u>52,202</u>	<u>3,943,722</u>
TOTAL ASSETS	<u>5,068,547</u>	<u>1,487,434</u>	<u>6,555,981</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	<u>20,378</u>	<u>3,718</u>	<u>24,096</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>20,378</u>	<u>3,718</u>	<u>24,096</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	-	41,818	41,818
Notes payable	1,519,408	-	1,519,408
Due to other funds	-	18,513	18,513
Customer deposits	<u>50,932</u>	<u>-</u>	<u>50,932</u>
Total Current Liabilities	<u>1,570,340</u>	<u>60,331</u>	<u>1,630,671</u>
Noncurrent Liabilities:			
Accrued leave payable	<u>4,069</u>	<u>756</u>	<u>4,825</u>
Total Noncurrent Liabilities	<u>4,069</u>	<u>756</u>	<u>4,825</u>
TOTAL LIABILITIES	<u>1,574,409</u>	<u>61,087</u>	<u>1,635,496</u>
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	<u>14,159</u>	<u>3,080</u>	<u>17,239</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,159</u>	<u>3,080</u>	<u>17,239</u>
NET POSITION:			
Net investment in capital assets	2,339,156	52,168	2,391,324
Restricted for SDRS pension purposes	6,422	672	7,094
Unrestricted	<u>1,154,779</u>	<u>1,374,145</u>	<u>2,528,924</u>
TOTAL NET POSITION	<u>\$ 3,500,357</u>	<u>\$ 1,426,985</u>	<u>\$ 4,927,342</u>

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUE:			
Charges for goods and services	\$ 549,672	\$ 143,704	\$ 693,376
TOTAL OPERATING REVENUE	<u>549,672</u>	<u>143,704</u>	<u>693,376</u>
OPERATING EXPENSES:			
Personal services	72,764	9,861	82,625
Other current expense	26,779	487,590	514,369
Materials (cost of goods sold)	<u>315,034</u>	<u>-</u>	<u>315,034</u>
TOTAL OPERATING EXPENSES	<u>414,577</u>	<u>497,451</u>	<u>912,028</u>
OPERATING INCOME (LOSS)	<u>135,095</u>	<u>(353,747)</u>	<u>(218,652)</u>
NONOPERATING REVENUE (EXPENSE):			
Operating grants	-	346,610	346,610
Interest expense	<u>(42,355)</u>	<u>-</u>	<u>(42,355)</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(42,355)</u>	<u>346,610</u>	<u>304,255</u>
INCOME (LOSS) BEFORE TRANSFERS	92,740	(7,137)	85,603
TRANSFERS IN	<u>-</u>	<u>407,225</u>	<u>407,225</u>
CHANGE IN NET POSITION	92,740	400,088	492,828
NET POSITION - BEGINNING	<u>3,407,617</u>	<u>1,026,897</u>	<u>4,434,514</u>
NET POSITION - ENDING	<u>\$ 3,500,357</u>	<u>\$ 1,426,985</u>	<u>\$ 4,927,342</u>

CITY OF LEMMON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 549,672	\$ 143,704	\$ 693,376
Cash payments to employees for services	(73,655)	(10,253)	(83,908)
Cash payments to suppliers of goods and services	(341,117)	(427,259)	(768,376)
Net cash provided (used) by operating activities	<u>134,900</u>	<u>(293,808)</u>	<u>(158,908)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	-	407,225	407,225
Net cash provided by noncapital financing activities	<u>-</u>	<u>407,225</u>	<u>407,225</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest paid on capital debt	(42,355)	-	(42,355)
Other receipts (payments)	(32,751)	-	(32,751)
Net cash used by capital and related financing activities	<u>(75,106)</u>	<u>-</u>	<u>(75,106)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	59,794	113,417	173,211
BALANCES - BEGINNING	<u>1,072,298</u>	<u>969,222</u>	<u>2,041,520</u>
BALANCES - ENDING	<u>\$ 1,132,092</u>	<u>\$ 1,082,639</u>	<u>\$ 2,214,731</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 135,095	\$ (353,747)	\$ (218,652)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Decrease in payables	-	41,818	-
Decrease in due to other funds	-	18,513	-
Decrease in net pension asset	17,807	3,315	21,122
Decrease in pension related deferred outflows	2,936	147	3,083
Increase in customer deposits	696	-	696
Decrease in accrued leave payable	(123)	(299)	(422)
Decrease in pension related deferred inflows	(21,511)	(3,555)	(25,066)
Net cash provided (used) by operating activities	<u>\$ 134,900</u>	<u>\$ (293,808)</u>	<u>\$ (158,908)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEMMON
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST 8 YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.0123450 %	0.0128810 %	0.0118955 %	0.0105683 %	0.0114002 %	0.0112544 %	0.0114535 %	0.0116046 %
City's proportionate share of the net pension liability (asset)	\$ (1,167)	\$ (98,646)	\$ (517)	\$ (1,120)	\$ (266)	\$ (1,021)	\$ 38,689	\$ (49,218)
City's covered payroll	\$ 294,788	\$ 289,624	\$ 261,071	\$ 224,704	\$ 236,999	\$ 228,669	\$ 217,789	\$ 211,871
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.40 %	34.06 %	0.20 %	0.50 %	0.11 %	0.44 %	17.76 %	23.23 %
Plan fiduciary net position as a percentage of the total pension liability (asset)	100 %	106 %	100 %	100 %	100 %	100 %	97 %	104 %

* The amounts presented for each fiscal year were determined as of the measurement 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.

CITY OF LEMMON
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
LAST 10 YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 17,347	\$ 17,913	\$ 16,734	\$ 14,436	\$ 13,782	\$ 13,959	\$ 13,279	\$ 12,884	\$ 12,510	\$ 14,876
Contributions in relation to the contractually required contribution	<u>17,347</u>	<u>17,913</u>	<u>16,734</u>	<u>14,436</u>	<u>13,782</u>	<u>13,959</u>	<u>13,279</u>	<u>12,884</u>	<u>12,510</u>	<u>14,876</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 289,110	\$ 298,542	\$ 278,895	\$ 240,560	\$ 229,702	\$ 232,642	\$ 221,321	\$ 214,733	\$ 208,506	\$ 241,815
Contributions as a percentage of covered payroll	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.00 %	6.15 %

CITY OF LEMMON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND
SCHEDULE OF PENSION CONTRIBUTIONS

Changes from Prior Valuation

The June 30, 2022 Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021 Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

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

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016, to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for this June 30, 2022 Actuarial Valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021 Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For this June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

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 7 changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.

CITY OF LEMMON
NOTES THE THE REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND
SCHEDULE OF PENSION CONTRIBUTIONS
(Continued)

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.

SUPPLEMENTARY INFORMATION

CITY OF LEMMON
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	Bambl Park Fund	Cemetery Fund	3B Fund	TIF Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 24,428	\$ 101	\$ 178,354	\$ -	\$ 202,883
Investments	84,672	64,105	-	-	148,777
Due from state governments	-	-	4,008	-	4,008
Restricted cash and cash equivalents	-	-	-	24,808	24,808
Total Assets	<u>\$ 109,100</u>	<u>\$ 64,206</u>	<u>\$ 182,362</u>	<u>\$ 24,808</u>	<u>\$ 380,476</u>
FUND BALANCES:					
Nonspendable:					
Perpetual care for cemetery purposes	\$ -	\$ 64,206	\$ -	\$ -	\$ 64,206
Restricted:					
Bambl Petrified Park purposes	109,100	-	-	-	109,100
Facilities and promoting the City	-	-	182,362	24,808	207,170
TOTAL FUND BALANCES	<u>\$ 109,100</u>	<u>\$ 64,206</u>	<u>\$ 182,362</u>	<u>\$ 24,808</u>	<u>\$ 380,476</u>

CITY OF LEMMON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	Bambl Park Fund	Cemetery Fund	3B Fund	TIF Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:					
Taxes:					
General property taxes	\$ -	\$ -	\$ -	\$ 43,827	\$ 43,827
General sales and use taxes	-	-	49,457	-	49,457
Charges for Goods and Services:					
Cemetery	-	5,116	-	-	5,116
Miscellaneous Revenue:					
Investment earnings	-	1,028	-	44	1,072
Contributions and donations from private sources	-	1,185	-	-	1,185
TOTAL REVENUES	-	7,329	49,457	43,871	100,657
EXPENDITURES:					
Public Works:					
Cemeteries	-	15,556	-	-	15,556
Culture and Recreation:					
Parks	2,152	-	-	-	2,152
Conservation and Development:					
Economic development and assistance	-	-	20,376	-	20,376
Debt Service	-	-	-	38,657	38,657
TOTAL EXPENDITURES	2,152	15,556	20,376	38,657	76,741
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,152)	(8,227)	29,081	5,214	23,916
OTHER FINANCING SOURCES:					
Transfers in	-	4,856	-	-	4,856
TOTAL OTHER FINANCING SOURCES	-	4,856	-	-	4,856
NET CHANGE IN FUND BALANCES	(2,152)	(3,371)	29,081	5,214	28,772
FUND BALANCE - BEGINNING	111,252	67,577	153,281	19,594	351,704
FUND BALANCE - ENDING	\$ 109,100	\$ 64,206	\$ 182,362	\$ 24,808	\$ 380,476

CITY OF LEMMON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Total Federal Expenditures 2022
U.S. Department of Agriculture - Direct Programs: Water and Waste Disposal System for Rural Communities		10.760	\$ <u>418,176</u>
Total U.S. Department of Agriculture			<u>418,176</u>
U.S. Department of Transportation - Direct Programs: Airport Improvement Program (COVID) (Note 3)	Unknown	20.106	41,389
Airport Improvement Program (Note 3)	Unknown	20.106	<u>506,418</u>
Total U.S. Department of Transportation			<u>547,807</u>
U.S. Department of Treasury - Direct Programs: Coronavirus State and Local Fiscal Recovery Funds		21.027	<u>212,313</u>
Total U.S. Department of Treasury			<u>212,313</u>
National Endowment for the Arts - Pass-Through Programs: S.D. Arts Council:			
Promotions of the Arts	Unknown	45.025	1,727
Grants to States	Unknown	45.310	<u>10,000</u>
Total National Endowment for the Arts			<u>11,727</u>
U.S. General Services Administration - Pass-Through Programs: S.D. Federal Property Agency:			
Donation of Federal Surplus Personal Property (Note 4)	Unknown	39.003	<u>455</u>
Total General Services Administration			<u>455</u>
GRAND TOTAL			\$ <u><u>1,190,478</u></u>

CITY OF LEMMON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022
(Continued)

NOTE 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

NOTE 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

NOTE 4 - Federal Surplus Property

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City.

CITY OF LEMMON
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LEMMON
CITY OFFICIALS
DECEMBER 31, 2023

Mayor:

Matthew Barnes

Governing Board:

Pat Dalzell
Art Pederson
Gary Ericsson
Wayne Corcoran
Tim Pelkofer
Christine Becker

Financial Officer:

Chad Abel

Attorney:

Shane C. Penfield

CITY OF LEMMON

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CITY OF LEMMON

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KOHLMAN, BIERSCHBACH & ANDERSON, LLP
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WITH OFFICES IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' 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

City Council
City of Lemmon
Lemmon, 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 modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota (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 October 16, 2024, which was adverse for the discretely presented component unit because there were no audited modified cash basis of accounting financial statements available for the component unit in 2023, and unmodified for the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, as items 2023-001 through 2023-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters


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

City's Response to Findings

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

Purpose of this Report

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



October 16, 2024

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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WITH OFFICES IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City Council
City of Lemmon
Lemmon, SD

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lemmon, South Dakota (City's) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended December 31, 2023. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood

that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

October 16, 2024

CITY OF LEMMON

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Lemmon, SD 57638

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SCHEDULE OF PRIOR AUDIT FINDINGS

2022-001

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: A material weakness was reported for lack of segregation of duties for cash and investments, revenues, grants and receivables, inventories, capital assets, equity, debt, expenditures, and payroll, which could result in errors not being found in a timely manner.

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2023-001. The reason for recurrence is, due to cost considerations, the City has determined it is not practical to employ additional staff to adequately segregate duties. The City will implement compensating controls where practical.

2022-02

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements.

Status: Ongoing. This finding has not been corrected and is restated as current auditing finding 2023-002. The reason for recurrence is, due to cost considerations, the City has determined it is not practical to employ additional staff to implement an internal control structure adequate to identify all material adjustments. The City will implement compensating controls where practical.

2022-003

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with the generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2023-003. The reason for the recurrence is, due to cost considerations, the City accepts the risks associated with the auditors preparing the financial statements. The City will implement compensating controls where practical.

2022-004

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: The City has an inventory listing that does not contain values for all inventory items; therefore, the City is not in compliance with SDCL 5-24-2.

Status: Resolved. The City made the board approved decision to switch from generally accepted accounting principles (GAAP) to the modified cash basis of accounting.

2022-005

Initial Fiscal Year Finding Occurred: It is not known how long this comment has been made.

Finding Summary: A material weakness was reported for lack of proper capital asset records to support the amounts reported for general capital assets, enterprise capital assets, and depreciation expense; therefore, the City is not in compliance with SDCL 5-24-4.

Status: Resolved. The City made the board approved decision to switch from generally accepted accounting principles (GAAP) to the modified cash basis of accounting.

2022-006

Initial Fiscal Year Finding Occurred: 2022

Finding Summary: The budget for the airport function of the Airport Capital Project Fund was materially overspent by \$62,723.03.

Status: Resolved. This finding is not restated.

Chad Abel, Finance Officer

Matthew Barnes, Mayor

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2023

SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

Financial Statements:

- a. An adverse opinion was issued on the financial statements of the discretely presented component unit because of its omission of financial data. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information opinion units.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described as findings 2023-001 through 2023-003.
- c. Our audit did not disclose any instances of noncompliance which was material to the financial statements.

Federal Awards:

- d. An unmodified opinion was issued on compliance with the requirements applicable to the major program.
- e. Our audit did not disclose any audit findings that are required to be reported in accordance with 2 CFR 200.516(a).
- f. The federal award tested as a major program was:
 - a. Water and Waste Water Disposal System for Rural Communities #10.760
- g. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- h. City of Lemmon did not qualify as a low-risk auditee.

CURRENT FEDERAL AUDIT FINDINGS:

There are no written current federal compliance audit findings to report.

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2023-001

Criteria

Effective internal controls require segregation of duties to ensure that no single individual has control over all aspects of any significant transaction. This includes separating the responsibilities for authorization, custody, and record keeping functions. An organization also should have an internal control system in place to ensure the accuracy and reliability of financial reporting, compliance with applicable laws and regulations, and the safeguarding of assets.

Condition Found

A material weakness was reported for lack of internal controls including a lack of segregation of duties for cash, investments, revenues, receivables, grants, equity, expenditures and payroll.

Cause

The City has a limited number of employees who prepare all records for cash, investments, revenues, receivables, grants, equity, expenditures and payroll.

Effect

This is undesirable from an internal control viewpoint and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation

We recommend the City Council take a more active role in their oversight of cash, investments, revenues, receivables, grants, equity, expenditures and payroll.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2023
(Continued)

Identification as a Repeat Finding

Yes, this is a restatement of 2022-001.

Views of Responsible Officials

See the City's corrective action plan on pages 10 - 11.

2023-002

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with the modified cash basis of accounting..

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements.

Cause

The City does not have adequate controls in place to prevent or detect and correct misstatements.

Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement 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.

Identification as a Repeat Finding

Yes, this is a restatement of 2022-002.

Views of Responsible Officials

See the City's corrective action plan on pages 10 - 11.

2023-003

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with the modified cash basis of accounting.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2023
(Continued)

Condition Found

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with the modified cash basis of accounting. As auditors, we were requested to draft the financial statements.

Cause

The City does not have sufficient staff to ensure the preparation of the financial statements in accordance with the modified cash basis of accounting.

Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement 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.

Identification as a Repeat Finding

Yes, this is a restatement of 2022-003.

Views of Responsible Officials

See the City's corrective action plan on pages 10 - 11.

CITY OF LEMMON

303 First Ave West
Lemmon, SD 57638

Email: cityoflemmon@sdplains.com
Phone: 605-374-5681 Fax: 605-374-5789

CORRECTIVE ACTION PLAN (UNAUDITED)

City of Lemmon submits the following corrective action plan for the year ended December 31, 2023:

Current Audit Findings:

2023-001

Condition: A material weakness was reported for lack of internal controls, including a lack of segregation of duties for cash, investments, revenues, grants, equity, expenditures and payroll. This is undesirable from an internal control viewpoint and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Responsible official: Wayne Corcoran

Planned corrective actions: The City of Lemmon has determined that it is not cost beneficial to employ additional personnel to be able to adequately segregate duties for cash, investments, revenues, grants, equity, expenditures and payroll and accepts the risks involved. The Council is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. Some of the compensating controls that have been implemented including dual signature of checks and board members reviewing vouchers.

Anticipated completion date: This is ongoing.

2023-002

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements.

Responsible official: Wayne Corcoran

Planned corrective actions: The City of Lemmon accepts the risks associated with this deficiency. The Council is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical.

Anticipated completion date: This is ongoing.

2023-003

Condition: The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with the modified cash basis of accounting. As auditors, we were requested to draft the financial statements.

Responsible official: Wayne Corcoran

Planned corrective actions: Both management and the City Council are aware of this condition and are confident that the information is accurate and are willing to accept this risk.

Anticipated completion date: This is ongoing.

[REDACTED]

Chad Abel, Finance Officer /

Matthew Barnes, Mayor

KOHLMAN,BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS
WILLIAM J BACHMEIER, CPA
CHRISTINE OLSEN, CPA
EMILY SCHAEFERS, CPA

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MOBRIDGE, SD 57601
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KBACPAS.COM

WITH OFFICES IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Lemmon
Lemmon, South Dakota

Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota (City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise of the City's basic financial statements as listed in the Table of Contents.

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

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Unit section of our report, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the City as of December 31, 2023, or the changes in financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Unmodified Opinions on Governmental Activities, Business-Type Activities, Each Major Fund, and the Aggregate Remaining Fund Information

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

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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 adverse and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Unit

The financial statements referred to above do not include the financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because of this

departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component unit would have been reported for the year ended December 31, 2023, as \$2,796,655, \$899,240, \$1,897,415, \$587,388, and \$604,123, respectively.

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1.c., 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' modified cash basis of accounting 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 generally accepted auditing standards 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 generally accepted auditing standards 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.

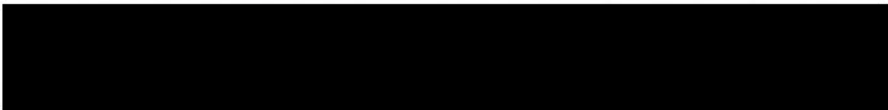
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedule, the Schedule of Changes in Long-Term Debt, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), the combining nonmajor fund financial statements, and the Schedule of Expenditures of Federal Awards listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule, the Schedule of Changes in Long-Term Debt, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), the combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 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 the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



October 16, 2024

CITY OF LEMMON
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2023

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 1,731,811	\$ 2,530,814	\$ 4,262,625
Investments	575,220	-	575,220
Restricted assets:			
Cash and cash equivalents	<u>79,600</u>	<u>886</u>	<u>80,486</u>
TOTAL ASSETS	<u>\$ 2,386,631</u>	<u>\$ 2,531,700</u>	<u>\$ 4,918,331</u>
NET POSITION:			
Restricted for:			
Bambl petrified park purposes	\$ 107,501	\$ -	\$ 107,501
Capital project purposes	67,854	-	67,854
Facilities and promoting the City	180,083	-	180,083
Park purposes	43,238	-	43,238
Debt service purposes	34,493	886	35,379
Library improvements	1,869	-	1,869
Perpetual care for cemetery purposes	65,173	-	65,173
Unrestricted	<u>1,886,420</u>	<u>2,530,814</u>	<u>4,417,234</u>
TOTAL NET POSITION	<u>\$ 2,386,631</u>	<u>\$ 2,531,700</u>	<u>\$ 4,918,331</u>

The notes to the modified cash basis financial statements are an integral part of this statement.

CITY OF LEMMON
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2023

	Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Primary Government:							
Governmental Activities:							
General government		\$ 195,162	\$ 25,817	\$ -	\$ -	\$ (169,345)	\$ (169,345)
Public safety		336,013	1,578	-	-	(334,435)	(334,435)
Public works		1,570,255	253,717	114,286	658,747	(543,485)	(543,485)
Health and welfare		8,246	-	2,000	-	(6,246)	(6,246)
Culture and recreation		347,503	26,683	-	-	(320,820)	(320,820)
Conservation and development		244,408	-	-	-	(244,408)	(244,408)
Miscellaneous		-	66,692	-	-	66,692	66,692
*Interest on long-term debt		24,837	-	-	-	(24,837)	(24,837)
Total Governmental Activities		2,726,424	374,507	116,286	658,747	(1,576,884)	(1,576,884)
Business-Type Activities:							
Water		498,529	535,871	-	-	\$ 37,342	37,342
Sewer		1,283,881	182,210	-	-	(1,101,671)	(1,101,671)
Total Business-Type Activities		1,782,410	718,081	-	-	(1,064,329)	(1,064,329)
Total Primary Government		\$ 4,508,834	\$ 1,092,588	\$ 116,286	\$ 658,747	(1,576,884)	(1,064,329)
General Revenues:							
Taxes:							
Property taxes						734,311	734,311
Sales taxes						813,773	813,773
State shared revenues						22,029	22,029
Grants and contributions not restricted to specific programs						4,222	4,222
Unrestricted investment earnings						44,767	45,862
Debt issued						-	1,397,781
Miscellaneous revenue						444	444
Total General Revenues						1,619,546	3,018,422
Change in Net Position						42,662	377,209
Net Position - Beginning						5,215,186	4,927,342
Adjustments:							
Conversion from accrual basis to cash basis (See Note 7)						(2,871,217)	(2,730,189)
Adjusted Net Position - Beginning						2,343,969	2,197,153
NET POSITION - ENDING						\$ 2,386,631	\$ 2,531,700

* The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

CITY OF LEMMON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
General property taxes	\$ 681,694	\$ -	\$ 47,706	\$ 729,400
General sales and use taxes	764,236	-	49,537	813,773
Penalties and interest on delinquent taxes	4,911	-	-	4,911
License and Permits	21,532	-	-	21,532
Intergovernmental Revenue:				
Federal grants	-	658,747	-	658,747
State grants	2,000	-	-	2,000
State shared revenue:				
Bank franchise tax	8,948	-	-	8,948
Prorate license fees	9,730	-	-	9,730
Liquor tax reversion (25%)	7,973	-	-	7,973
Motor vehicle licenses	25,146	-	-	25,146
Local government highway and bridge fund	68,358	-	-	68,358
State payments in lieu of taxes	5,108	-	-	5,108
Charges for Goods and Services:				
General government	4,285	-	-	4,285
Public safety	1,418	-	-	1,418
Highways and streets	750	-	-	750
Sanitation	249,852	-	-	249,852
Culture and recreation	26,683	-	-	26,683
Cemetery	-	-	3,135	3,135
Fines and Forfeits:				
Court fines and costs	160	-	-	160
Miscellaneous Revenue:				
Investment earnings	43,187	-	1,580	44,767
Rentals	11,052	-	-	11,052
Contributions and donations from private sources	3,557	-	665	4,222
Liquor operating agreement income	66,692	-	-	66,692
Other	444	-	-	444
TOTAL REVENUES	2,007,716	658,747	102,623	2,769,086
EXPENDITURES:				
General Government:				
Executive	54,692	-	-	54,692
Elections	739	-	-	739
Financial administration	112,999	-	-	112,999
Other	26,732	-	-	26,732
Public Safety:				
Police	277,000	-	-	277,000
Fire	59,013	-	-	59,013
Public Works:				
Highways and streets	675,472	-	-	675,472
Sanitation	266,768	-	-	266,768
Airport	32,641	580,730	-	613,371
Cemeteries	-	-	14,644	14,644

CITY OF LEMMON
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 1,461,256	\$ 67,854	\$ 202,701	\$ 1,731,811
Investments	425,164	-	150,056	575,220
Restricted cash and cash equivalents	<u>45,107</u>	<u>-</u>	<u>34,493</u>	<u>79,600</u>
TOTAL ASSETS	<u>\$ 1,931,527</u>	<u>\$ 67,854</u>	<u>\$ 387,250</u>	<u>\$ 2,386,631</u>
FUND BALANCES:				
Nonspendable	\$ -	\$ -	\$ 65,173	\$ 65,173
Restricted	45,107	67,854	322,077	435,038
Assigned	199,940	-	-	199,940
Unassigned	<u>1,686,480</u>	<u>-</u>	<u>-</u>	<u>1,686,480</u>
TOTAL FUND BALANCES	<u>\$ 1,931,527</u>	<u>\$ 67,854</u>	<u>\$ 387,250</u>	<u>\$ 2,386,631</u>

The notes to the modified cash basis financial statements are an integral part of this statement.

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Health and Welfare:				
Health	3,746	-	-	3,746
Home health	1,500	-	-	1,500
Mental health centers	3,000	-	-	3,000
Culture and Recreation:				
Recreation	147,884	-	-	147,884
Parks	129,633	-	1,599	131,232
Libraries	68,387	-	-	68,387
Conservation and Development:				
Economic development and assistance	86,136	-	47,808	133,944
Economic opportunity	60,909	-	-	60,909
Debt Service	36,072	-	38,320	74,392
TOTAL EXPENDITURES	<u>2,043,323</u>	<u>580,730</u>	<u>102,371</u>	<u>2,726,424</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(35,607)</u>	<u>78,017</u>	<u>252</u>	<u>42,662</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	10,530	10,530
Transfers out	<u>(10,530)</u>	<u>-</u>	<u>-</u>	<u>(10,530)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(10,530)</u>	<u>-</u>	<u>10,530</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(46,137)</u>	<u>78,017</u>	<u>10,782</u>	<u>42,662</u>
FUND BALANCE - BEGINNING	2,094,434	160,066	380,476	2,634,976
ADJUSTMENTS:				
Conversion from accrual basis to cash basis (see Note 7)	<u>(116,770)</u>	<u>(170,229)</u>	<u>(4,008)</u>	<u>(291,007)</u>
ADJUSTED FUND BALANCE - BEGINNING	<u>1,977,664</u>	<u>(10,163)</u>	<u>376,468</u>	<u>2,343,969</u>
FUND BALANCE - ENDING	<u>\$ 1,931,527</u>	<u>\$ 67,854</u>	<u>\$ 387,250</u>	<u>\$ 2,386,631</u>

The notes to the modified cash basis financial statements are an integral part of this statement.

CITY OF LEMMON
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2023

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 1,170,366	\$ 1,360,448	\$ 2,530,814
Total Current Assets	<u>1,170,366</u>	<u>1,360,448</u>	<u>2,530,814</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	-	886	886
Total Noncurrent Assets	<u>-</u>	<u>886</u>	<u>886</u>
TOTAL ASSETS	<u>\$ 1,170,366</u>	<u>\$ 1,361,334</u>	<u>\$ 2,531,700</u>
NET POSITION:			
Restricted for:			
Revenue bond debt service	\$ -	\$ 886	\$ 886
Unrestricted	<u>1,170,366</u>	<u>1,360,448</u>	<u>2,530,814</u>
TOTAL NET POSITION	<u>\$ 1,170,366</u>	<u>\$ 1,361,334</u>	<u>\$ 2,531,700</u>

The notes to the modified cash basis financial statements are an integral part of this statement.

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2023

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUE:			
Charges for goods and services	\$ 535,871	\$ 182,210	\$ 718,081
TOTAL OPERATING REVENUE	<u>535,871</u>	<u>182,210</u>	<u>718,081</u>
OPERATING EXPENSES:			
Personal services	80,982	15,590	96,572
Other current expense	71,454	1,250,504	1,321,958
Materials (cost of goods sold)	<u>270,985</u>	<u>-</u>	<u>270,985</u>
TOTAL OPERATING EXPENSES	<u>423,421</u>	<u>1,266,094</u>	<u>1,689,515</u>
OPERATING INCOME (LOSS)	<u>112,450</u>	<u>(1,083,884)</u>	<u>(971,434)</u>
NONOPERATING REVENUE (EXPENSE):			
Investment earnings	-	1,095	1,095
Debt service (principal)	(30,150)	(1,503,753)	(1,533,903)
Interest expense	(44,958)	(12,451)	(57,409)
Long-term debt issued	<u>-</u>	<u>2,896,198</u>	<u>2,896,198</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(75,108)</u>	<u>1,381,089</u>	<u>1,305,981</u>
CHANGE IN NET POSITION	<u>37,342</u>	<u>297,205</u>	<u>334,547</u>
NET POSITION - BEGINNING	3,500,357	1,426,985	4,927,342
ADJUSTMENTS:			
Conversion from accrual basis to cash basis (see Note 7)	<u>(2,367,333)</u>	<u>(362,856)</u>	<u>(2,730,189)</u>
ADJUSTED NET POSITION - BEGINNING	<u>1,133,024</u>	<u>1,064,129</u>	<u>2,197,153</u>
NET POSITION - ENDING	<u>\$ 1,170,366</u>	<u>\$ 1,361,334</u>	<u>\$ 2,531,700</u>

The notes to the modified cash basis financial statements are an integral part of this statement.

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS 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 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 Lemmon (City), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting 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.

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

The Housing and Redevelopment Commission of the City of Lemmon, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Lemmon Housing and Redevelopment Commission, 206 6th Street, Lemmon, SD 57638.

The City participates in a cooperative unit with Northwest South Dakota Regional Landfill Association. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit but are discussed in these notes because of the nature of their relationship with the City.

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. 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. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

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.

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - (Continued)

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, revenues, and expenditures/expenses. Funds 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 it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses 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, liabilities, revenues, or expenditures/expenses 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.

The funds of the City financial reporting entity 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.

Cemetery Perpetual Care Fund - To account for financial resources to be used for the general operations of the Cemetery. This is not a major fund.

Bamble Petrified Park Perpetual Care Fund - To account for keeping the park in operation. This is not a major fund.

Liquor, Lodging, and Dining Gross Receipts Tax Fund - To account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium, or athletic facility buildings, including the maintenance, staffing, and operations of such facilities and the promotion and advertising the City (SDCL 10-52A-2). This fund may be established at the direction of the governing body through local ordinance. This is not a major fund.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

TIF Debt Service Fund - To account for resources to be paid for the principal, interest and related costs associated with the storm sewer system. This is not 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 or trust funds for individuals, private organizations, or other governments).

Airport Capital Project Fund - To account for the financial resources to be used for the construction at the airport. This is a major fund.

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - (Continued)

Proprietary Funds:

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

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

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

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

c. Measurement Focus and Basis of Accounting:

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

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

Measurement Focus:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position 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.

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 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.

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - (Continued)

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 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 acceptable modification to the cash basis of accounting implemented by the City in these financial statements is:

Recording long-term investments in marketable securities (those with maturities more than 90 days (three months) from the date of the acquisition) acquired with cash assets at cost.

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 and fiduciary 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 Law (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at fair market value.

e. Capital Assets:

Capital assets include land, buildings, improvements other than buildings, furnishings and equipment, construction/development in progress, infrastructure, intangible lease assets, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

As discussed in Note 1.c. above, 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 City has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate, so any capital assets owned by the City and the related depreciation/amortization are not reported on the financial statements of the City.

f. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, notes payable and revenue bonds.

As discussed in Note 1.c. above, 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 City has not elected to modify their cash basis presentation by recording long-term debt or long-term liabilities arising from cash transactions, so any outstanding long-term debt or long-term liabilities are not reported on the financial statements of the City. The City does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities, the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - (Continued)

The City has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

g. Program Revenues:

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.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified as operating or non-operating revenues and expenses. Operating revenues and expenses directly relate to the purpose of the fund.

i. Equity Classifications:

Government-Wide Financial Statements:

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

1. Restricted net position - Consists of net position with constraints placed on 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 does not meet the definition of restricted net position.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned, or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

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 position are available.

k. Fund Balance Classification Policies and Procedures:

In accordance with Governmental Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - (Continued)

1. Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
4. 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 Council.
5. 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/committed amounts first when both restricted and unrestricted fund balance is 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 expenditures are made.

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

A schedule of fund balances is provided as follows:

CITY OF LEMMON
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General Fund	Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable for:				
Perpetual care for cemetery purposes	\$ -	\$ -	\$ 65,173	\$ 65,173
Restricted for:				
Bambl Petrified Park Purposes	-	-	107,501	107,501
Capital project Purposes	-	67,854	-	67,854
Facilities and promoting the City	-	-	180,083	180,083
Park purposes	43,238	-	-	43,238
Debt service purposes	-	-	34,493	34,493
Library improvements	1,869	-	-	1,869
Assigned to:				
Fire department	98,061	-	-	98,061
General parks	18,000	-	-	18,000
Police department	16,000	-	-	16,000
Street department	37,879	-	-	37,879
Swimming pool	30,000	-	-	30,000
Unassigned	<u>1,686,480</u>	<u>-</u>	<u>-</u>	<u>1,686,480</u>
Total Fund Balances	<u><u>\$ 1,931,527</u></u>	<u><u>\$ 67,854</u></u>	<u><u>\$ 387,250</u></u>	<u><u>\$ 2,386,631</u></u>

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING STANDARD

In 2023, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). This statement improves accounting and financial reporting for SBITAs; enhances the comparability of financial statements between governments; and also enhances the understandability, reliability, relevance, and consistency of information about SBITAs. The City prepared and presented the financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; therefore, the implementation of this standard did not affect beginning net position or beginning fund balances.

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

The City follows the practice of aggregating the cash assets of all the 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 percent 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.

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.

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.

As of December 31, 2023, the City did not have any investments. The investments reported in the financial statements consists only of certificates of deposits.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's investments are in certificates of deposit - 100%.

Interest Rate Risk - The City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the General Fund. At year end a part of the interest income may be transferred to specific funds per a motion of the City Council on the recommendation of the Finance Officer and Finance Committee.

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

Amount:	Purpose:
\$ 43,238	For Bamble Petrified Park purposes in the General Fund
\$ 1,869	For library expansion purposes in the General Fund
\$ 886	For debt service in the Sewer Fund
\$ 34,493	For debt service in the TIF Debt Service Fund

NOTE 5 - 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 6 - RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2023, was as follows:

Major Purposes:	
Debt services purposes - TIF Fund	\$ 34,493
Debt services purposes - Sewer Fund	886
Other Purposes:	
Bamble Petrified Park purposes	107,501
Library expansion purposes	1,869
Park purposes	43,238
Facilities and promoting the City	180,083
Capital project purposes	67,854
Total Restricted Net Position	<u>\$ 435,924</u>

These balances are restricted by the terms of bond agreements and statutory requirements.

NOTE 7 - PRIOR PERIOD ADJUSTMENTS

The City Council approved to convert the City from accounting principles generally accepted in the United States of America (GAAP) to the modified cash basis of accounting as of January 1, 2023. As a result, beginning net position and fund balances have been restated to reflect the removal of all the prior year assets and liabilities, except for cash and investments, as of January 1, 2023, as follows:

	Governmental Activities	Business - Type Activities
Net Position January 1, 2023, as previously reported	\$ 5,215,186	\$ 4,927,342
Prior period adjustment - conversion from accrual basis to modified cash basis	<u>(2,871,217)</u>	<u>(2,730,189)</u>
Net Position January 1, 2023, as restated	<u>\$ 2,343,969</u>	<u>\$ 2,197,153</u>

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7 - (Continued)

	General Fund	Airport Capital Project Fund	Bamble Park Fund	Cemetery Fund	3B Fund	TIF Debt Service Fund
Fund Balance January 1, 2023, as previously reported	\$ 2,094,434	\$ 160,066	\$ 109,100	\$ 64,206	\$ 182,362	\$ 24,808
Prior period adjustment - conversion from accrual basis to modified cash basis	<u>(116,770)</u>	<u>(170,229)</u>	<u>-</u>	<u>-</u>	<u>(4,008)</u>	<u>-</u>
Fund Balance January 1, 2023, as restated	<u>\$ 1,977,664</u>	<u>\$ (10,163)</u>	<u>\$ 109,100</u>	<u>\$ 64,206</u>	<u>\$ 178,354</u>	<u>\$ 24,808</u>

	Water Fund	Sewer Fund
Net Position January 1, 2023, as previously reported	\$ 3,500,357	\$ 1,426,985
Prior period adjustment - conversion from accrual basis to modified cash basis	<u>(2,367,333)</u>	<u>(362,856)</u>
Net Position January 1, 2023, as restated	<u>\$ 1,133,024</u>	<u>\$ 1,064,129</u>

NOTE 8 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2023, were as follows:

	Transfers To: Cemetery Fund	Total
Transfers From:		
Major Funds:		
General Fund	\$ 10,530	\$ 10,530
Total	<u>\$ 10,530</u>	<u>\$ 10,530</u>

The purpose of the interfund transfer from the General Fund to the Cemetery Fund was to reimburse the Cemetery Fund for expenses paid.

NOTE 9 - 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 are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report can 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 LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 - (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 that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

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

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ended December 31, 2023, 2022, and 2021, were \$20,906, \$17,347, and \$17,913, respectively, equal to the required contributions each year.

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 - (Continued)

Pension Assets and Pension Expense:

At June 30, 2023, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period ended June 30, 2023, and reported by the City as of December 31, 2023, are as follows:

Proportionate share of total pension liability	\$ 1,750,186
Less proportionate share of net position restricted for pension benefits	<u>1,751,365</u>
Proportionate share of net pension liability (asset)	\$ <u>(1,179)</u>

The net pension asset was measured as of June 30, 2023, and the total pension liability 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, 2023, the City's proportion was .01207800%, which is a decrease of .0002670% from its proportion measured as of June 30, 2022.

Actuarial Assumptions:

The total pension 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%

Mortality Rates:

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

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

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

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

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 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 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

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 9 - (Continued)

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 %
Total	<u>100 %</u>	

Discount Rate:

The discount rate used to measure the total pension liability 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 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 1-percentage point lower (5.50%) or 1-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)	\$ 241,626	\$ (1,179)	\$ (199,747)

Pension Plan Fiduciary Net Position:

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

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10 - JOINT VENTURES

The City participates in a joint venture known as Northwest South Dakota Regional Landfill Association, formed for the purpose of providing landfill services to the communities in the northwest part of South Dakota.

The members of the joint venture and their relative percentage of participation are as follows:

Bison	16.67%
Buffalo	16.67%
Isabel	16.67%
Lemmon	16.67%
McIntosh	16.66%
McLaughlin	16.66%

The City retains no equity in the Net Position of the joint venture but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northwest South Dakota Regional Landfill Association.

At December 31, 2023, this joint venture had total assets of \$1,661,430, total liabilities of \$215,221, and total Net Position of \$1,446,209.

NOTE 11 - SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2023, the City was involved in one lawsuit. No determination can be made at this time regarding the potential outcome of this lawsuit. However, as discussed in the Risk Management note, the City has liability coverage for itself and its employees with South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the City as a result of the potential outcome of this lawsuit.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through October 16, 2024, the date on which the financial statements were available to be issued. Management has determined there are none.

NOTE 13 - 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, 2023, the City managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 13 - (Continued)

pays an annual premium to the pool to provide coverage for general liability, automobile liability, legal liability, and property coverage.

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

The City carries a \$0 deductible for the monetary per occurrence general liability, \$5,000 deductible for the non monetary and employment related general liability, \$100,000 deductible for cyber liability, \$1,000 deductible for structure and contents property, \$500 deductible for mobile equipment, \$500 deductible for building boiler and equipment breakdown, \$2,500 deductible for water and sewer boiler and equipment breakdown, and \$25,000 deductible for electric boiler and equipment breakdown.

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.

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any 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.

Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended December 31, 2023, no claims for unemployment benefits were paid. At December 31, 2023, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

CITY OF LEMMON
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
General property taxes	\$ 686,809	\$ 686,809	\$ 681,694	\$ (5,115)
General sales and use taxes	725,000	725,000	764,236	39,236
Penalties and interest on delinquent taxes	2,000	2,000	4,911	2,911
License and Permits	25,500	25,500	21,532	(3,968)
Intergovernmental Revenue:				
State grants	1,700	3,700	2,000	(1,700)
State shared revenue:				
Bank franchise tax	7,000	7,000	8,948	1,948
Prorate license fees	8,000	8,000	9,730	1,730
Liquor tax reversion (25%)	8,000	8,000	7,973	(27)
Motor vehicle licenses	24,000	24,000	25,146	1,146
Local government highway and bridge fund	65,000	65,000	68,358	3,358
State payments in lieu of taxes	-	-	5,108	5,108
County shared revenue:				
Other	5,000	5,000	-	(5,000)
Charges for Goods and Services:				
General government	-	-	4,285	4,285
Public safety	17,000	17,000	1,418	(15,582)
Highways and streets	1,200	1,200	750	(450)
Sanitation	224,500	224,500	249,852	25,352
Culture and recreation	23,487	23,487	26,683	3,196
Fines and Forfeits:				
Court fines and costs	-	-	160	160
Miscellaneous Revenue:				
Investment earnings	6,000	6,000	43,187	37,187
Rentals	11,863	11,863	11,052	(811)
Contributions and donations from private sources	1,000	1,000	3,557	2,557
Liquor operating agreement income	62,900	62,900	66,692	3,792
Other	-	-	444	444
TOTAL REVENUES	1,905,959	1,907,959	2,007,716	99,757
EXPENDITURES:				
General Government:				
Contingency	75,000	75,000		
Amount Transferred		(12,229)		62,771
Executive	58,184	58,184	54,692	3,492
Elections	2,400	2,400	739	1,661
Financial administration	115,880	115,880	112,999	2,881
Other	26,200	26,732	26,732	-
Public Safety:				
Police	287,000	287,000	277,000	10,000
Fire	73,255	73,255	59,013	14,242
Public Works:				
Highways and streets	547,677	795,147	675,472	119,675
Sanitation	268,178	268,178	266,768	1,410
Airport	36,865	36,865	32,641	4,224

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Health and Welfare:				
Health	1,700	3,746	3,746	-
Home health	1,500	1,500	1,500	-
Mental health	3,000	3,000	3,000	-
Culture and Recreation:				
Recreation	140,709	149,707	147,884	1,823
Parks	135,399	135,415	129,633	5,782
Libraries	70,469	70,469	68,387	2,082
Conservation and Development:				
Urban redevelopment and housing	-	-	-	10,530
Economic development and assistance	87,066	87,066	86,136	930
Economic opportunity	61,700	61,700	60,909	791
Debt Service	134,864	134,864	36,072	98,792
TOTAL EXPENDITURES	2,127,046	2,373,879	2,043,323	330,556
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(221,087)	(465,920)	(35,607)	(430,313)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(10,530)	10,530
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(10,530)	(10,530)
NET CHANGE IN FUND BALANCES	(221,087)	(465,920)	(46,137)	(419,783)
FUND BALANCE - BEGINNING	2,094,434	2,094,434	2,094,434	-
ADJUSTMENTS:				
Conversion from accrual basis to cash basis (See Note 7)	(116,770)	(116,770)	(116,770)	-
ADJUSTED FUND BALANCE - BEGINNING	1,977,664	1,977,664	1,977,664	-
FUND BALANCE - ENDING	\$ 1,756,577	\$ 1,511,744	\$ 1,931,527	\$ (419,783)

CITY OF LEMMON
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
DECEMBER 31, 2023

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, 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 percent of the total City 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.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.

NOTE 2 - OTHER COMPREHENSIVE BASIS OF ACCOUNTING MODIFIED CASH BASIS/BUDGETARY ACCOUNTING BASIS DIFFERENCES

The financial statements prepared in conformity with USGAAP applied within the context of 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 RSI 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.

CITY OF LEMMON
SCHEDULE OF CHANGES IN LONG-TERM DEBT
YEAR ENDED DECEMBER 31, 2023

Indebtedness	Long-Term Debt January 1, 2023	Add New Debt	Less Debt Retired	Long-Term Debt December 31, 2023
GOVERNMENTAL LONG-TERM DEBT:				
Lease liabilities	\$ 5,808	\$ -	\$ 5,808	\$ -
Other long-term liabilities	<u>399,605</u>	<u>-</u>	<u>49,555</u>	<u>350,050</u>
ENTERPRISE LONG-TERM DEBT:				
Revenue bond	<u>1,519,408</u>	<u>2,896,198</u>	<u>1,533,903</u>	<u>2,881,703</u>
Total	<u>\$ 1,924,821</u>	<u>\$ 2,896,198</u>	<u>\$ 1,589,266</u>	<u>\$ 3,231,753</u>

NOTE 1 - LONG-TERM DEBT

Debt payable at December 31, 2023, is comprised of the following:

Revenue Bond:

Sewer Project Revenue Bond, due in semi-annual installments of \$4,431, including 2.250% interest, maturing September 25, 2063. This debt is serviced by the Sewer Fund. \$ 1,392,445

Dacotah Bank line of credit, due in one installment to be paid with funds received from the Sewer Project Revenue Bond. This debt is serviced by the Sewer Fund. \$ -

Perkins County Rural Water loan, due in annual installments of \$75,107.81, including 3.000% interest, maturing May 6, 2054. This debt is serviced by the Water Fund. \$ 1,489,258

Lease Liability:

Skid steer lease, due in annual installments of \$5,808, maturing December 16, 2023. This debt is serviced by the General Fund. \$ -

Other Long-Term Debt:

Fire station addition loan at Dacotah Bank, due in annual installments of \$20,973.42, including 2.75% interest, maturing October 1, 2025. This debt is serviced by the General Fund. \$ 28,511

Case loader loan at Dacotah Bank, due in annual installments of \$15,517.75, including 2.550% interest, maturing June 15, 2023. This debt is serviced by the General Fund. \$ -

TIF loan at Dacotah Bank, due in semi-annual installments of \$17,174.62, including 7.00% interest, maturing December 1, 2036. This debt is serviced by the TIF Fund. \$ 321,539

CITY OF LEMMON
SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST 9 YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.0120780 %	0.0123450 %	0.0128810 %	0.0118955 %	0.0105683 %	0.0114002 %	0.0112544 %	0.0114535 %	0.0116046 %
City's proportionate share of the net pension liability (asset)	\$ <u>(1,179)</u>	\$ <u>(1,167)</u>	\$ <u>(98,646)</u>	\$ <u>(517)</u>	\$ <u>(1,120)</u>	\$ <u>(266)</u>	\$ <u>(1,021)</u>	\$ <u>38,689</u>	\$ <u>(49,218)</u>
City's covered payroll	\$ <u>311,536</u>	\$ <u>294,788</u>	\$ <u>289,624</u>	\$ <u>261,071</u>	\$ <u>224,704</u>	\$ <u>236,999</u>	\$ <u>228,669</u>	\$ <u>217,789</u>	\$ <u>211,871</u>
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.38 %	0.40 %	34.06 %	0.20 %	0.50 %	0.11 %	0.44 %	17.76 %	23.23 %
Plan fiduciary net position as a percentage of the total pension liability (asset)	100 %	100 %	106 %	100 %	100 %	100 %	100 %	97 %	104 %

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

CITY OF LEMMON
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
DECEMBER 31, 2023

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 prospectively 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 a 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%.

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 LEMMON
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	Bambl Park Fund	Cemetery Fund	3B Fund	TIF Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 22,830	\$ (212)	\$ 180,083	\$ -	\$ 202,701
Investments	84,671	65,385	-	-	150,056
Restricted cash and cash equivalents	-	-	-	34,493	34,493
TOTAL ASSETS	<u>\$ 107,501</u>	<u>\$ 65,173</u>	<u>\$ 180,083</u>	<u>\$ 34,493</u>	<u>\$ 387,250</u>
FUND BALANCES:					
Nonspendable:					
Perpetual care for cemetery purposes	\$ -	\$ 65,173	\$ -	\$ -	\$ 65,173
Restricted:					
Bambl Petrified Park purposes	107,501	-	-	-	107,501
Facilities and promoting the City	-	-	180,083	34,493	214,576
TOTAL FUND BALANCES	<u>\$ 107,501</u>	<u>\$ 65,173</u>	<u>\$ 180,083</u>	<u>\$ 34,493</u>	<u>\$ 387,250</u>

CITY OF LEMMON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	Bambl Park Fund	Cemetery Fund	3B Fund	TIF Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:					
Taxes:					
General property taxes	\$ -	\$ -	\$ -	\$ 47,706	\$ 47,706
General sales and use taxes	-	-	49,537	-	49,537
Charges for Goods and Services:					
Cemetery	-	3,135	-	-	3,135
Miscellaneous Revenue:					
Investment earnings	-	1,281	-	299	1,580
Contributions and donations from private sources	-	665	-	-	665
TOTAL REVENUES	-	5,081	49,537	48,005	102,623
EXPENDITURES:					
Public Works:					
Cemeteries	-	14,644	-	-	14,644
Culture and Recreation:					
Parks	1,599	-	-	-	1,599
Conservation and Development:					
Economic development and assistance	-	-	47,808	-	47,808
Debt Service	-	-	-	38,320	38,320
TOTAL EXPENDITURES	1,599	14,644	47,808	38,320	102,371
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,599)	(9,563)	1,729	9,685	252
OTHER FINANCING SOURCES:					
Transfers in	-	10,530	-	-	10,530
TOTAL OTHER FINANCING SOURCES	-	10,530	-	-	10,530
NET CHANGE IN FUND BALANCES	(1,599)	967	1,729	9,685	10,782
FUND BALANCE - BEGINNING	109,100	64,206	182,362	24,808	380,476
ADJUSTMENTS:					
Conversion from accrual basis to cash basis (see Note 7)	-	-	(4,008)	-	(4,008)
ADJUSTED FUND BALANCE - BEGINNING	109,100	64,206	178,354	24,808	376,468
FUND BALANCE - ENDING	\$ 107,501	\$ 65,173	\$ 180,083	\$ 34,493	\$ 387,250

CITY OF LEMMON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Assistance Listing Number	Total Federal Expenditures 2023
U.S. Department of Agriculture - Direct Programs: Water and Waste Water Disposal Systems for Rural Communities (Note 3)	Unknown	10.760	\$ 979,605
Total U.S. Department of Agriculture			<u>979,605</u>
U.S. Department of Transportation - Direct Programs: Airport Improvement Program	Unknown	20.106	153,770
Total U.S. Department of Transportation			<u>153,770</u>
U.S. General Services Administration - Pass-Through Programs: S.D. Federal Property Agency: Donation of Federal Surplus Personal Property (Note 4)	Unknown	39.003	1,061
Total General Services Administration			<u>1,061</u>
GRAND TOTAL			<u>\$ 1,134,436</u>

NOTE 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

NOTE 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.

NOTE 4 - Federal Surplus Property

The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the City.



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City of Lemmon

303 1st Ave W

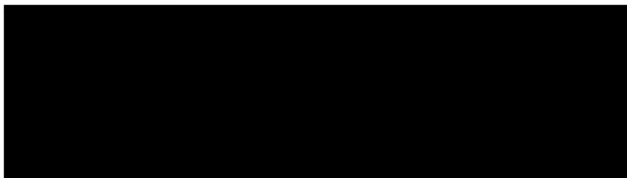
Lemmon, SD 57638

10/29/2025

To whom it may concern,

Dacotah Bank in Lemmon is willing to offer a Letter of Credit with a total commitment of up to \$500,000.00 for the duration of the street project that is to take place at 2nd St E in Lemmon, SD. This Letter of Credit's purpose will be to supplement one annual payment of the street project. Lender based the annual payment projection on a term note of \$3,000,000. This Letter of Credit would function as a reserve should the City of Lemmon be unable to make their annual payment.

Thank you,



Jaden Shockley, Business Banker

