

CITY OF LEMMON
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

CITY OF LEMMON
CITY OFFICIALS
DECEMBER 31, 2015

Mayor:

Neal Pinnow

Governing Board:

Harlan Hess
Jim Lorenz
Jill Anderson
Peter Butterfield
Melissa Reede
Jackie Beer

Finance Officer:

Barb Bartell

Attorney:

Shane C. Penfield

CITY OF LEMMON

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WITH OFFICE 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, each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota (City), as of December 31, 2015, and for the year then ended, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 6, 2016, which was adverse because of financial statement deficiencies. 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 City of Lemmon'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.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items 2015-001 through 2015-007 to be material weaknesses.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 items 2015-006 and 2015-007.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Kahlan, Bintliff & Anderson, LLP

September 6, 2016

CITY OF LEMMON
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015

PRIOR AUDIT FINDINGS:

2014-001

A material weakness was reported for a lack of segregation of duties for revenues, cash, indebtedness, receivables, inventories, payables, capital assets, equity, expenditures and payroll. This comment has not been corrected and is restated as current audit finding 2015-001.

2014-002

A material weakness was reported for a lack of internal control structure to provide for the recording of all necessary material adjustments. This comment has not been corrected and is restated as current audit finding 2015-002.

2014-003

A material weakness was reported for not maintaining sufficient inventory records for the governmental activities, business-type activities and each major fund. The City of Lemmon has an inventory listing but it does not contain any values; therefore, the City is not in compliance with SDCL 5-24-2. This comment has not been corrected and is restated as current audit finding 2015-003.

2014-004

A material weakness was reported for not maintaining proper fixed asset records to support the amounts reported for general fixed assets, enterprise fixed assets and depreciation expense; therefore, the City is not in compliance with SDCL 5-24-4. This comment has not been corrected and is restated as current audit finding 2015-004.

2014-005

The City does not have an internal control system designed for the preparation of the annual financial statements being audited. This condition has not been corrected and is restated as current audit finding 2015-005.

2014-006

The City went over budget in the Cemetery Fund in the cemeteries function by \$13,399 and in the Capital Project Fund in the airport function by \$102,840. This finding was corrected for 2015.

2014-007

The City was not in compliance with SDCL 9-21-2 due to no published appropriations ordinances or supplemental appropriations ordinances for the Capital Project - Airport Fund. This finding was corrected for 2015.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2015

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2015-001

Criteria

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

Condition Found

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

Effect

The City of Lemmon has a limited number of employees who prepare all records for revenues, receivables, inventories, payables, indebtedness, capital assets, equity, cash, 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.

Recommendation

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

Management's Response

The City of Lemmon has determined that it is not cost beneficial to employ additional personnel to be able to adequately segregate duties for revenues, receivables, inventories, payables, indebtedness, capital assets, equity, cash, 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. Harlan Hess, Finance Committee, is the person responsible for the corrective action plan for this finding.

2015-002

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, 2015
(Continued)

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.

Management's Response

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. The contact person for this finding is Harlan Hess, Finance Committee.

2015-003

Criteria

The City of Lemmon is responsible for maintaining accurate records for amounts reported as inventories for governmental activities, business-type activities and each major fund.

Condition Found

A material weakness was reported for not maintaining sufficient inventory records for the governmental activities, business-type activities and each major fund. The City of Lemmon has an inventory listing but the report does not contain any values; therefore, the City is not in compliance with SDCL 5-24-2.

Effect

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

Recommendation

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

Management's Response

The City will review the cost versus the benefits of completing an inventory. The contact person for this finding is Harlan Hess, Finance Committee.

2015-004

Criteria

The City of Lemmon is responsible for maintaining proper general fixed asset, enterprise fixed asset, and depreciation records.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2015
(Continued)

Condition Found

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

Effect

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

Recommendation

We recommend general fixed asset, enterprise fixed asset and depreciation records be established and maintained.

Management's Response

The City of Lemmon will review the costs and the benefits associated with correcting this deficiency. The contact person for this finding is Harlan Hess, Finance Committee.

2015-005

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 generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

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.

Management's Response

Both management and the City Council have been informed of this condition and are confident that the information is accurate and are willing to accept this risk. Harlan Hess, Finance Committee, is responsible for the corrective action plan for this finding.

2015-006

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2015
(Continued)

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 in 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 purpose or for such department in the annual appropriation ordinance for such year, except as otherwise specially provided.

Condition Found

The City exceeded, by material amounts, the budgeted appropriations of the General Fund in the highway and streets expenditures by \$853,578.

Effect

Failure to follow SDCL 9-21-9 indicates an inadequacy of controls, which resulted in expenditures being made without proper authority.

Recommendation

We recommend that the City complies with SDCL 9-21-9. Monthly budget-to-actual statements should be submitted to the City Council to monitor compliance. If, during the year, it is determined that insufficient amounts have been budgeted, state statute allows for the adoption of a supplemental budget to make necessary changes.

Management's Response

Management was aware of the Railway Street Project and had a projected budget amount. Due to the fact that all the expenditures flowed through the State, the City did not publish a budget or supplemental budget for the project. Management is now aware of the need to budget for the City's share of joint projects and will do so in the future. The contact person for this finding is Harlan Hess, Finance Committee.

2015-007

Criteria

SDCL 9-21-2 states that the governing body of each municipality shall, no later than its first regular meeting in September of each year or within ten days thereafter, introduce the annual appropriation ordinance for the ensuing fiscal year, in which it shall appropriate the sums of money necessary to meet all lawful expenses and liabilities of the municipality. It is not necessary to appropriate revenue to be expended from an enterprise or trust and agency fund if the fund is not supported or subsidized by revenue derived from the annual appropriated tax levy. However, an annual budget for these funds shall be developed and published no later than December thirty-first of each year.

Condition Found

The City failed to publish appropriations ordinances or supplemental appropriations ordinances for the 3B Fund.

Effect

The City is not in compliance with SDCL 9-21-2.

Recommendation

We recommend the City comply with SDCL 9-21-2 by publishing appropriation ordinances for all funds.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2015
(Continued)

Management's Response

The City Council will monitor compliance more closely. The contact person for this finding is Harlan Hess, Finance Committee.

Closing Conference

The contents of this report were discussed with Neal Pinnow, Mayor; Barb Bartell, Finance Officer; Annette Dalzell, Assistant Finance Officer; and Harlan Hess, Council Member; on April 27, 2016.

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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WITH OFFICE IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Lemmon
Lemmon, South Dakota

Report on the Financial Statements

We have audited the accompanying 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 December 31, 2015, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the Table of Contents. Management has elected to omit the related notes to the financial statements; therefore, we did not audit the related notes.

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Lemmon Housing and Redevelopment Commission, which represent 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Lemmon, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on Governmental and Business-Type Activities

Management has not prepared notes to the financial statements or maintained proper general fixed assets or 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 numerous disclosures be made, and fixed assets and inventory be properly recorded, which would affect assets, net position, and expenses of the governmental activities, business-type activities and each major fund. The amount by which these departures would affect the assets, net position and expenses of the governmental activities, business-type activities and each major fund has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on Governmental and Business-Type Activities” paragraph, the financial statements referred to previously do not present fairly the financial position of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemmon as of December 31, 2015, and the respective changes in 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.

Unmodified Opinion

In our opinion, based on the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component unit of the City of Lemmon as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The City has not prepared notes to the financial statements. These required footnotes would include information regarding the discretely presented component unit. As a result, these 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.

Emphasis of Matter

Adoption of New Accounting Standard

As shown on the statement of activities and the statement of revenues, expenses and changes in fund net position, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. As shown on the statement of activities and the statement of revenues, expenses and changes in fund net position, the City has retroactively restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Pension Schedules on pages 21 through 22 be presented to supplement the basic financial statements. Such 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. 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.

Other Matters

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.

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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, however, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental and Business-Type Activities" paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities and the changes in financial position. Therefore, we do not express an opinion on the accompanying combining and individual nonmajor fund financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Kehlen, Seibert & Allen, LLP

September 6, 2016

CITY OF LEMMON
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	PRIMARY GOVERNMENT			9/30/2015 Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 672,812	\$ 750,929	\$ 1,423,741	\$ 154,720
Investments	775,038	-	775,038	-
Accounts receivable, net	136,696	24,077	160,773	507
Inventories	4,293	-	4,293	1,929
Other assets	5,812	-	5,812	5,102
Restricted Assets:				
Cash and cash equivalents	45,800	41,121	86,921	13,934
Investments	-	500,000	500,000	-
Net pension asset	37,696	11,522	49,218	15,607
Capital Assets:				
Land, improvements and construction in progress	-	-	-	78,489
Other capital assets, net of depreciation	<u>2,763,943</u>	<u>2,207,385</u>	<u>4,971,328</u>	<u>1,336,829</u>
TOTAL ASSETS	<u>4,442,090</u>	<u>3,535,034</u>	<u>7,977,124</u>	<u>1,607,117</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Pension related deferred outflows	<u>66,132</u>	<u>20,214</u>	<u>86,346</u>	<u>26,152</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>66,132</u>	<u>20,214</u>	<u>86,346</u>	<u>26,152</u>
LIABILITIES:				
Accounts payable	-	-	-	3,222
Other current liabilities	48	47,850	47,898	60,951
Noncurrent Liabilities:				
Due within one year	127,028	-	127,028	40,998
Due in more than one year	<u>754,344</u>	<u>3,260</u>	<u>757,604</u>	<u>725,611</u>
TOTAL LIABILITIES	<u>881,420</u>	<u>51,110</u>	<u>932,530</u>	<u>830,782</u>
DEFERRED INFLOWS OF RESOURCES:				
Pension related deferred inflows	<u>55,622</u>	<u>17,001</u>	<u>72,623</u>	<u>24,654</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>55,622</u>	<u>17,001</u>	<u>72,623</u>	<u>24,654</u>
NET POSITION:				
Net investment in capital assets	1,914,764	2,207,385	4,122,149	631,706
Restricted for:				
Debt service purposes	10,000	-	10,000	-
SDRS pension purposes	48,206	14,735	62,941	17,105
Other purposes	219,564	500,000	719,564	-
Unrestricted	<u>1,378,646</u>	<u>765,017</u>	<u>2,143,663</u>	<u>129,022</u>
TOTAL NET POSITION	<u>\$ 3,571,180</u>	<u>\$ 3,487,137</u>	<u>\$ 7,058,317</u>	<u>\$ 777,833</u>

CITY OF LEMMON
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			9/30/2015 Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary Government:								
Governmental Activities:								
General government	\$ 163,387	\$ 29,276	\$ -	\$ -	\$ (134,111)		\$ (134,111)	
Public safety	268,610	60,746	-	-	(207,864)		(207,864)	
Public works	1,458,061	220,688	100,548	223,362	(913,463)		(913,463)	
Health and welfare	8,788	-	-	-	(8,788)		(8,788)	
Culture and recreation	173,679	23,243	-	-	(150,436)		(150,436)	
Conservation and development	129,734	-	-	-	(129,734)		(129,734)	
Miscellaneous	-	57,519	-	-	57,519		57,519	
*Interest on long-term debt	274	-	-	-	(274)		(274)	
Total Governmental Activities	2,202,533	391,472	100,548	223,362	(1,487,151)		(1,487,151)	
Business-Type Activities:								
Water	294,748	466,041	-	-		\$ 171,293	171,293	
Sewer	24,621	82,070	-	-		57,449	57,449	
Total Business-Type Activities	319,369	548,111	-	-		228,742	228,742	
Total Primary Government	\$2,521,902	\$ 939,583	\$ 100,548	\$ 223,362	(1,487,151)	228,742	(1,258,409)	
Component Unit:								
Housing and Redevelopment Commission	\$ 414,363	\$ 269,469	\$ 125,154	\$ 3,996				\$ (15,744)
General Revenues:								
Taxes:								
Property taxes					548,914	-	548,914	-
Sales taxes					697,083	-	697,083	-
State shared revenues					14,518	-	14,518	-
Grants and contributions not restricted to specific programs					2,298	-	2,298	-
Unrestricted investment earnings					5,590	-	5,590	119
Miscellaneous revenue					5,473	1,673	7,146	-
Total General Revenues					1,273,876	1,673	1,275,549	119
Change in Net Position					(213,275)	230,415	17,140	(15,625)
Net Position - Beginning					3,741,853	3,243,699	6,985,552	779,296
Adjustments:								
Prior period adjustment resulting from the adoption of GASB 68					42,602	13,023	55,625	14,162
Adjusted Net Position - Beginning					3,784,455	3,256,722	7,041,177	793,458
Net Position - Ending					\$ 3,571,180	\$ 3,487,137	\$7,058,317	\$ 777,833

*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, 2015**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 527,439	\$ 145,373	\$ 672,812
Investments	629,376	145,662	775,038
Taxes receivable - delinquent	16,189	-	16,189
Accounts receivable, net	2,185	-	2,185
Unbilled accounts receivable	12,941	-	12,941
Due from Capital Project Fund	133,307	-	133,307
Due from Special Revenue Funds	12,034	-	12,034
Due from General Fund	-	12,408	12,408
Due from state government	101,210	4,171	105,381
Inventory of supplies	4,293	-	4,293
Prepaid expenses	5,812	-	5,812
Restricted cash and cash equivalents	45,800	-	45,800
TOTAL ASSETS	<u>\$ 1,490,586</u>	<u>\$ 307,614</u>	<u>\$ 1,798,200</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
LIABILITIES:			
Due to General Fund	\$ -	\$ 145,341	\$ 145,341
Due to other funds	12,408	-	12,408
Accrued taxes payable	48	-	48
TOTAL LIABILITIES	<u>12,456</u>	<u>145,341</u>	<u>157,797</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	15,753	-	15,753
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>15,753</u>	<u>-</u>	<u>15,753</u>
FUND BALANCES:			
Nonspendable			
Prepaid purposes	5,812	-	5,812
Inventory purposes	4,293	-	4,293
Perpetual care of cemetery purposes	-	55,139	55,139
Restricted:			
Bamble Petrified Park purposes	-	121,534	121,534
Facilities and promoting the City	-	52,923	52,923
General parks	43,238	-	43,238
Landfill building	10,000	-	10,000
Library expansion	1,869	-	1,869
Assigned:			
Fire department	64,061	-	64,061
General parks	10,000	-	10,000
Street department	10,189	-	10,189

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Swimming pool	20,000	-	20,000
Unassigned	<u>1,292,915</u>	<u>(67,323)</u>	<u>1,225,592</u>
TOTAL FUND BALANCES	<u>1,462,377</u>	<u>162,273</u>	<u>1,624,650</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,490,586</u>	<u>\$ 307,614</u>	<u>\$ 1,798,200</u>

CITY OF LEMMON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015

Total Fund Balances - Governmental Funds		\$ 1,624,650
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.		37,696
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,763,943
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		66,132
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	\$ 12,978	
Other long-term debt	<u>868,394</u>	(881,372)
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred), are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	<u>\$ 15,753</u>	15,753
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		<u>(55,622)</u>
Net Position - Governmental Activities		<u><u>\$ 3,571,180</u></u>

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes:			
General property taxes	\$ 545,159	\$ -	\$ 545,159
General sales and use taxes	657,691	39,392	697,083
Amusement taxes	552	-	552
Penalties and interest on delinquent taxes	2,372	-	2,372
Licenses and Permits	16,337	-	16,337
Intergovernmental Revenue:			
Federal grants	-	19,003	19,003
State grants	202,670	1,689	204,359
State shared revenue:			
Bank franchise tax	6,888	-	6,888
Prorate license fees	7,768	-	7,768
Liquor tax reversion	7,630	-	7,630
Motor vehicle licenses (5%)	22,610	-	22,610
Local government highway and bridge fund	65,204	-	65,204
County shared revenue	4,966	-	4,966
Charges for Goods and Services:			
General government	12,939	-	12,939
Public safety	59,735	-	59,735
Highways and streets	2,450	-	2,450
Sanitation	205,623	-	205,623
Culture and recreation	23,243	-	23,243
Cemetery	-	2,761	2,761
Fines and Forfeits:			
Court fines and costs	1,011	-	1,011
Miscellaneous Revenue:			
Investment earnings	5,510	80	5,590
Rentals	9,854	-	9,854
Contributions and donations from private sources	2,298	-	2,298
Liquor operating agreement income	57,519	-	57,519
TOTAL REVENUE	1,920,029	62,925	1,982,954
EXPENDITURES:			
General Government:			
Executive	45,549	-	45,549
Elections	375	-	375
Financial administration	95,551	-	95,551
Other	23,441	-	23,441
Public Safety:			
Police	211,814	-	211,814
Fire	56,796	-	56,796
Public Works:			
Highways and streets	1,219,478	-	1,219,478

	General Fund	Other Governmental Funds	Total Governmental Funds
Sanitation	194,027	-	194,027
Airport	27,934	-	27,934
Cemeteries	-	15,797	15,797
Health and Welfare:			
Health	6,288	-	6,288
Home health	1,000	-	1,000
Mental health centers	1,500	-	1,500
Culture and Recreation:			
Recreation	59,873	-	59,873
Parks	69,106	383	69,489
Libraries	44,317	-	44,317
Conservation and Development:			
Economic development and assistance (industrial development)	90,000	4,195	94,195
Economic opportunity	35,539	-	35,539
Debt Service	18,916	-	18,916
Capital Outlay	347,199	-	347,199
TOTAL EXPENDITURES	<u>2,548,703</u>	<u>20,375</u>	<u>2,569,078</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(628,674)</u>	<u>42,550</u>	<u>(586,124)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	46,248	46,248
Long-term debt issued	868,394	-	868,394
Transfers out	(46,248)	-	(46,248)
TOTAL OTHER FINANCING SOURCES (USES)	<u>822,146</u>	<u>46,248</u>	<u>868,394</u>
NET CHANGE IN FUND BALANCES	193,472	88,798	282,270
FUND BALANCE - BEGINNING	<u>1,268,905</u>	<u>73,475</u>	<u>1,342,380</u>
FUND BALANCE - ENDING	<u>\$1,462,377</u>	<u>\$ 162,273</u>	<u>\$ 1,624,650</u>

CITY OF LEMMON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2015

Net Change in Fund Balances - Total Governmental Funds		\$ 282,270
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.</p>		
	347,199	
<p>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.</p>		
Other long-term debt	<u>\$ 18,642</u>	18,642
<p>The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements.</p>		
Other long-term debt	<u>\$868,394</u>	(868,394)
<p>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.</p>		
Vacation leave	<u>\$ 572</u>	572
<p>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".</p>		
		831
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		5,473
<p>Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the government funds.</p>		
		<u>132</u>
Change in Net Position of Governmental Activities		<u>\$ (213,275)</u>

CITY OF LEMMON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-Type Activities Enterprise Funds		Totals
	Water Fund	Sewer Fund	
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 572,889	\$ 178,040	\$ 750,929
Accounts receivable, net	18,094	5,983	24,077
Total Current Assets	590,983	184,023	775,006
Noncurrent Assets:			
Restricted cash and cash equivalents	41,121	-	41,121
Restricted investments	-	500,000	500,000
Net pension asset	9,972	1,550	11,522
Capital Assets:			
Improvements other than buildings	2,834,199	-	2,834,199
Machinery and equipment	14,350	77,072	91,422
Less: accumulated depreciation	(693,332)	(24,904)	(718,236)
Total Noncurrent Assets	2,206,310	553,718	2,760,028
TOTAL ASSETS	2,797,293	737,741	3,535,034
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related deferred outflows	17,494	2,720	20,214
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,494	2,720	20,214
LIABILITIES:			
Current Liabilities:			
Customer deposits	47,850	-	47,850
Total Current Liabilities	47,850	-	47,850
Noncurrent Liabilities:			
Accrued leave payable	2,741	519	3,260
Total Noncurrent Liabilities	2,741	519	3,260
TOTAL LIABILITIES	50,591	519	51,110
DEFERRED INFLOWS OF RESOURCES:			
Pension related deferred inflows	14,713	2,288	17,001
TOTAL DEFERRED INFLOWS OF RESOURCES	14,713	2,288	17,001
NET POSITION:			
Net investment in capital assets	2,155,217	52,168	2,207,385
Restricted for:			
Equipment repair and/or replacement	-	500,000	500,000
SDRS pension purposes	12,752	1,983	14,735
Unrestricted	581,514	183,503	765,017
TOTAL NET POSITION	\$ 2,749,483	\$ 737,654	\$ 3,487,137

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities Enterprise Funds		Totals
	Water Fund	Sewer Fund	
OPERATING REVENUE:			
Charges for goods and services	\$ 466,041	\$ 82,070	\$ 548,111
Miscellaneous	1,448	225	1,673
TOTAL OPERATING REVENUE	<u>467,489</u>	<u>82,295</u>	<u>549,784</u>
OPERATING EXPENSES:			
Personal services	56,518	9,008	65,526
Other current expense	24,768	15,613	40,381
Materials (cost of goods sold)	213,462	-	213,462
TOTAL OPERATING EXPENSES	<u>294,748</u>	<u>24,621</u>	<u>319,369</u>
CHANGE IN NET POSITION	<u>172,741</u>	<u>57,674</u>	<u>230,415</u>
NET POSITION - BEGINNING	2,565,472	678,227	3,243,699
ADJUSTMENTS:			
Prior period adjustment resulting from the adoption of GASB 68	<u>11,270</u>	<u>1,753</u>	<u>13,023</u>
ADJUSTED NET POSITION - BEGINNING	<u>2,576,742</u>	<u>679,980</u>	<u>3,256,722</u>
NET POSITION - ENDING	<u>\$ 2,749,483</u>	<u>\$ 737,654</u>	<u>\$ 3,487,137</u>

CITY OF LEMMON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities Enterprise Funds		Totals
	Water Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 466,041	\$ 82,070	\$ 548,111
Cash payments to employees for services	(56,693)	(8,868)	(65,561)
Cash payments to suppliers of goods and services	(238,194)	(15,613)	(253,807)
Net cash provided by operating activities	<u>171,154</u>	<u>57,589</u>	<u>228,743</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	171,154	57,589	228,743
BALANCES - BEGINNING	<u>442,856</u>	<u>120,451</u>	<u>563,307</u>
BALANCES - ENDING	<u>\$ 614,010</u>	<u>\$ 178,040</u>	<u>\$ 792,050</u>

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

Operating income	\$ 172,741	\$ 57,674	\$ 230,415
Change in assets and liabilities:			
Net pension asset	7,270	1,131	8,401
Pension related deferred outflows	(3,497)	(543)	(4,040)
Customer deposits	36	-	36
Accrued leave payable	(140)	144	4
Pension related deferred inflows	(5,256)	(817)	(6,073)
Net cash provided by operating activities	<u>\$ 171,154</u>	<u>\$ 57,589</u>	<u>\$ 228,743</u>

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

CITY OF LEMMON
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION ASSET
YEAR ENDED DECEMBER 31, 2015

	Last 1 Fiscal Year*
	2015
City's proportion of the net pension asset	0.011605%
City's proportionate share of net pension asset	\$ 49,218
City's covered-employee payroll	\$ 214,733
City's proportionate share of the net pension asset as a percentage of its covered-employee payroll	22.92%
Plan fiduciary net position as a percentage of the total pension asset	104%

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

CITY OF LEMMON
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 12,884	\$ 12,510	\$ 14,876	\$ 18,898	\$ 17,906	\$ 18,145	\$ 17,625	\$ 17,667	\$ 17,644	\$ 18,175
Contributions in relation to the contractually required contribution	<u>12,884</u>	<u>12,510</u>	<u>14,876</u>	<u>18,898</u>	<u>17,906</u>	<u>18,145</u>	<u>17,625</u>	<u>17,667</u>	<u>17,644</u>	<u>18,175</u>
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered-employee payroll	\$ 214,733	\$ 208,506	\$ 241,815	\$ 284,309	\$ 271,373	\$ 271,429	\$ 249,971	\$ 262,122	\$ 267,265	\$ 249,492
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.15%	6.65%	6.60%	6.68%	7.05%	6.74%	6.60%	7.28%

SUPPLEMENTARY INFORMATION

CITY OF LEMMON
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Bamble Park Fund	Cemetery Fund	3B Sales Tax Fund	Airport Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 30,637	\$ -	\$ 48,752	\$ 65,984	\$ 145,373
Investments	78,489	67,173	-	-	145,662
Due from General Fund	12,408	-	-	-	12,408
Due from state government	-	-	4,171	-	4,171
TOTAL ASSETS	<u>\$ 121,534</u>	<u>\$ 67,173</u>	<u>\$ 52,923</u>	<u>\$ 65,984</u>	<u>\$ 307,614</u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Due to General Fund	\$ -	\$ 12,034	\$ -	\$ 133,307	\$ 145,341
TOTAL LIABILITIES	<u>-</u>	<u>12,034</u>	<u>-</u>	<u>133,307</u>	<u>145,341</u>
FUND BALANCES:					
Nonspendable:					
Perpetual care of cemetery purposes	-	55,139	-	-	55,139
Restricted:					
Bamble Petrified Park purposes	121,534	-	-	-	121,534
Facilities and promoting the City	-	-	52,923	-	52,923
Unassigned	-	-	-	(67,323)	(67,323)
TOTAL FUND BALANCES	<u>121,534</u>	<u>55,139</u>	<u>52,923</u>	<u>(67,323)</u>	<u>162,273</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 121,534</u>	<u>\$ 67,173</u>	<u>\$ 52,923</u>	<u>\$ 65,984</u>	<u>\$ 307,614</u>

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	Bamble Park Fund	Cemetery Fund	3B Sales Tax Fund	Airport Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES:					
Taxes:					
General sales and use taxes	\$ -	\$ -	\$ 39,392	\$ -	\$ 39,392
Intergovernmental Revenue:					
Federal grants	-	-	-	19,003	19,003
State grants	-	-	-	1,689	1,689
Charges for Goods and Services:					
Cemetery	-	2,761	-	-	2,761
Miscellaneous Revenue:					
Investment earnings	2	78	-	-	80
TOTAL REVENUE	<u>2</u>	<u>2,839</u>	<u>39,392</u>	<u>20,692</u>	<u>62,925</u>
EXPENDITURES:					
Public Works:					
Cemeteries	-	15,797	-	-	15,797
Culture and Recreation:					
Parks	383	-	-	-	383
Conservation and Development:					
Economic development and assistance (industrial development)	-	-	4,195	-	4,195
TOTAL EXPENDITURES	<u>383</u>	<u>15,797</u>	<u>4,195</u>	<u>-</u>	<u>20,375</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(381)</u>	<u>(12,958)</u>	<u>35,197</u>	<u>20,692</u>	<u>42,550</u>
OTHER FINANCING SOURCES:					
Transfers in	-	46,248	-	-	46,248
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>46,248</u>	<u>-</u>	<u>-</u>	<u>46,248</u>
NET CHANGE IN FUND BALANCES	(381)	33,290	35,197	20,692	88,798
FUND BALANCE - BEGINNING	<u>121,915</u>	<u>21,849</u>	<u>17,726</u>	<u>(88,015)</u>	<u>73,475</u>
FUND BALANCE - ENDING	<u>\$ 121,534</u>	<u>\$ 55,139</u>	<u>\$ 52,923</u>	<u>\$ (67,323)</u>	<u>\$ 162,273</u>