

CITY OF COLMAN
COLMAN, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE ONE YEAR ENDING DECEMBER 31, 2024
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
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CITY OF COLMAN
COLMAN, SOUTH DAKOTA

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FOR THE ONE YEAR ENDING DECEMBER 31, 2024

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NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

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P.O. Box 262
Madison, South Dakota 57042
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To the Honorable Mayor and
Members of the Colman City Council
Colman, South Dakota

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Financial Statement Audit:

I have audited the accompanying financial statements of governmental activities, business-type activities, and each major fund of the City of Colman (City), Moody County, South Dakota as of December 31, 2024, and for the year ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Qualified Opinion on Business-Type Activities and the Liquor Fund:

In my opinion, except for the effects of matters described in the Basis for Qualified Opinions section of my report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Colman as of December 31, 2024, 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.

Basis for Qualified Opinions:

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

Matters Giving Rise to Qualified Opinions on Business-Type Activities and the Liquor Fund:

Lottery ticket records were not sufficient.

Management's Responsibilities 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, 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 misstatements, whether due to fraud or error.

In preparing these 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.

Auditor's Responsibility for the Audit of the Financial Statements:

My 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 my 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 (GAAS) and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- > 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 my 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.

I am 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 I identified during the audit.

Required Supplementary Information (no opinion):

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules (page 37 and 38), the City's Proportionate Share of Net Pension (Asset)/Liability (page 39), and the Schedule of the City's Contribution (page 39) 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 Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

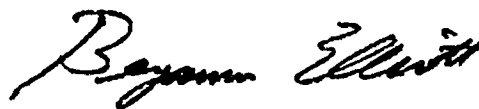
The City has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is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

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated November 10, 2025 (page 41) on my consideration of the City of Colman's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is solely to describe the scope of my 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 of Colman'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 of Colman's internal control over financial reporting and compliance.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

November 10, 2025

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive, flowing style.

CITY OF COLMAN

GOVERNMENT-WIDE - STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2024

	Primary Government		
	Governmental	Business-	Total
	Activities	Type	
	Activities	Activities	Total
	-----	-----	-----
ASSETS:			
Current assets:			
Cash and cash equivalents	348,077	897,157	1,245,234
Taxes receivable - delinquent	845		845
Due from other governments	12,743		12,743
Internal balances	251,303	-251,303	0
Accounts receivable	266	188,238	188,504
Capital assets:			
Land	261,102	10,770	271,872
Other capital assets, net of accumulated depreciation	1,749,728	6,286,370	8,036,098
Intangible lease assets, net	0	46,620	46,620
Construction-in-progress	0	41,837	41,837
Other assets:			
Net pension assets	77	253	330
	-----	-----	-----
Total assets	2,624,141	7,219,942	9,844,083
	=====	=====	=====
DEFERRED OUTFLOW OF RESOURCES:			
Pension related deferred outflows	16,610	54,408	71,018
	-----	-----	-----
Total deferred outflow of resources	16,610	54,408	71,018
	=====	=====	=====
LIABILITIES:			
Current liabilities:			
Accounts payable	111,696	168,005	279,701
Payroll deductions payable	21,400		21,400
Customer deposits	5,000	16,700	21,700
Leave liability	7,952	25,173	33,125
Noncurrent liabilities:			
Due within one year	56,511	96,440	152,951
Due in more than one year	498,405	2,357,299	2,855,704
	-----	-----	-----
Total liabilities	700,964	2,663,617	3,364,581
	=====	=====	=====
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	9,683	31,716	41,399
	-----	-----	-----
Total deferred inflows of resources	9,683	31,716	41,399
	=====	=====	=====
NET POSITION:			
Net invested in capital assets	1,455,914	3,931,858	5,387,772
Restricted for:			
Debt service	8,203	131,910	140,113
SDRS pension purposes	7,004	22,945	29,949
Unrestricted	458,983	492,304	951,287
	-----	-----	-----
Total net position	1,930,104	4,579,017	6,509,121
	=====	=====	=====

See accompanying notes.

CITY OF COLMAN
GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2024

Functions/Programs:	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	166,484	3,660			-162,824		-162,824
Public safety	85,702				-85,702		-85,702
Public works	179,009				-179,009		-179,009
Health and welfare	10,589	25,758			15,169		15,169
Culture and recreation	152,180	65,033			-87,147		-87,147
Economic development	134,301				-134,301		-134,301
Interest and fees (all)	21,212				-21,212		-21,212
Total governmental activities	749,477	94,451	0	0	-655,026	0	-655,026
Business-type activities:							
Liquor	43,801	33,919				-9,882	-9,882
Water	393,755	294,898				-98,857	-98,857
Electric	1,272,198	1,299,450		67,323		94,575	94,575
Sewer	309,781	264,915				-44,866	-44,866
Solid waste	67,978	67,480				-498	-498
Recreation	597,267	575,623		129,750		108,106	108,106
Total business-type activities	2,684,780	2,536,285	0	197,073	0	48,578	48,578
Total primary government	3,434,257	2,630,736	0	197,073	-655,026	48,578	-606,448
General revenues:							
Taxes:							
Property taxes					270,749		270,749
Sales taxes					348,442		348,442
State shared revenue					44,189		44,189
County shared revenue					1,811		1,811
Interest earnings					34,280	3,174	37,454
Rents and franchise fees					47,695		47,695
Donations					0	67,621	67,621
Easement received					25,000		25,000
Total general revenue and transfers					772,166	70,795	842,961
Change in net position					117,140	119,373	236,513
Net position, January 1, 2024					1,596,395	4,676,213	6,272,608
Beginning cash adjustment					216,569	-216,569	0
Net position, January 1, 2024, adjusted					1,812,964	4,459,644	6,272,608
See accompanying notes.					1,930,104	4,579,017	6,509,121

CITY OF COLMAN

BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2024

	General Fund	TIF Debt Service Fund	Total Governmental Funds
	-----	-----	-----
ASSETS:			
Cash and cash equivalents	256,465	91,612	348,077
Property taxes receivable	845		845
Due from other governments	12,743		12,743
Accounts receivable	266		266
Due from Recreation fund	251,303		251,303
	-----	-----	-----
Total assets	521,622	91,612	613,234
DEFERRED OUTFLOWS OF RESOURCES			
None			0
	-----	-----	-----
Total deferred outflows of resources	0	0	0
	-----	-----	-----
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>521,622</u>	<u>91,612</u>	<u>613,234</u>
	=====	=====	=====
LIABILITIES:			
Accounts payable	28,287	83,409	111,696
Payroll deductions payable	21,400		21,400
Customer deposits	5,000		5,000
	-----	-----	-----
Total liabilities	54,687	83,409	138,096
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	845		845
	-----	-----	-----
Total deferred inflows of resources	845	0	845
FUND BALANCES (DEFICIT):			
Nonspendable			0
Restricted		8,203	8,203
Committed			0
Assigned			0
Unassigned	466,090		466,090
	-----	-----	-----
Total fund balance	466,090	8,203	474,293
	-----	-----	-----
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>521,622</u>	<u>91,612</u>	<u>613,234</u>
	=====	=====	=====
Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position			
Total fund balance - governmental funds (above)			474,293
Amounts reported in the government-wide statement of net assets are different because:			
Capital assets and other assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Capital assets are:			3,785,566
Less: accumulated depreciation			-1,774,736
These pension related amounts are not an available financial resource and therefore are not reported in the funds.			
Net pension assets (liability)			77
Deferred outflow of resources			16,610
Deferred inflow of resources			-9,683
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.			845
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
Long term liabilities at year end consist of:			
2007 South Dakota Housing loan			0
2019 Sales Tax Revenue Bonds			-437,148
2023 Payloader loan			-117,768
Accrued leave payable			-7,952

Total net position on government-wide statement of net position			<u>1,930,104</u>
			=====

See accompanying notes.

CITY OF COLMAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2024

	General Fund	TIF Debt Service Fund	Total Governmental Funds
Revenue:			
Revenue from local sources:			
Taxes: Ad valorem taxes	99,067	171,132	270,199
General sales and use taxes	348,442		348,442
Licenses and permits:	3,660		3,660
Intergovernmental revenue:			
State shared revenue:			
Bank franchise tax	2,839		2,839
Commercial prorate	2,520		2,520
Liquor tax reversion	4,831		4,831
Motor vehicle licenses (5%)	12,549		12,549
Highway and bridge	21,450		21,450
County shared revenue:	1,811		1,811
Charges for goods and services:			
West Nile and fees	25,758		25,758
Swimming pool and concessions	14,500		14,500
Camping and events	50,533		50,533
Cannabis fees	20,548		20,548
Fines and forfeits:	0		0
Miscellaneous revenue:			
Interest earned	34,280		34,280
Rental and franchise	27,147		27,147
Total revenues	669,935	171,132	841,067
Expenditures:			
General government:			
Mayor and Council	27,410		27,410
Elections	193		193
Financial administration	28,842		28,842
Other	100,235		100,235
Public safety:			
Police	36,219		36,219
Fire	42,714		42,714
Public works:			
Highways and streets	89,194		89,194
Health and welfare:			
West Nile	10,588		10,588
Culture and recreation:			
Swimming pool	70,295		70,295
Parks and recreation	49,881		49,881
Debt service:			
Principal	54,574	40,885	95,459
Interest and fees	21,212		21,212
Economic development		134,301	134,301
Capital Outlay	109,825		109,825
Total expenditures	641,182	175,186	816,368
Excess of revenues over (under) expenditures	28,753	-4,054	24,699
Other financing sources (uses):			
Easement received	25,000		25,000
Net change in fund balance	53,753	-4,054	49,699
Fund balance:			
January 1, 2024	195,768	12,257	208,025
Beginning cash adjustment	216,569		216,569
January 1, 2024, adjusted	412,337	12,257	424,594
December 31, 2024	466,090	8,203	474,293
Reconciliation of the above statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities.			
Amounts reported in the government-wide statement of net position are different because:			
Net change in fund balances - total governmental funds (above)			49,699
Governmental funds report capitalized cost as expenditures.			
However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation. 2024 capitalized cost are			109,824
2024 depreciation is			-134,603
Long-term debt proceeds are reported as other financing sources in governmental funds statement. However, in the statement of net position, issuing debt increases long-term liabilities and does not effect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.			
Therefore: Add: TIF loan principal payments			40,885
Add: 2019 sales tax revenue bond principal payments			41,784
Add: 2023 payloader loan payments			12,790
Governmental funds do not reflect the change in "accrued leave", but the statement of activities reflects the change through expenditures			-5,359
Governmental funds do not reflect the change in "delinquent property taxes", but the statement of activities reflects the change through expenditures			550
(Expenses) and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in funds			1,570
Change in net position on government-wide statement of activities			117,140
See accompanying notes			

CITY OF COLMAN

STATEMENT OF NET POSITION - ENTERPRISE FUNDS

AS OF DECEMBER 31, 2024

	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Recreation Fund	Total Enterprise Funds
ASSETS:	-----	-----	-----	-----	-----	-----	-----
Current assets:							
Cash and cash equivalents	58,052	296,504	343,122	181,423	18,056	0	897,157
Accounts receivable		26,808	133,312	22,604	5,471	43	188,238
	-----	-----	-----	-----	-----	-----	-----
Total current assets	58,052	323,312	476,434	204,027	23,527	43	1,085,395
Noncurrent assets:							
Capital assets:							
Land				10,770			10,770
Buildings	140,005	10,353		6,746			157,104
Improvements		4,460,473	1,016,235	4,439,535		295,363	10,211,606
Equipment	8,540		112,023	63,270		78,335	262,168
Accumulated depreciation	-100,352	-1,942,277	-418,359	-1,818,575		-64,945	-4,344,508
Intangible lease assets, net						46,620	46,620
Construction-in-progress						41,837	41,837
	-----	-----	-----	-----	-----	-----	-----
Total noncurrent assets	48,193	2,528,549	709,899	2,701,746	0	397,210	6,385,597
Other assets:							
Net pension assets	10	55	75	45		68	253
	-----	-----	-----	-----	-----	-----	-----
Total assets	106,255	2,851,916	1,186,408	2,905,818	23,527	397,321	7,471,245
	=====	=====	=====	=====	=====	=====	=====
DEFERRED OUTFLOW OF RESOURCES							
Pension related deferred ou	2,188	11,818	16,086	9,645		14,671	54,408
	-----	-----	-----	-----	-----	-----	-----
Total outflow of resources	2,188	11,818	16,086	9,645	0	14,671	54,408
	=====	=====	=====	=====	=====	=====	=====
LIABILITIES:							
Current liabilities:							
Accounts payable	5,978	10,182	89,851	833	5,146	56,015	168,005
Due to other funds						251,303	251,303
Customer deposits		8,350	8,350				16,700
Leave liability	1,028	7,092	9,867	6,064		1,122	25,173
Current portion of:							
Long-term debt		40,916		41,410		14,114	96,440
	-----	-----	-----	-----	-----	-----	-----
Total current liabilities	7,006	66,540	108,068	48,307	5,146	322,554	557,621
Noncurrent liabilities:							
Noncurrent portion of long-term debt		1,195,011		1,123,045		39,243	2,357,299
	-----	-----	-----	-----	-----	-----	-----
Total noncurrent liabilities	0	1,195,011	0	1,123,045	0	39,243	2,357,299
	-----	-----	-----	-----	-----	-----	-----
Total liabilities	7,006	1,261,551	108,068	1,171,352	5,146	361,797	2,914,920
	=====	=====	=====	=====	=====	=====	=====
DEFERRED INFLOW OF RESOURCES							
Pension related deferred in	1,275	6,889	9,377	5,622		8,553	31,716
	-----	-----	-----	-----	-----	-----	-----
Total inflow of resources	1,275	6,889	9,377	5,622	0	8,553	31,716
	=====	=====	=====	=====	=====	=====	=====
NET POSITION (DEFICIT)							
Net invested in capital asset	48,193	1,292,622	709,899	1,537,291		343,853	3,931,858
Restricted:							
Debt service		78,336		53,574			131,910
SDRS pension purposes	923	4,984	6,784	4,068		6,186	22,945
Unrestricted	51,046	219,352	368,366	143,556	18,381	-308,397	492,304
	-----	-----	-----	-----	-----	-----	-----
Total net position	100,162	1,595,294	1,085,049	1,738,489	18,381	41,642	4,579,017
	=====	=====	=====	=====	=====	=====	=====

See accompanying notes.

CITY OF COLMAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION - ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2024

	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Recreation Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----	-----	-----
Operating revenue:							
Charges for goods and services	8,229	185,823	1,299,450	45,053	67,480	575,623	2,181,658
Debt service		91,707		166,705			258,412
Surcharge revenue		17,368		53,157			70,525
Lottery sales	25,690						25,690
	-----	-----	-----	-----	-----	-----	-----
Total operating revenue	33,919	294,898	1,299,450	264,915	67,480	575,623	2,536,285
	-----	-----	-----	-----	-----	-----	-----
Operating expenses:							
Personal services	10,714	56,088	80,003	45,053		234,364	426,222
Other current services	7,240	78,029	184,766	60,058	6,643	123,686	460,422
Cost of goods sold		50,473	976,271		61,335	197,421	1,285,500
Lottery operations	23,291						23,291
Depreciation	2,939	170,846	33,297	159,860		38,439	405,381
Pension related	-383	-1,810	-2,186	-1,434		618	-5,195
	-----	-----	-----	-----	-----	-----	-----
Total operating expenses	43,801	353,626	1,272,151	263,537	67,978	594,528	2,595,621
	-----	-----	-----	-----	-----	-----	-----
Total operating income (loss)	-9,882	-58,728	27,299	1,378	-498	-18,905	-59,336
Nonoperating revenue (expense):							
Interest earnings			3,174				3,174
Interest expense and fees		-37,825	-48	-38,663		-2,738	-79,274
Bond issue cost		-2,304		-7,581			-9,885
	-----	-----	-----	-----	-----	-----	-----
Total nonoperating revenue (expense)	0	-40,129	3,126	-46,244	0	-2,738	-85,985
Income (loss) before grant and capital contributions	-9,882	-98,857	30,425	-44,866	-498	-21,643	-145,321
Donations			67,621				67,621
Capital contributions			67,323			129,750	197,073
	-----	-----	-----	-----	-----	-----	-----
Change in net position	-9,882	-98,857	165,369	-44,866	-498	108,107	119,373
Net position:							
January 1, 2024	110,044	1,694,151	1,096,858	1,783,355	18,879	-27,074	4,676,213
Beginning cash adjustment			-177,178			-39,391	-216,569
	-----	-----	-----	-----	-----	-----	-----
January 1, 2024, adjusted	110,044	1,694,151	919,680	1,783,355	18,879	-66,465	4,459,644
	-----	-----	-----	-----	-----	-----	-----
December 31, 2024	100,162	1,595,294	1,085,049	1,738,489	18,381	41,642	4,579,017
	=====	=====	=====	=====	=====	=====	=====

See accompanying notes.

CITY OF COLMAN
STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2024

	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Recreation Fund	Total Enterprise Funds
	-----	-----	-----	-----	-----	-----	-----
Cash flows from:							
Operating activities:							
Receipts from customers	33,919	278,432	1,223,553	251,498	67,672	575,623	2,430,697
Receipts from other funds		10,879	50,770	10,879			72,528
Payments to employees	-9,686	-50,724	-72,728	-40,717		-233,242	-407,097
Payments to suppliers	-24,619	-123,563	-1,158,526	-83,468	-67,848	-306,514	-1,764,538
Payments to other fund		-2,885		-1,713		-12,152	-16,750
Net cash provided (used)	-----	-----	-----	-----	-----	-----	-----
by operating activities	-386	112,139	43,069	136,479	-176	23,715	314,840
Noncapital financing activities:							
Due to general fund						211,912	211,912
Donations			67,621				67,621
Capital financing activities:							
Grants			67,323				67,323
Capital contributions						129,750	129,750
Improvement cost				-39,560		-295,363	-334,923
Equipment cost			-85,323			-24,312	-109,635
Accumulated depr adjustment						2,997	2,997
Golf cart lease proceeds						30,361	30,361
Intangible lease assets						-30,361	-30,361
Principal paid on debt		-39,712	-7,616	-40,090		-6,570	-93,988
Interest paid on debt		-37,825	-48	-38,663		-2,738	-79,274
Bond issue cost		-2,304		-7,581			-9,885
Investing activities:							
Interest received			3,174				3,174
Net increase (decrease)	-----	-----	-----	-----	-----	-----	-----
in cash	-386	32,298	88,200	10,585	-176	39,391	169,912
Cash:							
January 1, 2024	58,438	264,206	432,100	170,838	18,232	0	943,814
Beginning cash adjustment			-177,178			-39,391	-216,569
	-----	-----	-----	-----	-----	-----	-----
	58,438	264,206	254,922	170,838	18,232	-39,391	727,245
	-----	-----	-----	-----	-----	-----	-----
December 31, 2024	58,052	296,504	343,122	181,423	18,056	0	897,157
	=====	=====	=====	=====	=====	=====	=====
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	-9,882	-58,728	27,299	1,378	-498	-18,905	-59,336
Depreciation	2,939	170,846	33,297	159,860		38,439	405,381
Pension related	-383	-1,810	-2,186	-1,434		618	-5,195
(Increase) decrease in:							
Receivables		-5,587	-25,127	-2,538	192		-33,060
Increase (decrease) in:							
Accounts payable	5,912	2,054	2,511	-25,123	130	2,441	-12,075
Leave payable	1,028	5,364	7,275	4,336		1,122	19,125
Net cash provided (used)	-----	-----	-----	-----	-----	-----	-----
by operating activities	-386	112,139	43,069	136,479	-176	23,715	314,840
	=====	=====	=====	=====	=====	=====	=====
Noncash investing, capital and financing activities: Construction-in-progress						41,837	
See accompanying notes.							

CITY OF COLMAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Colman conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the City of Colman's (City) Governing Board.

The City's officials at December 31, 2024 are:

Mayor:	Finance Officer:
Mike Preheim	Maria Groos
Governing Board:	Attorney:
Mike Uhing, President	Jennifer R. Nelson
Roger Broghammer	
Mitch Clark	
Cody Fritz	
Travis Heiter	
Troy Smallfield	

The City's financial reporting entity is composed of the following:

Financial Reporting Entity:
Primary Government: - The City of Colman
Component Units: - None

To determine the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The reporting entity of the City of Colman consists of (1) 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; (2) those organizations for which the primary government is financially accountable; and (3) 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 (the primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City unless that organization can, without the approval of the City: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria the City of Colman has no component units.

b. Basis of Presentation:

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements 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 good and services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable: net invested in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each segment of City's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program 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 and interest, are presented as general revenues.

Fund Financial Statements:

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, net position, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary. An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the City or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The City has elected to classify all of its funds as major funds.

Funds of the City are described below within their respective fund type:

Governmental Funds

General Fund - a fund established by South Dakota Codified Law (SDCL) 4-11-6 to met all the general operational costs of the City except those required to be accounted for in another fund. The general fund is always a major fund.

Debt Service Fund Type - 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. The City has the following debt service funds:

Tax Increment Financing (TIF) District funds - Funds allowed by SDCL 11-9-24 to account for the proceeds of incremental property taxes, restricted to the payment of principal and interest on debt issued to finance a public improvement. The City accounts for 2 legally separate TIF debt funds. This TIF debt service fund is a major fund.

Enterprise Funds (Business-Type)

Enterprise Funds - Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The City has the following enterprise funds:

Liquor fund - A fund established by SDCL 35-3-21 to provide liquor services to customers in the City of Colman. The liquor fund is a major fund.

Water fund - A fund established by SDCL 9-47-1 to provide water to customers within the City of Colman. The water fund is a major fund.

Electric fund - A fund established by SDCL 9-39-1 and 9-39-26 to provide electrical service to customers within the City of Colman. The electric fund is a major fund.

Sewer fund - A fund established by SDCL 9-48-2 to provide sewer services to customers within the City of Colman. The sewer fund is a major fund.

Solid Waste fund - A fund established by SDCL 9-32-11 and 34A-6 to provide collection and disposal of solid waste from the City of Colman. The solid waste fund is a major fund.

Recreation fund - A fund established by SDCL 35-3-21, 9-38-60 and 9-38-69 to provide clubhouse (liquor), golf and swimming pool activities from the City of Colman. The recreation fund is a major fund.

Fiduciary Funds

Fiduciary are never considered to be major funds.

In 2024 the City did not have any fiduciary funds.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus

Government-wide Financial Statements:

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

Fund Financial Statements:

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds (if any) are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

Basis of Accounting

Government-wide Financial Statements:

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

In the fund financial statements, all governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, which for the City is 30 days. Revenue which is accrued at December 31, 2024 are amounts due from other governments and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. However, the City of Colman budgets for, and makes payment of, debt obligations due on January 1st as of December 31st, the end of the City's fiscal year.

All enterprise funds and fiduciary funds (if any) are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

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

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances" (if any).

Fund Financial Statements:

In the fund financial statements, noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by a nonspendable fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net position. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

e. Interfund Transactions:

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

f. Cash and Cash Equivalents:

In the enterprise funds' statement of cash flows, the City considers all highly liquid investments and deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents. Those portions of the enterprise funds' cash resources that are included in the City's internal cash management pool are considered to be cash and cash equivalents, regardless of the form in which they are held, because use of the pool provides each enterprise fund with access to its cash resources essentially on demand.

g. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which 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. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

Government-wide Financial Statements:

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total December 31, 2024 balance of capital assets for governmental activities include approximately 5% for which the costs were determined by estimates of the original costs. The total December 31, 2024 balance of capital assets for business-type activities includes approximately 10% for which the costs were determined by estimates of the original costs. Estimated original costs were established by basing the estimates on a comparison to historical costs of similar items.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are not capitalized with other capital asset cost.

Depreciation/amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund statement of revenue, expenses and changes in fund net position. Accumulated depreciation/amortization is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 32.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization method, and estimated useful lives of capital assets reported in the government-wide statements and enterprise funds are as follows:

	Capitalization Threshold	Depreciation Amortization ** Method	Estimated Life in Years
	-----	-----	-----
Land	All		NA
Buildings and structures	All	Straight-line	33-50
Improvements	10,000	Straight-line	20-25
Equipment	10,000	Straight-line	5-10
Intangible lease assets **	10,000	Straight-line	5-10

Land is an inexhaustible capital asset and is not depreciated.

There is construction-in-progress at December 31, 2024. See page 32 for more information.

Fund Financial Statements:

Capital assets and related depreciation/amortization expenses are not recorded in governmental funds of the fund financial statements because these funds have a "current financial resources" measurement focus. Instead, these funds report capital asset acquisitions as capital outlay expenditures.

Capital assets and related depreciation/amortization expenses are recorded on the accrual basis of accounting in the enterprise funds of the fund financial statements, the same as in the government-wide statements.

h. Long-term Liabilities:

Government-wide Financial Statements:

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities primarily consist of revenue bonds, loans, leases and accrued leave payable.

Fund Financial Statements:

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt is reported as a liability, the same as in the government-wide statements.

i. Program Revenues and General Revenues and Deferred Inflows and Deferred Outflows of Resources:

Program Revenue

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

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contribution - 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 contribution - 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.

General Revenue

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, interest earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the City.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of financial position and balance sheet reports a separate section for deferred outflows of resources (if any). Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position and balance sheet reports a separate section for deferred inflows of resources (if any). Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

j. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as "Net Position" and is displayed in three components:

1. Net Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization (if applicable) and reduced by the outstanding balances of any bonds payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on its use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - Other net position that does not meet the criteria of 1 or 2 above.

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (except for agency funds, which have no fund equity) is reported as "Net Position" held in trust for a purpose.

1. Fund Balance Classification Policies and Procedures:

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

- * Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- * 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.
- * Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- * 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 Council or Finance Officer.
- * Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

The City of Colman fund balance classifications are made up of:

<u>Fund Balance</u> <u>Classifications</u>	<u>Account</u> <u>or Fund</u>	<u>Authority</u> <u>or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	TIF #1	Contract	8,203
Committed	None		0
Assigned	None		0
Unassigned	General		466,090

			474,293

The City uses "restricted" and "committed" amounts first when 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.

The City does not have any special revenue funds.

m. 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 which can be charged to either restricted or unrestricted net position.

n. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes and/or utility billings is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

o. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- * Allowance for doubtful accounts - estimated uncollectables
- * Inventory - estimated fair market value
- * Depreciation/amortization - estimated service lives
- * Cash Flows - interfund utility usage
- * SDRS Pension - actuarial assumptions

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Budget:

The City is prohibited by statute from spending in excess of appropriated amounts by department within a fund. The following are overdrafts of departmental expenditures compared to appropriations:

2024: General fund/elections	\$	193
/financial administration		14,842
/other		9,735
/public safety/fire		3,114
/culture and recreation/pool		19,253

In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover expenditures that will exceed their original appropriation.

3. DEPOSITS AND RELATED RISKS

The City follows the practice of aggregating deposits of its various funds for cash management efficiency and returns, except for restricted cash held by 3rd parties and certificates of deposits purchased for an individual fund.

The City's 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. 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 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.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at December 31, 2024 were as follows: Insured \$250,000, Collateralized ** \$105,042 for a total of \$355,042.

** Uninsured, collateral jointly held by state's/municipality's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits, including cash on hand of \$7,793, at December 31, 2024 was \$357,586.

Reconciliation of deposits to government-wide statement of net position is:

Statement of Net Position:

Bank Cash	\$ 349,793
Cash on hand	7,793

	\$ 357,586

Certificates of deposit, with a term to maturity of greater than 90 days when purchased, are insured or collateralized and are considered deposits.

Deposit Credit Risk - State law limits eligible deposits for the City, as discussed above. The City has no deposit policy that would further limit its deposit choices.

Deposit Custodial Risk - The risk that, in the event of a depository failure, the City's deposits may not be returned to it. At December 31, 2024, the City's deposits in financial institutions were not exposed to custodial deposit risk.

Concentration of Credit Risk - The City places no limit on the amount that may be deposited in any one institution. All of the City's deposits are with BankWest.

4. INVESTMENTS AND RELATED RISKS

In general, SDCL 4-5-6 permits City money 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) or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). 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.

At December 31, 2024, the City had the following investment:

	Credit Rating	Maturities	Fair Value	Interest Rate Risk
South Dakota FIT: (100%)				
Govt. Cash Reserve Money Market	Unrated	NA	\$887,648	note 1 note 2

		Total investments	\$887,648	

notes

- 1 Fixed principal. Interest rate varies. Not subject to interest rate risk.
- 2 South Dakota FIT is an external investment pool created for South Dakota local government investing. It is regulated by a nine member board with representation from municipalities, school districts, and counties. The net asset value of the SD.FIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Investment Custodial Risk - The risk that, in the event of a default by the counterparty to a transaction, the City will not be able to recover the value of an investment or collateral securities held by the counterparty.

Investment 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.

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

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

5. RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in the financial statements. The City expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

6. DUE FROM OTHER GOVERNMENTS

At December 31, 2024, amounts due from other governments were:

	Governmental	Enterprise
Sales tax	\$ 7,172	
Alcohol	1,644	
Highway and bridge receipts	3,927	
	-----	-----
	\$ 12,743	\$ 0

7. INVENTORY OF SUPPLIES AND SMALL TOOLS

Government-wide Statements: (consumption method)

In the government-wide financial statements inventories of supplies and small tools are recorded as assets when purchased and charged to expense when they are consumed. Inventories of supplies and small tools are recorded at cost. Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out.

Fund Financial Statements: (consumption method)

In the fund financial statements inventories of supplies and small tools are recorded as assets when purchased and charged to expenditure/expense when they are consumed. Reported governmental inventories are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

Inventory of supplies and small tools is recorded at cost. Donated items are valued at estimated market value at the date of receipt. The cost valuation method is first-in first-out.

There are no material amounts of governmental inventory items to report at December 31, 2024.

Inventory of enterprise funds consist of liquor and food held for resale and expendable supplies at the Clubhouse and golf course. These inventory items are initially recorded as assets and charged to cost of goods sold when they are sold or used. Inventory is stated at the lower of cost or market and the cost valuation method used is first-in first-out.

Because Clubhouse and golf course activities are nominal at year-end, inventory is at year-end is immaterial and is not taken. No amounts are reported in these financial statements for Clubhouse and golf course inventory.

8. INTERFUND "DUE FROM" "DUE TO" BALANCES

At December 31, 2024 the recreation (golf) fund owes the general fund \$251,303 to cover a negative cash balance from golf course improvements. In 2024 capital contributions from private sources of \$129,750 were received to cover these improvements and the balance of the "due to" general fund is expected to be received over 5 years until 2028.

9. INTERFUND TRANSFERS

In 2024 there were no interfund transfers.

10. CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

A summary of the changes in capital assets is presented in schedule one at the end of these notes. There is construction-in-progress at December 31, 2024. See page 32 for more information.

11. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is presented in schedule two at the end of these notes on page 33. For the year ending December 31, 2024, the City has no: (a) unused lines-of-credit, (b) short-term debt, (c) debt extinguishments, defeasances, refundings or troubled debt restructuring, (d) special assessment debt, (e) conduit debt, (f) derivatives or hedging of variable rate debt, (g) debt related to claims and judgments, or (h) other than the collateral specified, terms in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences or (3) subjective acceleration clauses.

12. WATER, ELECTRIC AND SEWER FUNDS ASSIGNED BALANCE IN UNRESTRICTED NET POSITION

City Resolution 356-18 established assigned balances of \$8,000 in the water fund for water tower painting, \$50,000 in the electric fund for repairs, and \$10,000 in the sewer fund for pipe lining. These assigned balances are included in each fund's unrestricted net position.

13. FUTURE REVENUES PLEDGED TO SECURE DEBT

All water fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure three drinking water borrower bonds which have a remaining balance of \$1,235,927. The bonds were incurred to cover the cost of water improvements as described on page 34. The bonds will mature in 2045, 2046 and 2048. In 2024 the bonds had pledged revenue of \$110,308 before depreciation and pension activity. The water had total payments on these bonds of \$77,537.

All sewer fund net revenue (after normal operating, repair and maintenance expenses) is pledged to secure two revenue bonds loan which have a remaining balance of \$1,164,456. The bonds were incurred to cover the cost of sewer improvements as described on page 34. The bonds will mature in 2045 and 2046. In 2024 the bonds had pledged revenue of \$159,804 before depreciation and pension activity and payments of \$78,753.

14. RESTRICTED NET POSITION

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

Purpose:	Restricted By:	Governmental Activities	Business-Type Activities
Debt service	Covenants	\$ 8,203	\$ 131,911
SDRS pension purposes	GASB-68	7,004	22,945
		-----	-----
		\$ 15,207	\$ 154,856

15. PENSION PLAN

Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (or expense reduction), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. City contributions and net pension (asset)/liability are recognized on an accrual basis of accounting.

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 South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098; accessing <http://sdrs.sd.gov/publications.aspx> or calling (605) 773-3731.

Benefits Provided:

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

Members 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 retire-

ment 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 or 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 equal to or greater 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 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, 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 .05 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, contributions 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 ending December 31, 2024, 2023 and 2022 were \$17,476, \$15,252, and 15,045 respectively (employer's share) equal to the required contribution each year.

Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2024 SDRS is 100.0% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2024 and reported by the City as of December 31, 2024 are as follows:

Proportionate share of total pension liability	\$ 1,214,048
Less: Proportionate share of net position restricted for pension benefits	(1,214,378)

Proportionate share of net pension (asset)/liability	\$ (330)
	=====

At December 31, 2024 the City reported a (asset)/liability of \$(330) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2024 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, 2024, the City's proportion was .000081380 which is an increase of .0000376 over its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the City recognized net pension revenue of \$6,765. At December 31, 2024 the City reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 30,505	\$ 0
Change in assumptions	5,431	41,399
Net difference between projected and actual earnings on pension plan investments	12,408	0
Changes in proportion and difference between City contribution and proportionate share of contributions	(576)	
City contributions subsequent to the measurement date	23,250	
	-----	-----
Totals	\$ 71,018	\$ 41,399
	(23,250)	=====
	(41,399)	

To be amortized over 4 years	\$ 6,369	
	=====	

The \$23,250 reported as deferred outflow of resources related to the pension, results from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

Year Ending December 31, 2025	\$ (10,586)
December 31, 2026	14,560
December 31, 2027	1,486
December 31, 2028	909

	\$ 6,369

Actuarial Assumptions:

The total pension (asset) in the June 30, 2024 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 return of 4.00%
Future COLAs	1.71%
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: Pub T-2010 Other Class A Members: Pub G-2010 Public Safety Members: Pub S-2010
	Retired Members: Teachers, Certified Regents, and Judicial Retirees: Pub T-2010, 108% of rates above age 65 - 25 - Other Class A Retirees: Pub G-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above Public Safety Retirees: Pub S-2010, 102% of rate at all ages
	Beneficiaries: Pub G-2010 contingent survivor mortality table
	Disabled Members: Public Safety: Pub S-2010 disabled member mortality table Others: Pub G-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2024 valuation were adopted by the SDRS Board of Trustees based on the results of an actuarial experience study for the period from July 1, 2016 through June 30, 2021.

Investments

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 (ie: the Council should use the same degree of care as a prudent man.) Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.6%
Investment grade debt	22.8%	2.3%
High Yield debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9	0.8%

	100.0%	
	=====	

Discount Rate:

The discount rate used to measure the total pension asset was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

The following presents the City's proportionate share of the net pension (asset)/liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate the is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's proportionate share of the net pension (asset)/liability	\$167,396	\$(330)	\$(137,581)

Pension Plan Fiduciary Net Position:

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

16. PROPERTY TAX

Taxes are levied on or before October 1, attach as an enforceable lien on property, become due and payable on the following January 1, and are payable in two installment on or before the following April 30 and October 31. The county bills and collects the City's taxes and remits them to the City.

Property taxes are recognized to the extent they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is intended to be used to finance the current year's appropriations, but which will not be collected during the current fiscal year or within the "availability period" of 30 days has been deferred in the fund financial statements. Property tax revenues intended to finance the current year's appropriations, and therefore susceptible to accrual, has been reported as revenue in the government-wide financial statements, even though collection will occur in a future year.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 6 and 7.

17. RISK MANAGEMENT

The City is exposed to various risks of loss related to injuries to employees; torts; theft of or damage to property; errors and omissions of public officials; and natural disasters. During the year ending December 31, 2024, the City managed its risks as follows:

Employee Health Insurance:

None. Four employees get \$700 a month as a premium reimbursement for their private plans.

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 pays an annual premium to the pool to provide coverage for general liability, auto liability, auto damage, property, and equipment breakdown insurance.

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 Workers' 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 reimburse the state of South Dakota for unemployment payments made on its behalf. No unemployment benefits were paid or incurred during 2024 and none are expected to be paid in 2025.

18. PRIOR PERIOD RESTATEMENT

To appropriately reflect the City of Colman's restated its January 1, 2024 beginning net position and fund balance as follows:

	Governmental Activities	Business-type Activities
Net Position: January 1, 2024 (previously reported)	1,596,395	4,676,213
Restatement: Cash allocation adjustment	216,569	(216,569)
	-----	-----
Net Position: January 1, 2024 (restated)	<u>1,812,964</u>	<u>4,459,644</u>
	=====	=====

	General Fund	Electric Fund	Recreation Fund
Fund Balance: January 1, 2024 (previously reported)	195,768	1,096,858	(27,074)
Restatement: Cash allocation adjustment	216,569	(177,178)	(39,391)
	-----	-----	-----
Fund Balance: January 1, 2024 (restated)	<u>412,337</u>	<u>919,680</u>	<u>(66,465)</u>
	=====	=====	=====

19. TAX INCREMENT FINANCING DISTRICTS

The City established Tax Increment Financing (TIF) District #1 for \$390,000 of water and sewer infrastructure improvements to a new subdivision. The City received a loan of \$390,000 from South Dakota Housing Development Authority (SDHDA) to help pay for these improvements. At December 31, 2024 the City owed \$0 to South Dakota Housing on this loan. Loan payments are accounted for in TIF #1 debt service fund. See also page 6 and 7.

on January 11, 2023 the City created Tax Increment Financing (TIF) District #2 for the development of affordable housing on a 27.86 acre tract of land in the City of Colman's Sunrise Addition #2. The maximum TIF fund revenues are not to exceed \$2,900,000 payable to the Developer for cost related to the development.

In 2024 Tax increments collected for TIF #1 and TIF #2 were \$171,132. Of this amount \$40,855 was used to payoff the City TIF #1 liability and \$130,277 was passed through to the developer who is now responsible for all TIF activity. The City is no longer responsible for any TIF liabilities. The City is only a pass through entity of TIF property tax receipts from Moody County to the developer.

20. SEWER FUND LOAN AGREEMENT WITH THE SOUTH DAKOTA DEPT OF ENVIRONMENT AND NATURAL RESOURCES

Because of statutory debt limitations, the City entered into the following agreements with the South Dakota Department of Environment and Natural Resources by Resolution 327-14.

The City of Colman designates \$32.10 of the established monthly sewer rates collected in accordance with City Ordinance #313-12 as captured and committed. Said Commitment is subject to adjustment from time to time by ordinance as necessary to repay two (2) Clean Water State Revolving Fund loans (SRF) over a period of no more than thirty (30) years at an interest rate of three and one-quarter percent (3.25%), in accordance with the loan agreement to be entered into by the City of Colman and the SD Department of Environment and Natural Resources, the proceeds of which loan are to be used for the Phase 1 sewer line replacement/repair project and Phase 2 sewer line replacement/repair projects.

C462144-01 Clean Water original loan is \$1,217,748 at 3.25% for 30 years.
C462144-02 Clean Water original loan is \$300,000 at 3.25% for 30 years.
These two loans have a combined monthly user surcharge of \$32.10

Such surcharge shall be segregated from all other funds of the City of Colman, shall be and hereby pledged to secure such loan, and shall be used for no purposes other than for repayment thereof. Said surcharge will be implemented and reflected with first utility billing on February 2014.

In 2024 the City was awarded, but has not yet received, Clean Water loan C462144-03 for \$758,100 which will have a surcharge of \$11.86.

21. WATER FUND LOAN AGREEMENT WITH THE SOUTH DAKOTA DEPT OF ENVIRONMENT AND NATURAL RESOURCES

Because of statutory debt limitations, the City entered into the following agreements with the South Dakota Department of Environment and Natural Resources by Resolution 328-14.

The City of Colman designates \$29.81 of the established monthly water rates collected in accordance with City Ordinance #313-12 as captured and committed. Said Commitment is subject to adjustment from time to time by ordinance as necessary to repay three (3) Drinking Water State Revolving Fund loans (SRF) over a period of no more than thirty (30) years at an interest rate of three percent (3.00%), in accordance with the loan agreements to be entered into by the City of Colman and the SD Department of Environment and Natural Resources, the proceeds of which loans are to be used for the Phases 1, 2, 3, and 4 drinking water system repair and replacements projects.

C462144-02 Drinking Water original loan \$434,528 at 3.00% for 30 years.
C462144-03 Drinking Water original loan \$632,008 at 3.00% for 30 years.
C462144-04 Drinking Water original loan \$462,362 at 3.00% for 30 years.
C462144-05 Drinking Water original loan \$230,400 at 1.875% for 30 years.
(At December 31, 2024 C462144-05 has not been funded.)
These four loans have a combined monthly user surcharge of \$29.81.

Such surcharges shall be segregated from all other funds of the City of Colman, shall be and hereby pledged to secure such loan, and shall be used for no purposes other than for repayment thereof. Said surcharges will be implemented and reflected with first utility billing on February 2014.

22. TAX ABATEMENTS

As of December 31, 2024 the City did not provide any tax abatement incentives through its Tax Increment Financing District Project or through other agreements that are considered tax abatements in accordance with the provisions of GASB #77.

23. LITIGATION

The City can be a party to litigation. No determination can be made at this time regarding the potential outcome of possible matters. However, as discussed in the risk management note above, the City has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the City's financial statements.

24. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City does not operate a landfill.

The City does not offer any Other Post Employment Benefits.

The City does not have any material related party transactions.

In 2022 The South Dakota Department of Agriculture and Natural Resources approved a \$230,400 Drinking Water State Revolving Fund loan and a \$249,600 American Rescue Plan Act grant for the Water Distribution System Improvement project. The term of the Drinking Water loan is 1.875% for 30 years. At December 31, 2024 there have been no advances on this loan or grant.

In 2022 the City was awarded a \$758,100 Clean Water State Revolving Fund loan and a \$1,236,900 American Rescue Plan Act grant for the Wastewater Collection System Improvement project. The term of the loan is 2.215% for 30 years. At December 31, 2024 there have been no advances on this loan or grant.

In 2024 the City paid a Council member \$6,462 for construction services and accepted an additional \$14,750 as a donation for construction services. In the first half of 2025 the City paid the Council member \$7,959 for construction services.

City costs related to 2025 improvements include:

- * \$598,151 Highway 34 reconstruction and infrastructure improvements
- * 810,974 Southern Hills water and sewer improvements
- * 441,370 Westside sewer lining and replacement project

In 2025 the City is in discussion with Sioux Valley Energy to donate the City's electrical system to Sioux Valley Energy in exchange for improvements Sioux Valley Energy will make to the City's electrical system at no cost to the City. The City will continue to purchase power from Heartland Energy and service its customers.

CITY OF COLMAN

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE ONE YEAR ENDING DECEMBER 31, 2024

	Beginning	2024	2024	2024	Ending	Accumulated	2024	2024	2024	Accumulated	Remaining
	12-31-23	Corrections	Additions	(Deletions)	12-31-24	Depreciation	Corrections	(Additions)	Deletions	Depreciation	Cost
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
General capital assets:											
Land	261,102				261,102						261,102
Buildings	1,418,311				1,418,311	-833,632		-31,836		-865,468	552,843
Improvements	1,566,793		91,458		1,658,251	-552,791		-74,639		-627,430	1,030,821
Equipment	597,136		18,366	-167,600	447,902	-421,310		-28,128	167,600	-281,838	166,064
Construction-in-progress					0	0				0	0
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Totals	3,843,342	0	109,824	-167,600	3,785,566	-1,807,733	0	-134,603	167,600	-1,774,736	2,010,830
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

Allocation of Depreciation:

General government	-10,053
Public safety	-6,769
Public works	-85,777
Health and welfare	0
Culture and recreation	-32,004

	-134,603
	=====

	Beginning	2024	2024	2024	Ending	Accumulated	2024	2024	2024	Accumulated	Remaining
	12-31-23	Corrections	Additions	(Deletions)	12-31-24	* Amortization	Corrections	(Additions)	Deletions	Amortization *	Cost
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Business-type activity:											
Enterprise funds:											
Land	10,770				10,770						10,770
Buildings	157,104				157,104	-105,972		-2,939		-108,911	48,193
Improvements	9,876,684		334,923		10,211,607	-3,733,695	-1	-370,454		-4,104,150	6,107,457
Equipment	236,810	-37,099	109,635	-47,178	262,168	-164,483	4,328	-18,471	47,178	-131,448	130,720
Intangible lease assets		37,218	30,361		67,579 *	0	-7,443	-13,516		-20,959 *	46,620
Construction-in-progress			41,837		41,837	0				0	41,837
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Totals	10,281,368	119	516,756	-47,178	10,751,065	-4,004,150	-3,116	-405,380	47,178	-4,365,468	6,385,597
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

CITY OF COLMAN
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
CHANGES IN LONG-TERM DEBT
FOR THE ONE YEAR ENDING DECEMBER 31, 2024

	Beginning 12-31-23 -----	2024 Additions -----	2024 (Deletions) -----	Governmental Ending 12-31-24 -----	Business-Type Ending 12-31-24 -----	Principal Due in 2025 -----
GOVERNMENTAL - DIRECT BORROWING						
2007 South Dakota Housing Loan:						
Actual draws to total \$390,000						
First payment due 6-1-2009						
Financing for Tax Increment Financing District #1						
Maturing on 6-1-2022						
Interest at 4.67%						
Interest forgiven after 10-25-2021						
Repayment as tax incremental revenues are received over a period of 15 years						
Paid by TIF #1 debt service fund	40,885		-40,885	0		0
2019 Sales Tax Revenue Bonds, Series 2019:						
Original bond amount: \$647,011						
Maturing on 12-1-2034						
Interest at 3.95% first 11 years						
Interest at 4.50% next 5 years						
Semi-annual payment of principal and interest						
Secured by "...so much of the [Sales Tax] as may be necessary..." to make bond payments						
Callable at option of City on or after 5-15-2020 with a decreasing call penalty						
Paid by general fund	478,932		-41,784	437,148		43,450
2023 Payloader loan:						
Original amount of \$140,000						
Maturing in April 2033						
Interest at 2.125%						
Purchase of a payloader						
Secured by equipment						
Paid by the General Fund	130,558		-12,790	117,768		13,061
GOVERNMENTAL - OTHER DEBT						
Accrued leave payable: general fu	2,593	7,952	-2,593	7,952		7,952
	-----	-----	-----	-----		-----
Totals	652,968	7,952	-98,052	562,868		64,463
	=====	=====	=====	=====		=====

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT
AT DECEMBER 31, 2024

	Total Payment -----	Principal -----	Interest -----	Balance -----
2019 Sales Tax Revenue Bonds, Series 2019:				
2025	60,222	43,450	16,772	393,698
2026	60,221	45,184	15,037	348,514
2027	60,222	46,986	13,236	301,528
2028	60,221	48,860	11,361	252,668
2029	60,222	50,809	9,413	201,859
2030-2034	272,724	201,859	70,865	0
	-----	-----	-----	-----
Totals	573,832	437,148	136,684	
	=====	=====	=====	
2023 Payloader loan:				
2025	15,564	13,061	2,503	104,707
2026	15,564	13,339	2,225	91,368
2027	15,564	13,622	1,942	77,746
2028	15,564	13,912	1,652	63,834
2029	15,564	14,208	1,356	49,626
2030-2033	51,968	49,626	2,342	0
	-----	-----	-----	-----
Totals	129,788	117,768	12,020	
	=====	=====	=====	

CITY OF COLMAN

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)

CHANGES IN LONG-TERM DEBT

FOR THE ONE YEAR ENDING DECEMBER 31, 2024

	Beginning 12-31-23 -----	2024 Additions -----	2024 (Deletions) -----	Governmental Ending 12-31-24 -----	Business-Type Ending 12-31-24 -----	Principal Due in '2025 -----
BUSINESS-TYPE - DIRECT BORROWING						
2013 Drinking Water Borrower Bond (DW-2):						
Original amount of \$434,528						
Interest at 3.0%						
Quarterly payments of \$5,504.43						
First payment February 15, 2015						
Last payment February 15, 2045						
Water line replacement						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the water fund.						
Paid by water fund	345,038		-11,799		333,239	12,156
2014 Drinking Water Borrower Bond (DW-3):						
Original amount of \$1,600,000						
Forgiven at closing: \$968,000						
Interest at 3.0%						
Quarterly payments of \$8,022.77						
First payment May 15, 2016						
Last payment February 15, 2046						
Water line and water tower replacement						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the water fund.						
Paid by water fund	519,588		-16,690		502,898	17,196
2013 Clean Water Borrower Bond (CW-1):						
Original amount of \$1,574,248						
Forgiven at closing: \$356,500						
Interest at 3.25%						
Quarterly payments of \$15,924.53						
First payment February 15, 2015						
Last payment February 15, 2045						
Sewer line replacement						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the sewer fund.						
Paid by sewer fund	966,745		-32,674		934,071	33,749
2014 Clean Water Borrower Bond (CW-2):						
Original amount of \$800,000						
Forgiven at closing: \$500,000						
Interest at 3.25%						
Quarterly payments of \$3,763.81						
First payment February 15, 2016						
Last payment February 15, 2046						
Sewer line replacement						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the sewer fund.						
Paid by sewer fund	237,801		-7,416		230,385	7,660
2017 Drinking Water Borrower Bond (DW-4):						
Original amount of \$462,362						
Interest at 3.00%						
Quarterly payments of \$5,857.01						
First payment due in 2019						
Last payment November 15, 2048						
Water line and water tower replacement						
Payable exclusively out of pledged revenue from segregated customer surcharge receipts of the water fund.						
Paid by water fund	411,013		-11,223		399,790	11,564
2017 Underground Electric Project Loan:						
Original amount of \$145,000						
Maturing on 5-1-2024						
Interest at 3.0%						
Monthly payments of \$1,915.93						
Callable at option of City						
Unsecured						
Paid by electric fund	7,616		-7,616		0	0

CITY OF COLMAN

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)

CHANGES IN LONG-TERM DEBT

FOR THE ONE YEAR ENDING DECEMBER 31, 2024

BUSINESS-TYPE - LEASES

2023 Golf Cart Lease:

Original amount of \$37,099

Maturing on 12-2027

Imputed interest at 7.2568%

Six monthly payments per year of \$1,467.28

Secured by golf carts

Paid by recreation fund	29,566	82	-6,652	22,996	7,135
		adjustment			

2024 Golf Cart Lease:

Original amount of \$30,361

Maturing on 10-2028

Imputed interest at 5.6213%

Six monthly payments per year of \$1,447.68

Secured by golf carts

Paid by recreation fund	0	30,361	0	30,361	6,979
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BUSINESS-TYPE - OTHER DEBT

Accrued leave payable:

Paid by the enterprise funds	6,048	25,174	-6,048	25,174	25,174
------------------------------	-------	--------	--------	--------	--------

Totals	2,523,415	55,617	-100,118	2,478,914	121,613
--------	-----------	--------	----------	-----------	---------

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT

AT DECEMBER 31, 2024

	Total Payment	Principal	Interest	Balance
	-----	-----	-----	-----
2013 Drinking Water Borrower Bond (DW-2):				
2025	22,018	12,156	9,862	321,083
2026	22,018	12,525	9,493	308,558
2027	22,018	12,905	9,113	295,653
2028	22,018	13,297	8,721	282,356
2029	22,017	13,700	8,317	268,656
2030-2034	110,089	74,994	35,095	193,662
2035-2039	110,088	87,082	23,006	106,580
2040-2044	110,089	101,118	8,971	5,462
2045	5,503	5,462	41	0
Totals	445,858	333,239	112,619	
2014 Drinking Water Borrower Bond (DW-3):				
2025	32,091	17,196	14,895	485,702
2026	32,091	17,718	14,373	467,984
2027	32,091	18,256	13,835	449,728
2028	32,091	18,810	13,281	430,918
2029	32,091	19,380	12,711	411,538
2030-2034	160,455	106,086	54,369	305,452
2035-2039	160,456	123,185	37,271	182,267
2040-2044	160,455	143,040	17,415	39,227
2045-2046	40,114	39,227	887	0
Totals	681,935	502,898	179,037	
2013 Clean Water Borrower Bond (CW-1):				
2025	63,698	33,749	29,949	900,322
2026	63,698	34,860	28,838	865,462
2027	63,698	36,006	27,692	829,456
2028	63,698	37,191	26,507	792,265
2029	63,698	38,414	25,284	753,851
2030-2034	318,491	211,882	106,609	541,969
2035-2039	318,490	249,104	69,386	292,865
2040-2044	318,491	292,865	25,626	0
Totals	1,273,962	934,071	339,891	

CITY OF COLMAN

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)

CHANGES IN LONG-TERM DEBT

FOR THE ONE YEAR ENDING DECEMBER 31, 2024

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT

AT DECEMBER 31, 2024

2014 Clean Water Borrower Bond (CW-2):

2025	15,055	7,660	7,395	222,725
2026	15,055	7,913	7,142	214,812
2027	15,055	8,173	6,882	206,639
2028	15,055	8,442	6,613	198,197
2029	15,055	8,719	6,336	189,478
2030-2034	75,276	48,093	27,183	141,385
2035-2039	75,277	56,542	18,735	84,843
2040-2044	75,277	66,475	8,802	18,368
2045-2046	18,818	18,368	450	0
	-----	-----	-----	
Totals	319,923	230,385	89,538	
	=====	=====	=====	

2017 Drinking Water Borrower Bond (DW-4):

2025	23,428	11,564	11,864	388,226
2026	23,428	11,914	11,514	376,312
2027	23,428	12,276	11,152	364,036
2028	23,428	12,648	10,780	351,388
2029	23,428	13,032	10,396	338,356
2030-2034	117,140	71,337	45,803	267,019
2035-2039	117,140	82,835	34,305	184,184
2040-2044	117,140	96,187	20,953	87,997
2045-2048	93,712	87,997	5,715	0
	-----	-----	-----	
Totals	562,272	399,790	162,482	
	=====	=====	=====	

2023 Golf Cart Lease:

2025	8,804	7,135	1,669	15,861
2026	8,804	7,653	1,151	8,208
2027	8,804	8,208	596	0
	-----	-----	-----	
Totals	26,412	22,996	3,416	
	=====	=====	=====	

2024 Golf Cart Lease:

2025	8,686	6,979	1,707	23,382
2026	8,686	7,372	1,314	16,010
2027	8,686	7,786	900	8,224
2028	8,686	8,224	462	0
	-----	-----	-----	
Totals	34,744	30,361	4,383	
	=====	=====	=====	

CITY OF COLMAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

FOR THE YEAR ENDING DECEMBER 31, 2024

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency	Transfers	Supplementals		
Revenue:						
Revenue from local sources:						
Taxes:	450,000					-450,000
Ad valorem taxes				0	99,067	99,067
Sales and use tax				0	348,442	348,442
Licenses and permits:	31,500				3,660	-27,840
Intergovernmental revenue:	24,700					-24,700
State shared revenue:						
Bank franchise tax					2,839	2,839
Motor vehicle - commercial					2,520	2,520
Liquor tax reversion					4,831	4,831
Motor vehicle licenses (5%)					12,549	12,549
Highway and bridge					21,450	21,450
County shared revenue:					1,811	1,811
Charges for goods and services:	55,600			55,600		-55,600
West Nile (Health and welfare)					25,758	25,758
Swimming pool					14,500	14,500
Camping					50,533	50,533
Cannabis fees					20,548	20,548
Fines and forfeits:						0
Miscellaneous revenue:	74,500			74,500		-74,500
Interest earned					34,280	34,280
Rentals and franchise fees					27,147	27,147
Total revenues	636,300	0	0	636,300	669,935	33,635
Expenditures:						
General government:						
Mayor and Council	31,200			31,200	27,410	3,790
Contingency	28,000			28,000		28,000
Amount transferred				0		0
Elections				0	193	-193
Financial administration	14,000			14,000	28,842	-14,842
Other	90,500			90,500	100,235	-9,735
Public safety:						
Police	42,800			42,800	36,219	6,581
Fire	39,600			39,600	42,714	-3,114
Public works:						
Highways and streets	187,150			187,150	107,561	79,589
Health and welfare:						
West Nile	12,400			12,400	10,588	1,812
Culture and recreation:						
Swimming pool	142,500			142,500	161,753	-19,253
Parks and recreation	50,850			50,850	49,881	969
Debt service	77,300			77,300	75,786	1,514
Total expenditures	716,300	0	0	716,300	641,182	75,118
Excess of revenues over (under) expenditures	-80,000	0	0	-80,000	28,753	108,753
Other financing sources (uses):						
Easement received				0	25,000	25,000
Net change in fund balance	-80,000	0	0	-80,000	53,753	133,753
Fund balance:						
January 1, 2024, adjusted	412,337			412,337	412,337	0
December 31, 2024	332,337	0	0	332,337	466,090	133,753

CITY OF COLMAN

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

SCHEDULE OF BUDGETARY COMPARISON FOR THE
GENERAL FUND FOR THE ONE YEAR ENDING DECEMBER 31, 2024

1. BUDGETS AND BUDGETARY ACCOUNTING

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

- a. 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.
- b. 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 d.
- c. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
- d. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental appropriations. During 2024 there were no supplemental appropriations to increase the general fund's budget. See page 37.
- e. Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board. There were no appropriations encumbered at December 31, 2024.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general fund.
- f. Formal budgetary integration is employed as a management control device for the general fund.
- g. The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP 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 road grader would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a road grader would be reported as an expenditure in the public works function of general fund, along with all other current public works expenditures.

CITY OF COLMAN
FOR THE TEN YEARS ENDING DECEMBER 31, 2024
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

SDRS Measurement Date Year Ended (1)	City's Pension Allocation Percentage	City's Proportionate Share of Net Pension (Asset) Liability	City's Covered Employee Payroll for its 6-30 Year End	City's Proportionate Share of the Net Pension (Asset) Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.0081380%	-329	228,317	(00.15%)	100.00%
June 30, 2023	0.0077620%	-758	200,200	(00.38%)	100.10%
June 30, 2022	0.0078820%	-745	188,200	(00.40%)	100.10%
June 30, 2021	0.0067000%	-51,310	152,050	(33.75%)	105.52%
June 30, 2020	0.0066412%	-288	145,750	(00.20%)	100.04%
June 30, 2019	0.0065328%	-692	138,900	(00.50%)	100.09%
June 30, 2018	0.0062717%	-146	130,383	(00.11%)	100.02%
June 30, 2017	0.0062293%	-565	126,567	(00.45%)	100.10%
June 30, 2016	0.0065275%	22,049	124,117	17.76%	96.89%
June 30, 2015	0.0062250%	-26,402	113,650	(23.23%)	104.10%

(1) The amounts presented for each fiscal year were determined as of the collective net pension (asset)/liability which is 6-30 of the City's current calendar year.

Note: This schedule is intended to show information for ten years.

CITY OF COLMAN
FOR THE TEN YEARS ENDING DECEMBER 31, 2024
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

City's Year Ended	Contractually Required Contribution	Contributions Related to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Employee Payroll for its Calendar Year End	Contributions as a Percentage of Covered Employee Payroll
December 31, 2024	17,476	17,476	0	291,267	6.00%
December 31, 2023	15,252	15,252	0	254,200	6.00%
December 31, 2022	15,045	15,045	0	250,750	6.00%
December 31, 2021	14,139	14,139	0	235,650	6.00%
December 31, 2020	14,823	14,823	0	247,050	6.00%
December 31, 2019	8,698	8,698	0	144,967	6.00%
December 31, 2018	7,980	7,980	0	133,000	6.00%
December 31, 2017	7,741	7,741	0	129,017	6.00%
December 31, 2016	7,304	7,304	0	121,733	6.00%
December 31, 2015	6,656	6,656	0	110,933	6.00%

Note: This schedule is intended to show information for ten years.

CITY OF COLMAN

NOTES TO SUPPLEMENTARY INFORMATION - PENSION

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY
AND SCHEDULE OF PENSION CONTRIBUTIONS FOR THE ONE YEAR ENDING DECEMBER 31, 2024

Changes of Prior Valuation:

The June 30, 2024 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2023, Actuarial Valuation.

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

Benefit Provision Changes:

During the 2024 legislative Session no significant SDRS benefit changes were made.

Actuarial Method Changes:

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

Actuarial Assumption Changes:

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in 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 1.71%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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.

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

To the Honorable Mayor and
Members of the Colman City Council
Colman, South Dakota

INDEPENDENT AUDITOR'S REPORT

I 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 governmental activities, business-type activities, and each major fund, of the City of Colman (City), Moody County, South Dakota, as of December 31, 2024 and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my qualified opinions report thereon dated November 10, 2025.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered City of Colman'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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Colman's internal control.

A *deficiency in internal control* exist 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 City of Colman's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or 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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses.

I did identify certain deficiencies in internal control, described in the accompanying schedule of current audit findings as items 2024-01, 2024-02, and 2024-03 that I consider to be significant deficiencies.

I did note other matters involving internal control that I reported to the governing body and management of the City of Colman in a separate Letter of Comments dated November 10, 2025.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether City of Colman's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of current audit finding as item 2024-01.

I did note other minor matters involving compliance that I reported to the governing body and management of the City of Colman in a separate Letter of Comments dated November 10, 2025.

City's Response to Findings:

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the findings identified in my audit. The City's response to the findings identified in my audit are described in the accompanying schedule of current audit findings. The City's responses were not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the responses.

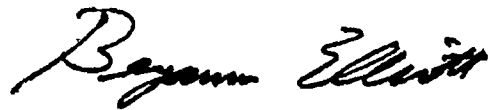
Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

November 10, 2025



SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Other Audit Findings:

- 2006-01: Budget Overdrafts -- Repeated below as 2024-01
- 2018-02: Lack of Segregation of Duties -- Repeated below as 2024-02
- 2008-04: Preparation of Financial Statements - Repeated below as 2024-03

SCHEDULE OF CURRENT AUDIT FINDINGS

Summary of the Independent Auditor's Results:

Financial Statements

Type of auditor's report issued:

Unmodified on:	Qualified on:
Governmental Activities	Business-Type Activities
All governmental funds	Liquor fund
All business-type funds except the liquor fund	

Material noncompliance noted: Findings: 2024-01

Internal control over financial reporting:

- * Material weakness(es) identified? None Reported
- * Significant deficiency(ies) identified
that are not considered to be material
weaknesses? Findings: 2024-01 thru 2024-03

Finding 2024-01: General Fund Budget Overdraft
(compliance and internal control)

Criteria:

SDCL 9-21 requires governmental expenditures to be authorized in an annual appropriation ordinance, or by a supplemental appropriation ordinance, by the governing body before the end of year. The City is prohibited from spending in excess of appropriated amounts at the sub-function level.

Condition:

City expenditures exceeded their appropriation in the following areas:

2024: General fund/elections	\$ 193
/financial administration	14,842
/other	9,735
/public safety/fire	3,114
/culture and recreation/pool	19,253

Possible Effect:

Expenditures in excess of a budget can lead to unnecessary expenditures and unnecessary taxation. Also, joint and several liability may attach to any official who approves an expenditure in excess of the amount budgeted for any purpose or department. SDCL 9-21-9 and 9-21-10

Recommendation:

I recommend the City stay within its budget, using contingency transfers and supplemental appropriations to adjust budget line items when necessary.

Management Response:

In the future, the City expects to make contingency transfers or adopt sufficient supplemental appropriations to cover expenditures that will exceed their original appropriation.

Finding 2024-02: Lack of Proper Segregation of Duties
(internal control)

Criteria:

Management of a municipality is responsible for establishing and maintaining an internal control structure to provide management and the taxpayers with reasonable assurance: 1) that assets are safeguarded against loss from

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

unauthorized use or disposition, 2) that transactions are executed in accordance with management's authorization, and 3) that transactions are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

A key element of an effective internal control structure is the separation of duties so one person isn't responsible of all aspects of a transaction.

Condition:

The finance officer processes most revenue transactions from beginning to end. The finance officer receives money, issues receipts, records receipts, post receipts in the accounting records, and prepares bank deposits. As a result, an inadequate segregation of duties existed for the revenue function.

A third party does review bank reconciliations.

Effect:

Inadequate segregation of duties can lead to the misappropriation of funds.

Recommendation:

I recommend the City of Colman's management be cognizant of this lack of segregation of duties for receipts and attempt to provide compensating internal controls whenever and wherever possible and practical.

Response:

This comment is a result of the size of the City, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City has determined it is not cost beneficial to employ additional personnel just to adequately segregate duties. The City of Colman is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. For example, a third party does review bank reconciliations. However, this lack of segregation of duties in the revenue function is expected to continue to exist.

Finding 2023-03: Preparation of Financial Statements
(internal control)

Criteria:

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements. Also, South Dakota Codified Law (SDCL) 9-14-17 and 9-14-18 requires the finance officer to keep regular books of account.

Condition:

The City has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Effect:

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

Recommendation:

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 Response:

Due to cost constraints, the City will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.