

CITY OF COLMAN
COLMAN, SOUTH DAKOTA
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2023
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

CITY OF COLMAN
COLMAN, SOUTH DAKOTA

TABLE OF CONTENTS TO THE FINANCIAL REPORT
FOR THE ONE YEAR ENDING DECEMBER 31, 2023

FINANCIAL SECTION

1 Independent Auditor's Report

Basic Financial Statements:

Government-Wide Financial Statements:

- 4 Statement of Net Position -- As of December 31, 2023
- 5 Statement of Activities -- For the One Year Ending December 31, 2023
- 6 Statement of Activities -- For the One Year Ending December 31, 2022

Fund Financial Statements:

Governmental Funds:

- 7 Balance Sheet -- As of December 31, 2023
- Statement of Revenue, Expenditures, and Changes in Fund Balances
- 8 -- For the One Year Ending December 31, 2023
- 9 -- For the One Year Ending December 31, 2022

Enterprise Funds:

- 10 Statement of Net Position -- As of December 31, 2023
- Statement of Revenues, Expenses, and Changes in Fund Net Position
- 11 -- For the One Year Ending December 31, 2023
- 12 -- For the One Year Ending December 31, 2022
- 13 Statement of Cash Flows -- For the One Year Ending December 31, 2023
- 14 Statement of Cash Flows -- For the One Year Ending December 31, 2022

15 *Notes to the Financial Statements*

REQUIRED SUPPLEMENTARY INFORMATION SECTION OTHER THAN MD&A

Budgetary Comparison Schedule - Budgetary Basis:

- 40 General Fund - December 31, 2023
- 41 General Fund - December 31, 2022
- 42 Notes to Supplementary Information - Budgets

Pension Schedules:

- 43 Schedule of the City's Proportional Share of Net Pension (Asset)/Liability
- 43 Schedule of the City's Contributions
- 44 Notes to Supplementary Information - Pension

GOVERNMENTAL SECTION

- 45 Report on Compliance and Other Matters and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- 48 Schedule of Prior Audit Findings
- 48 Schedule of Current Audit Findings

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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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

Opinions:

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, 2023, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the accompanying 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, 2023, and the respective changes in its financial position and, where applicable, cash flows thereof for each year in the biennial period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 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 audit opinions.

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 the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 40 to 42), the City's Proportionate Share of Net Pension (Asset)/Liability (page 43), and the Schedule of the City's Contribution (page 43) 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.

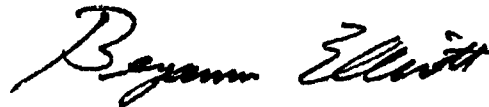
The City has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is 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 January 8, 2025 (page 45) 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

January 8, 2025



CITY OF COLMAN

GOVERNMENT-WIDE - STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2023

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
	Activities	Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	200,191	943,814	1,144,005
Taxes receivable - delinquent	295		295
Due from other governments	10,562		10,562
Internal balances	39,391	-39,391	0
Accounts receivable	435	155,179	155,614
Capital assets:			
Land	261,102	10,770	271,872
Other capital assets, net of accumulated depreciation	1,774,507	6,266,448	8,040,955
Other assets:			
Net pension assets	178	580	758
Total assets	2,286,661	7,337,400	9,624,061
DEFERRED OUTFLOW OF RESOURCES:			
Pension related deferred outflows	14,131	46,158	60,289
Total deferred outflow of resources	14,131	46,158	60,289
LIABILITIES:			
Current liabilities:			
Accounts payable	17,580	138,244	155,824
Payroll deductions payable	19,974		19,974
Customer deposits	5,000	16,700	21,700
Noncurrent liabilities:			
Leave liability	2,593	6,048	8,641
Due within one year	95,459	94,041	189,500
Due in more than one year	554,916	2,423,326	2,978,242
Total liabilities	695,522	2,678,359	3,373,881
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	8,875	28,986	37,861
Total deferred inflows of resources	8,875	28,986	37,861
NET POSITION:			
Net invested in capital assets	1,385,234	3,759,851	5,145,085
Restricted for:			
Debt service	12,257	131,911	144,168
SDRS pension purposes	5,434	17,752	23,186
Unrestricted	193,470	766,699	960,169
Total net position	1,596,395	4,676,213	6,272,608

See accompanying notes.

CITY OF COLMAN
GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2023

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:							
<i>Governmental activities:</i>							
General government	167,359	4,827			-162,532		-162,532
Public safety	103,662				-103,662		-103,662
Public works	232,693				-232,693		-232,693
Health and welfare	18,516	20,948			2,432		2,432
Culture and recreation	142,474	76,799			-65,675		-65,675
Interest and fees (all)	162,710				-162,710		-162,710
Total governmental activities	827,414	102,574	0	0	-724,840	0	-724,840
<i>Business-type activities:</i>							
Liquor	30,614	25,841				-4,773	-4,773
Water	349,424	262,120				-87,304	-87,304
Electric	1,171,579	1,272,617		180,176	281,214		281,214
Sewer	324,131	229,373			-94,758		-94,758
Solid waste	66,159	66,358			199		199
Recreation	518,133	461,754			-56,379		-56,379
Total business-type activities	2,460,040	2,318,063	0	180,176	0	38,199	38,199
Total primary government	3,287,454	2,420,637	0	180,176	-724,840	38,199	-686,641

General revenues:

Taxes:

Property taxes	211,835		211,835
Sales taxes	378,465		378,465
State shared revenue	43,918		43,918
County shared revenue	1,811		1,811
Interest earnings	28,232	2,897	31,129
Rents and franchise fees	32,382		32,382
Donations	1,750		1,750
Miscellaneous revenue	37,193		37,193
Insurance settlement	5,250		5,250
RD loan proceeds	140,000		140,000
Transfers in (out)	-181,900	181,900	0
Total general revenue and transfers	698,936	184,797	883,733

Change in net position -25,904 222,996 197,092

Net position, January 1, 2023 1,622,299 4,453,217 6,075,516

Net position, December 31, 2023 1,596,395 4,676,213 6,272,608

See accompanying notes.

CITY OF COLMAN

GOVERNMENT-WIDE - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING DECEMBER 31, 2022

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:							
<i>Governmental activities:</i>							
General government	130,064	865			-129,199		-129,199
Public safety	86,085				-86,085		-86,085
Public works	353,350		52,939		-300,411		-300,411
Health and welfare	8,370	25,950	1,487		19,067		19,067
Culture and recreation	119,462	20,709			-98,753		-98,753
Interest and fees (all)	29,287				-29,287		-29,287
Total governmental activities	726,618	47,524	54,426	0	-624,668	0	-624,668
<i>Business-type activities:</i>							
Liquor	32,529	28,104				-4,425	-4,425
Water	367,510	246,771				-120,739	-120,739
Electric	1,070,844	1,202,385		80,104		211,645	211,645
Sewer	268,752	182,941				-85,811	-85,811
Solid waste	65,851	59,415				-6,436	-6,436
Recreation	271,963	248,349				-23,614	-23,614
Total business-type activities	2,077,449	1,967,965	0	80,104	0	-29,380	-29,380
Total primary government	2,804,067	2,015,489	54,426	80,104	-624,668	-29,380	-654,048
General revenues:							
Taxes:							
Property taxes					156,533		156,533
Sales taxes					368,119		368,119
State shared revenue					42,266		42,266
County shared revenue					1,811		1,811
Interest earnings					666	632	1,298
Rents and franchise fees					25,496		25,496
Donations					15,542		15,542
Miscellaneous revenue					10,771		10,771
Insurance settlement					3,531		3,531
Sale of land					125,260		125,260
Total general revenue and transfers					749,995	632	750,627
Change in net position					125,327	-28,748	96,579
Net position, January 1, 2022					1,506,651	4,367,971	5,874,622
Beginning cash adjustment					104,315		104,315
Allocation adjustments					-113,994	113,994	0
January 1, 2022, restated					1,496,972	4,481,965	5,978,937
Net position, December 31, 2022					1,622,299	4,453,217	6,075,516

See accompanying notes.

CITY OF COLMAN

BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2023

	General Fund	TIF Debt Service Fund	Total Governmental Funds
	-----	-----	-----
ASSETS:			
Cash and cash equivalents	187,934	12,257	200,191
Property taxes receivable	295		295
Due from other governments	10,562		10,562
Accounts receivable	435		435
Due from Recreation fund	39,391		39,391
	-----	-----	-----
Total assets	238,617	12,257	250,874
DEFERRED OUTFLOWS OF RESOURCES			
None	-----	-----	0
Total deferred outflows of resources	0	0	0
	-----	-----	-----
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	238,617	12,257	250,874
	=====	=====	=====
LIABILITIES:			
Accounts payable	17,580		17,580
Payroll deductions payable	19,974		19,974
Customer deposits	5,000		5,000
	-----	-----	-----
Total liabilities	42,554	0	42,554
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	295		295
	-----	-----	-----
Total deferred inflows of resources	295	0	295
FUND BALANCES (DEFICIT):			
Nonspendable			0
Restricted		12,257	12,257
Committed			0
Assigned			0
Unassigned	195,768		195,768
	-----	-----	-----
Total fund balance	195,768	12,257	208,025
	-----	-----	-----
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	238,617	12,257	250,874
	=====	=====	=====
Reconciliation of the above balance sheet - governmental funds to the government-wide statement of net position			
Total fund balance - governmental funds (above)			208,025
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:			3,843,242
Less: accumulated depreciation			-1,807,633
These pension related amounts are not an available financial resource and therefore are not reported in the funds.			
Net pension assets (liability)			178
Deferred outflow of resources			14,131
Deferred inflow of resources			-8,875
Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds.			
			295
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			-40,885
2019 Sales Tax Revenue Bonds			-478,932
2023 Payloader loan			-130,558
Accrued leave payable			-2,593

Total net position on government-wide statement of net position			<u>1,596,395</u>

See accompanying notes.

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2023

	General Fund	TIF Debt Service Fund	Total Governmental Funds
Revenue:			
Revenue from local sources:			
Taxes: Ad valorem taxes	96,537	115,977	212,514
General sales and use taxes	378,465		378,465
Licenses and permits:	4,600		4,600
Intergovernmental revenue:			
State shared revenue:			
Bank franchise tax	646		646
Commercial prorate	2,534		2,534
Liquor tax reversion	4,347		4,347
Motor vehicle licenses (5%)	14,286		14,286
Highway and bridge	22,105		22,105
County shared revenue:	1,811		1,811
Charges for goods and services:			
Zoning fees	227		227
West Nile and fees	20,948		20,948
Swimming pool and concessions	14,543		14,543
Camping and events	28,256		28,256
Cannabis fees	34,000		34,000
Fines and forfeits:			0
Miscellaneous revenue:			
Interest earned	28,232		28,232
Rental and franchise	32,382		32,382
Donations	1,750		1,750
Other	37,193		37,193
Total revenues	722,862	115,977	838,839
Expenditures:			
General government:			
Mayor and Council	21,312		21,312
Elections			0
Financial administration	11,012		11,012
Other	126,269		126,269
Public safety:			
Police	44,474		44,474
Fire	52,419		52,419
Public works:			
Highways and streets	141,616		141,616
Health and welfare:			
West Nile	18,516		18,516
Culture and recreation:			
Swimming pool	56,608		56,608
Parks and recreation	53,492		53,492
Debt service:			
Principal	51,328	108,294	159,622
Interest and fees	20,567	2,143	22,710
Capital outlay	139,992		139,992
Total expenditures	737,605	110,437	848,042
Excess of revenues over (under) expenditures	-14,743	5,540	-9,203
Other financing sources (uses):			
Transfer (out)	-181,900		-181,900
Insurance proceeds	5,250		5,250
RD loan proceeds	140,000		140,000
Net change in fund balance	-51,393	5,540	-45,853
Fund balance (deficit):			
January 1, 2023	247,161	6,717	253,878
December 31, 2023	195,768	12,257	208,025
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)			-45,853
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. 2023 capitalized cost are			139,992
2023 depreciation is			-134,949
2023 capital loss			-4,610
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			108,294
Add: 2019 sales tax revenue bond principal payments			41,886
Add: 2020 Bobcat lease/purchase principal payments			
Add: 2023 payloader loan payments			9,442
Subtract: 2023 payloader loan proceeds			-140,000
Governmental funds do not reflect the change in "accrued leave", but the statement of activities reflects the change through expenditures			1,305
Governmental funds do not reflect the change in "delinquent property taxes", but the statement of activities reflects the change through expenditures			-679
(Expenses) and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in funds			-732
Change in net position on government-wide statement of activities			-25,904
See accompanying notes.			

CITY OF COLMAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2022

	General Fund	TIF Debt Service Fund	Total Governmental Funds
Revenue:			
Revenue from local sources:			
Taxes: Ad valorem taxes	84,625	71,908	156,533
General sales and use taxes	368,119		368,119
Licenses and permits:	805		805
Intergovernmental revenue:			
Federal grant - COVID	52,939		52,939
State shared revenue:			
Grant - mosquito	1,487		1,487
Bank franchise tax	534		534
Commercial prorate	2,402		2,402
Liquor tax reversion	4,442		4,442
Motor vehicle licenses (5%)	13,512		13,512
Highway and bridge	21,376		21,376
County shared revenue:	1,811		1,811
Charges for goods and services:			
West Nile, animal control	25,950		25,950
Swimming pool and concessions	14,785		14,785
Camping and events	5,924		5,924
Fines and forfeits:	60		60
Miscellaneous revenue:			
Interest earned	666		666
Rental and franchise	25,496		25,496
Donations	15,542		15,542
Other	10,771		10,771
Total revenues	651,246	71,908	723,154
Expenditures:			
General government:			
Mayor and Council	22,411		22,411
Elections	176		176
Financial administration	10,175		10,175
Other	87,373		87,373
Public safety:			
Police	38,205		38,205
Fire	41,111		41,111
Public works:			
Highways and streets	225,050		225,050
Health and welfare:			
West Nile	8,370		8,370
Culture and recreation:			
Swimming pool	55,997		55,997
Parks and recreation	32,319		32,319
Debt service:			
Principal	57,516	67,374	124,890
Interest and fees	24,462	4,825	29,287
Capital outlay			0
Total expenditures	603,165	72,199	675,364
Excess of revenues over (under) expenditures	48,081	-291	47,790
Other financing sources (uses):			
Sale of land	125,260		125,260
Insurance settlement	3,531		3,531
Net change in fund balance	176,872	-291	176,581
Fund balance (deficit):			
January 1, 2022	79,968	7,008	86,976
Additional cash	104,315		104,315
Allocation adjustments	-113,994		-113,994
January 1, 2022, restated	70,289	7,008	77,297
December 31, 2022	247,161	6,717	253,878
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)			176,581
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.			0
2022 capitalized cost are			-128,307
2022 depreciation is			-48,085
2022 capital loss			
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			67,374
Add: 2019 sales tax revenue bond principal payments			36,216
Add: 2019 loader lease/purchase payments			14,752
Add: 2020 Bobcat lease/purchase principal payments			6,548
Governmental funds do not reflect the change in "accrued leave", but the statement of activities reflects the change through expenditures			0
Governmental funds do not reflect the change in "delinquent property taxes", but the statement of activities reflects the change through expenditures			0
(Expenses) and reductions of expenses related to pensions do not provide current financial resources and, therefore, are not reported in funds			248
Change in net position on government-wide statement of activities			125,327
See accompanying notes.			

CITY OF COLMAN

STATEMENT OF NET POSITION - ENTERPRISE FUNDS
AS OF DECEMBER 31, 2023

	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Recreation Fund	Total Enterprise Funds
ASSETS:							
Current assets:							
Cash and cash equivalents	58,438	264,206	432,100	170,838	18,232	0	943,814
Accounts receivable		21,221	108,186	20,066	5,663	43	155,179
Total current assets	58,438	285,427	540,286	190,904	23,895	43	1,098,993
Noncurrent assets:							
Capital assets:							
Land				10,770			10,770
Buildings	140,005	10,353		6,746			157,104
Improvements		4,460,473	1,016,236	4,399,975			9,876,684
Equipment	8,540		26,700	63,270		138,300	236,810
Accumulated depreciation	-97,413	-1,771,431	-385,063	-1,658,715		-91,528	-4,004,150
Total noncurrent assets	51,132	2,699,395	657,873	2,822,046	0	46,772	6,277,218
Other assets:							
Net pension assets	18	104	150	86		222	580
Total assets	109,588	2,984,926	1,198,309	3,013,036	23,895	47,037	7,376,791
DEFERRED OUTFLOW OF RESOURCES							
Pension related deferred ou	1,405	8,254	11,955	6,849		17,695	46,158
Total outflow of resources	1,405	8,254	11,955	6,849	0	17,695	46,158
LIABILITIES:							
Current liabilities:							
Accounts payable	67	8,129	87,340	25,955	5,016	11,737	138,244
Due to other funds						39,391	39,391
Customer deposits		8,350	8,350				16,700
Current portion of:							
Long-term debt		39,712	7,616	40,091		6,622	94,041
Total current liabilities	67	56,191	103,306	66,046	5,016	57,750	288,376
Noncurrent liabilities:							
Leave liability		1,728	2,592	1,728			6,048
Noncurrent portion of long-term debt		1,235,927		1,164,455		22,944	2,423,326
Total noncurrent liabilities	0	1,237,655	2,592	1,166,183	0	22,944	2,429,374
Total liabilities	67	1,293,846	105,898	1,232,229	5,016	80,694	2,717,750
DEFERRED INFLOW OF RESOURCES							
Pension related deferred in	882	5,183	7,508	4,301		11,112	28,986
Total inflow of resources	882	5,183	7,508	4,301	0	11,112	28,986
NET POSITION (DEFICIT)							
Net invested in capital asset	51,132	1,423,756	650,257	1,617,500		17,206	3,759,851
Restricted:							
Debt service		78,337		53,574			131,911
SDRS pension purposes	541	3,175	4,597	2,634		6,805	17,752
Unrestricted	58,371	188,883	442,004	109,647	18,879	-51,085	766,699
Total net position	110,044	1,694,151	1,096,858	1,783,355	18,879	-27,074	4,676,213

See accompanying notes.

CITY OF COLMAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION - ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2023

	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Recreation Fund	Total Enterprise Funds
Operating revenue:							
Charges for goods and servi	1,517	172,477	1,272,617	67,540	66,358	461,754	2,042,263
Sucharge revenue		89,643		161,833			251,476
Lottery sales	24,324						24,324
Total operating revenue	25,841	262,120	1,272,617	229,373	66,358	461,754	2,318,063
Operating expenses:							
Personal services	7,388	42,871	61,567	35,439		219,564	366,829
Other current services	2,657	43,515	116,450	87,006		121,874	371,502
Cost of goods sold		53,394	969,038		66,159	161,598	1,250,189
Lottery operations	17,504						17,504
Amortization							0
Depreciation	2,939	171,098	24,765	162,107		10,072	370,981
Pension related	126	-449	-835	-360		2,287	769
Total operating expenses	30,614	310,429	1,170,985	284,192	66,159	515,395	2,377,774
Total operating income (l	-4,773	-48,309	101,632	-54,819	199	-53,641	-59,711
Nonoperating revenue (expense):							
Interest earnings			2,897				2,897
FEMA grants			180,176				180,176
Interest expense and fees		-38,995	-594	-39,939		-2,738	-82,266
Total nonoperating revenue (expense)	0	-38,995	182,479	-39,939	0	-2,738	100,807
Income (loss) before trans and capital contributions	-4,773	-87,304	284,111	-94,758	199	-56,379	41,096
Transfers in	1,900	21,000	129,000		10,500	19,500	181,900
Change in net position	-2,873	-66,304	413,111	-94,758	10,699	-36,879	222,996
Net position:							
January 1, 2023	112,917	1,760,455	683,747	1,878,113	8,180	9,805	4,453,217
December 31, 2023	110,044	1,694,151	1,096,858	1,783,355	18,879	-27,074	4,676,213

See accompanying notes.

CITY OF COLMAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION - ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2022

	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Recreation Fund	Total Enterprise Funds
Operating revenue:							
Charges for goods and services	1,861	157,127	1,202,385	51,430	59,415	248,349	1,720,567
Sucharge revenue		89,644		131,511			221,155
Lottery sales	24,443						24,443
Total operating revenue	26,304	246,771	1,202,385	182,941	59,415	248,349	1,966,165
Operating expenses:							
Personal services	7,962	35,284	48,624	29,514		129,705	251,089
Other current services	4,440	60,774	109,044	36,524		75,379	286,161
Cost of goods sold		58,155	888,189		65,851	62,578	1,074,773
Lottery operations	17,531						17,531
Amortization		2,500					2,500
Depreciation	2,939	171,412	24,764	162,312		5,744	367,171
Pension related	-343	-744	-1,032	-774		-1,443	-4,336
Total operating expenses	32,529	327,381	1,069,589	227,576	65,851	271,963	1,994,889
Total operating income (loss)	-6,225	-80,610	132,796	-44,635	-6,436	-23,614	-28,724
Nonoperating revenue (expense):							
Interest earnings			632				632
FEMA Grants			80,104				80,104
Rents	1,800						1,800
Donation							0
Interest expense and fees		-40,129	-1,255	-41,176			-82,560
Total nonoperating revenue (expense)	1,800	-40,129	79,481	-41,176	0	0	-24
Income (loss) before transfer and capital contributions	-4,425	-120,739	212,277	-85,811	-6,436	-23,614	-28,748
Transfers in							0
Transfers (out)							0
Change in net position	-4,425	-120,739	212,277	-85,811	-6,436	-23,614	-28,748
Net position:							
January 1, 2022	117,342	1,752,725	541,894	1,911,041	8,743	36,226	4,367,971
Allocation adjustments		128,469	-70,424	52,883	5,873	-2,807	113,994
January 1, 2022, adjusted	117,342	1,881,194	471,470	1,963,924	14,616	33,419	4,481,965
December 31, 2022	112,917	1,760,455	683,747	1,878,113	8,180	9,805	4,453,217

See accompanying notes.

CITY OF COLMAN

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2023

	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Recreation Fund	Total Enterprise Funds
Cash flows from:							
Operating activities:							
Receipts from customers	25,841	252,195	1,235,615	218,050	65,971	461,754	2,259,426
Receipts from other funds (est)		7,900	37,000	8,000			52,900
Payments to employees	-7,388	-43,742	-62,873	-36,310		-219,564	-369,877
Payments to suppliers	-22,241	-89,281	-1,073,031	-59,674	-65,845	-268,600	-1,578,672
Payments to other funds (est)		-3,000		-1,500		-6,000	-10,500
Net cash provided (used) by operating activities	-3,788	124,072	136,711	128,566	126	-32,410	353,277
Noncapital financing activities:							
Due (from) to Transfers in	1,900	21,000	129,000		10,500	39,391 19,500	39,391 181,900
Capital financing activities:							
FEMA grant			180,176				180,176
Cash paid for equipment						-37,099	-37,099
Golf cart lease						37,099	37,099
Principal paid on debt		-38,542	-22,397	-38,814		-7,533	-107,286
Interest paid on debt		-38,995	-594	-39,939		-2,738	-82,266
Investing activities:							
Interest received			2,897				2,897
Net increase (decrease) in cash	-1,888	67,535	425,793	49,813	10,626	16,210	568,089
Cash:							
January 1, 2023	60,326	196,671	6,307	121,025	7,606	-16,210	375,725
December 31, 2023	58,438	264,206	432,100	170,838	18,232	0	943,814
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	-4,773	-48,309	101,632	-54,819	199	-53,641	-59,711
Depreciation	2,939	171,098	24,765	162,107		10,072	370,981
Pension related	126	-449	-835	-360		2,287	769
(Increase) decrease in:							
Receivables		-2,025	13,857	-3,323	-387		8,122
Increase (decrease) in:							
Accounts payable	-2,080	4,628	-1,402	25,832	314	8,872	36,164
Leave payable		-871	-1,306	-871			-3,048
Net cash provided (used) by operating activities	-3,788	124,072	136,711	128,566	126	-32,410	353,277
Noncash investing, capital and financing activities: None							

See accompanying notes.

CITY OF COLMAN

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2022

	Liquor Fund	Water Fund	Electric Fund	Sewer Fund	Solid Waste Fund	Recreation Fund	Total Enterprise Funds
Cash flows from:							
Operating activities:							
Receipts from customers	26,304	239,230	1,230,822	174,735	59,992	248,349	1,979,432
Receipts from other funds (est)		7,900	37,000	8,000			52,900
Payments to employees	-7,962	-35,284	-48,624	-29,514		-129,705	-251,089
Payments to suppliers	-21,971	-120,927	-997,231	-35,025	-65,851	-131,957	-1,372,962
Payments to other funds(est)		-3,000		-1,500		-6,000	-10,500
Net cash provided (used) by operating activities	-3,629	87,919	221,967	116,696	-5,859	-19,313	397,781
Noncapital financing activities:							
FEMA grants			80,104				80,104
Capital financing activities:							
Cash paid for improvements			-283,732				-283,732
Principal paid on debt		-37,408	-21,736	-37,578			-96,722
Interest paid on debt		-40,129	-1,255	-41,176			-82,560
Investing activities:							
Interest received			632				632
Rents	1,800						1,800
Net increase (decrease) in cash	-1,829	10,382	-4,020	37,942	-5,859	-19,313	17,303
Cash:							
January 1, 2022	62,155	57,820	80,751	30,200	7,592	5,910	244,428
Beginning balance adjustment		128,469	-70,424	52,883	5,873	-2,807	113,994
January 1, 2022, revised	62,155	186,289	10,327	83,083	13,465	3,103	358,422
December 31, 2022	60,326	196,671	6,307	121,025	7,606	-16,210	375,725
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	-6,225	-80,610	132,796	-44,635	-6,436	-23,614	-28,724
Amortization		2,500					2,500
Depreciation	2,939	171,412	24,764	162,312		5,744	367,171
Pension related	-343	-744	-1,032	-774		-1,443	-4,336
(Increase) decrease in:							
Receivables		361	65,439	-207	577		66,170
Increase (decrease) in:							
Accounts payable		-5,000					-5,000
Customer deposits							0
Leave liability							0
Net cash provided (used) by operating activities	-3,629	87,919	221,967	116,696	-5,859	-19,313	397,781
Noncash investing, capital and financing activities: None							

See accompanying notes.

CITY OF COLMAN
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023 are:

Mayor:	Finance Officer:
Mike Preheim	Maria Groos
Governing Board:	Attorney:
Mike Uhing, President	Jennifer R. Nelson
Roger Broghammer	
Mitch Clark	
Cody Fritz	
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 2022 and 2023 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, 2023 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, 2023 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, 2023 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 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 is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 36.

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

	Capitalization Threshold	Depreciation 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

Land is an inexhaustible capital asset and is not depreciated.

There is no construction-in-progress at December 31, 2023. See page 36 for more information.

Fund Financial Statements:

Capital assets and related depreciation 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 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 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 (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 Classifications</u>	<u>Account or Fund</u>	<u>Authority or Action</u>	<u>Amount</u>
Nonspendable	None		0
Restricted	TIF #1	Contract	12,257
Committed	None		0
Assigned	None		0
Unassigned	General		195,768

			208,025

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 - 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:

2023: General fund/public safety/police	\$ 4,174
/public safety/fire	17,319
/public works/streets	103,858
/culture and recreation/pool	3,608
/culture and recreation/parks and recreation	13,642
/debt service	71,895

2022: General fund/general government/elections	\$ 176
/public safety/police	2,605
/public safety/fire	9,511
/public works/streets	82,100
/culture and recreation/pool	30,547
/culture and recreation/parks and recreation	22,119
/debt service	81,978

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, 2023 were as follows: Insured \$250,000, Collateralized ** \$320,439 for a total of \$570,439.

** 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, 2023 was \$577,811.

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

Statement of Net Position:	
Bank Cash	\$ 570,018
Cash on hand	7,793

	\$ 577,811

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, 2023, 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, 2023, the City had the following investment:

	Credit		Fair	Interest
	Rating	Maturities	Value	Rate
				Risk
South Dakota FIT: (100%)				
Govt. Cash Reserve Money Market	Unrated	NA	\$566,195	note 1 note 2

		Total investments	\$566,195	

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, 2023, amounts due from other governments were:

	Governmental	Enterprise
Sales tax	\$ 2,697	
Alcohol	1,149	
Motor vehicle	2,180	
Highway and bridge receipts	4,536	
	-----	-----
	\$ 10,562	\$ 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 nonspend- able 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, 2023.

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 stop in October, inventory is immaterial at year end 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, 2023 the recreation fund owes the general fund \$39,391 to cover a negative cash balance.

9. INTERFUND TRANSFERS

In 2023 the following interfund transfers were made.

	Transfer In	Transfer Out	
General		181,900	For operations
Liquor	1,900		For operations
Water	21,000		For operations
Electric	129,000		For operations
Solid waste	10,500		For operations
Recreation	19,500		For operaitons
	-----	-----	
	181,900	181,900	

10. CUSTOMER DEVELOPMENT COST

The City entered into a contract with Big Sioux Community Water Systems to purchase 3 of their water customers for \$17,500 payable at \$2,500 a year for seven years without interest with the first payment in 2016. At December 31, 2023 a balance of \$0 remains to be paid on this contract.

11. CAPITAL ASSETS AND DEPRECIATION

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, 2023. See page 36 for more information.

12. LONG-TERM DEBT

A summary of changes in long-term liabilities is presented in schedule two at the end of these notes on page 37. For the year ending December 31, 2023, 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 judgements, 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.

13. 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.

14. 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 \$1,275,639. The bonds were incurred to cover the cost of water improvements as described on page 38. The bonds will mature in 2045, 2046 and 2048. In 2023 the bonds had pledged revenue of \$122,340 before depreciation, amortization, 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 \$1,204,546. The bonds were incurred to cover the cost of sewer improvements as described on page 38. The bonds will mature in 2045 and 2046. In 2021 the bonds had pledged revenue of \$106,928 before depreciation and pension activity and payments of \$78,753.

15. 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	\$ 12,257	\$ 131,911
SDRS pension purposes	GASB-68	5,434	17,752
		-----	-----
		\$ 17,691	\$ 149,663

16. 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 SDFRS 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 retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on 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, 2023, 2022 and 2021 were \$15,252, 15,045, and \$14,139 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, 2023 SDRS is 100.1% 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, 2023 and reported by the City as of December 31, 2023 are as follows:

Proportionate share of total pension liability	\$ 1,124,767
Less: Proportionate share of net position restricted for pension benefits	(1,125,525)

Proportionate share of net pension (asset)/liability	\$ (758)
	=====

At December 31, 2023 the City reported a (asset)/liability of \$(758) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2023 and the total pension liability used to calculate the net pension (asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportion was .000077620 which is a decrease of .0000012 over its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City recognized net pension expense of \$1,501. At December 31, 2023 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	\$ 21,475	\$ 0
Change in assumptions	25,901	37,862
Net difference between projected and actual earnings on pension plan investments	5,044	0
Changes in proportion and difference between City contribution and proportionate share of contributions	223	
City contributions subsequent to the measurement date	7,645	
	-----	-----
Totals	\$ 60,288 (7,645) (37,862) -----	\$ 37,862 =====
To be amortized over 4 years	\$ 14,781 =====	

The \$7,645 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, 2024.

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, 2024	\$ 10,475
December 31, 2025	(11,665)
December 31, 2026	14,889
December 31, 2027	1,082

	\$ 14,781

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real return of 4.00%
Future COLAs	1.91%
Mortality rates:	All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: 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

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

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, 2023 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

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

	100.0%	
	=====	

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	\$155,283	\$(758)	\$(128,369)

Pension Plan Fiduciary Net Position:

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

17. 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 8 and 9.

18. 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, 2023, the City managed its risks as follows:

Employee Health Insurance:

None. Four employees get \$650 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-based 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.

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

The City 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 2022 or 2023 and none are expected to be paid in 2024.

19. PRIOR PERIOD RESTATEMENT

To appropriately reflect the City of Colman's restated its January 1, 2022 beginning net position and fund balance as follows:

	Governmental Activities	Business-type Activities
Net Position: January 1, 2022 (previously reported)	1,506,651	4,367,971
Restatement: Additional cash	104,315	
Allocation adjustment	(113,994)	113,994
	-----	-----
Net Position: January 1, 2022 (restated)	1,496,972	4,481,965
	=====	=====

	General Fund	TIF Fund	Enterprise Funds (page 12)
Fund Balance: January 1, 2022 (previously reported)	79,968	7,008	4,367,971
Restatement: Additional cash	104,315		
Allocation adjustment	(113,994)		113,994
	-----	-----	-----
Fund Balance: January 1, 2022 (restated)	<u>70,289</u>	<u>7,008</u>	<u>4,481,965</u>

20. 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, 2023 the City owed \$40,885 to South Dakota Housing on this loan. Loan payments are accounted for in TIF #1 debt service fund. See also page 37.

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. No tax increments were collected in 2023 for TIF #2.

21. 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 \$26.17 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:

\$1,217,748 at 3.25% for 30 years with a surcharge of \$21.00

C462144-02 Clean Water original loan:

\$300,000 at 3.25% for 30 years with a surcharge \$ 5.17

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.

22. 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 \$24.56 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, and 3 drinking water system repair and replacements projects.

C462144-02 Drinking Water original loan:

\$434,528 at 3.00% for 30 years with a surcharge \$6.89

C462144-03 Drinking Water original loan:

\$632,008 at 3.00% for 30 years with a surcharge \$9.92

C462144-04 Drinking Water original loan:

\$462,362 at 3.00% for 30 years with a surcharge \$7.75

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.

23. TAX ABATEMENTS

As of December 31, 2023 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.

24. 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.

25. 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, 2023 there have been no advances on this loan or grant.

The City was also 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, 2023 there have been no advances on this loan or grant.

CITY OF COLMAN

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2023

	Beginning	2022	2022	2023	Ending	Accumulated	2022	2023	2023	Accumulated	Remaining
	12-31-21	Additions	(Deletions)	Additions	12-31-23	Depreciation	(Additions)	(Additions)	Deletions	Depreciation	Cost
	-----	-----	-----	(Deletions)	-----	12-31-21	-----	-----	-----	12-31-23	12-31-23
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
General capital assets:											
Land	292,386		-31,284		261,102						261,102
Buildings	1,434,832			-16,521	1,418,311	-786,479	-31,837	-31,837	16,521	-833,632	584,679
Improvements	1,573,378			-6,585	1,566,793	-404,196	-77,135	-73,435	1,975	-552,791	1,014,002
Equipment	457,144			139,992	597,136	-372,297	-19,336	-29,677		-421,310	175,826
Construction-in-prc	16,800		-16,800		0	0				0	0
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Totals	3,774,540	0	-48,084	116,886	3,843,342	-1,562,972	-128,308	-134,949	18,496	-1,807,733	2,035,609
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

Allocation of Depreciation:

General government	10,054	8,400
Public safety	6,769	6,769
Public works	80,339	87,406
Health and welfare		
Culture and recreation	31,146	32,374
	-----	-----
	128,308	134,949
	=====	=====

Business-type activity:

Enterprise funds:

Land	10,770				10,770						10,770
Buildings	157,104				157,104	-99,577	-3,456	-2,939		-105,972	51,132
Improvements	9,592,952	283,732			9,876,684	-3,034,829	-349,433	-349,433		-3,733,695	6,142,989
Equipment	199,711			37,099	236,810	-131,593	-14,281	-18,609		-164,483	72,327
Construction-in-prc	0				0	0				0	0
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Totals	9,960,537	283,732	0	37,099	10,281,368	-3,265,999	-367,170	-370,981	0	-4,004,150	6,277,218
	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====

CITY OF COLMAN
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
CHANGES IN LONG-TERM DEBT
FOR THE TWO YEARS ENDING DECEMBER 31, 2023

	Beginning 12-31-21	2022 Additions (Deletions)	2023 Additions (Deletions)	Governmental Ending 12-31-23	Business-Type Ending 12-31-23	Principal Due in 2024
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 fun	216,553	-67,374	-108,294	40,885		40,885
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	557,034	-36,216	-41,886	478,932		41,784
2019 loader lease/purchase:						
Original amount of \$68,100						
Maturing in January 2021						
Interest at 0.00%						
Lease/purchase of a Gehl AL750 loader						
Secured by equipment						
Paid by the General Fund	14,752	-14,752		0		0
2020 Bobcat lease/purchase:						
Original amount of \$10,813						
Maturing in April 2024						
Imputed interest at 5.00%						
Lease/purchase of a Bob-Cat mower						
Secured by equipment						
Paid by the General Fund	6,548	-6,548	0	0		0
2023 Payloader loan:						
Original amount of \$140,000						
Maturing in April 2033						
Interest at 2.125%						
Purchase of a payloader			140,000			
Secured by equipment						
Paid by the General Fund	0		-9,442	130,558		12,790
GOVERNMENTAL - OTHER DEBT						
Accrued leave payable: general fu	3,898		-1,305	2,593		2,593
Totals	798,785	-124,890	-20,927	652,968		98,052

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT
AT DECEMBER 31, 2023

	Total Payment	Principal	Interest	Balance
2007 South Dakota Housing Loan:				
2024	40,885	40,885	0	0
2019 Sales Tax Revenue Bonds, Series 2019:				
2024	60,222	41,784	18,438	437,148
2025	60,221	43,450	16,771	393,698
2026	60,222	45,184	15,038	348,514
2027	60,221	46,986	13,235	301,528
2028	60,222	48,860	11,362	252,668
2029-2033	270,920	207,215	63,705	45,453
2034	46,932	45,453	1,479	0
Totals	618,960	478,932	140,028	
2023 Payloader loan:				
2024	15,564	12,790	2,774	117,768
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
2029-2033	67,532	63,834	3,698	0
Totals	145,352	130,558	14,794	

CITY OF COLMAN
NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)
CHANGES IN LONG-TERM DEBT
FOR THE TWO YEARS ENDING DECEMBER 31, 2023

	Beginning 12-31-21 -----	2022 Additions (Deletions) -----	2023 Additions (Deletions) -----	Governmental Ending 12-31-23 -----	Business-Type Ending 12-31-23 -----	Principal Due in 2024 -----
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	367,603	-11,114	-11,451		345,038	11,799
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	551,508	-15,722	-16,198		519,588	16,690
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	1,029,005	-30,626	-31,634		966,745	32,674
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	251,933	-6,952	-7,180		237,801	7,416
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	432,478	-10,572	-10,893		411,013	11,223
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	51,749	-21,736	-22,397		7,616	7,616
2023 Golf Cart Lease:						
Original amount of \$37,099						
Maturing on 12-2027						
Imputed interest at 11.84%						
Six annual monthly payments of \$1,467.28						
Secured by golf carts			37,099			
Paid by recreation fund	0		-7,533		29,566	6,622
BUSINESS-TYPE - OTHER DEBT						
Accrued leave payable:						
Paid by the enterprise funds	9,095		-3,047		6,048	6,048
Totals	2,693,371	-96,722	-73,234		2,523,415	100,088

CITY OF COLMAN
 NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO (continued)
 CHANGES IN LONG-TERM DEBT
 FOR THE TWO YEARS ENDING DECEMBER 31, 2023

SCHEDULE OF PAYMENTS FOR LONG-TERM DEBT
 AT DECEMBER 31, 2023

	Total Payment	Principal	Interest	Balance
2013 Drinking Water Borrower Bond (DW-2):				
2024	22,018	11,799	10,219	333,239
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	22,017	13,297	8,720	282,356
2027-2031	110,089	72,786	37,303	209,570
2032-2036	110,088	84,518	25,570	125,052
2037-2041	110,089	98,140	11,949	26,912
2042-2045	27,520	26,912	608	0
Totals	467,875	345,038	122,837	
2014 Drinking Water Borrower Bond (DW-3):				
2024	32,091	16,690	15,401	502,898
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
2027-2031	160,455	102,962	57,493	327,956
2032-2036	160,456	119,558	40,898	208,398
2037-2041	160,455	138,828	21,627	69,570
2042-2046	72,205	69,570	2,635	0
Totals	714,026	519,588	194,438	
2013 Clean Water Borrower Bond (CW-1):				
2024	63,698	32,674	31,024	934,071
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
2027-2031	318,491	205,133	113,358	587,132
2032-2036	318,490	241,170	77,320	345,962
2037-2041	318,491	283,538	34,953	62,424
2042-2045	63,698	62,424	1,274	0
Totals	1,337,660	966,745	370,915	
2014 Clean Water Borrower Bond (CW-2):				
2024	15,055	7,416	7,639	230,385
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
2027-2031	75,276	46,561	28,715	151,636
2032-2036	75,277	54,741	20,536	96,895
2037-2041	75,276	64,358	10,918	32,537
2042-2046	33,874	32,537	1,337	0
Totals	334,978	237,801	97,177	
2017 Drinking Water Borrower Bond (DW-4):				
2024	23,428	11,223	12,205	399,790
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
2029-2033	117,140	69,236	47,904	282,152
2034-2038	117,140	80,396	36,744	201,756
2039-2043	117,140	93,355	23,785	108,401
2044-2048	117,141	108,401	8,740	0
Totals	585,701	411,013	174,688	
2017 Underground Electric Project Loan:				
2024	7,664	7,616	48	0
2023 Golf Cart Lease:				
2024	8,804	6,622	2,182	22,944
2025	8,804	7,110	1,694	15,834
2026	8,804	7,635	1,169	8,199
2026	8,804	8,199	605	0
Totals	35,216	29,566	5,650	

CITY OF COLMAN

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2023

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Revenue:						
Revenue from local sources:						
Taxes:	449,437			449,437		-449,437
Ad valorem taxes				0	96,537	96,537
Sales and use tax				0	378,465	378,465
Licenses and permits:	13,670			13,670	4,600	-9,070
Intergovernmental revenue:	20,000			20,000		-20,000
State shared revenue:						
Bank franchise tax					646	646
Motor vehicle - commercial					2,534	2,534
Liquor tax reversion					4,347	4,347
Motor vehicle licenses (5%)					14,286	14,286
Highway and bridge					22,105	22,105
County shared revenue:					1,811	1,811
Charges for goods and services:	77,938			77,938		-77,938
Zoning					227	227
Health and welfare (West Nile)					20,948	20,948
Swimming pool					14,543	14,543
Camping					28,256	28,256
Cannabis fees					34,000	34,000
Fines and forfeits:						0
Miscellaneous revenue:	34,100			34,100		-34,100
Interest earned					28,232	28,232
Rentals and franchise fees					32,382	32,382
Donations					1,750	1,750
Other					37,193	37,193
Total revenues	595,145	0	0	595,145	722,862	127,717
Expenditures:						
General government:						
Mayor and Council	32,800			32,800	21,312	11,488
Contingency	28,300			28,300		28,300
Amount transferred				0		0
Elections				0		0
Financial administration	19,720			19,720	11,012	8,708
Other	147,925			147,925	126,269	21,656
Public safety:						
Police	40,300			40,300	44,474	-4,174
Fire	35,100			35,100	52,419	-17,319
Public works:						
Highways and streets	177,750			177,750	281,608	-103,858
Health and welfare:						
West Nile	20,400			20,400	18,516	1,884
Culture and recreation:						
Swimming pool	53,000			53,000	56,608	-3,608
Parks and recreation	39,850			39,850	53,492	-13,642
Debt service				0	71,895	-71,895
Total expenditures	595,145	0	0	595,145	737,605	-142,460
Excess of revenues over (under) expenditures	0	0	0	0	-14,743	-14,743
Other financing sources (uses):						
Transfer (out)				0	-181,900	-181,900
Insurance proceeds				0	5,250	5,250
RD loan proceeds				0	140,000	140,000
Net change in fund balance	0	0	0	0	-51,393	-51,393
Fund balance:						
January 1, 2023	247,161			247,161	247,161	0
December 31, 2023	247,161	0	0	247,161	195,768	-51,393

CITY OF COLMAN

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 FOR THE YEAR ENDING DECEMBER 31, 2022

GENERAL FUND	Budgeted Amounts				Actual	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Revenue:						
Revenue from local sources:						
Taxes:	351,200			351,200		-351,200
Ad valorem taxes				0	84,625	84,625
Sales and use tax				0	368,119	368,119
Licenses and permits:	1,070			1,070	805	-265
Intergovernmental revenue:	44,700			44,700		-44,700
Federal grants:				0	52,939	52,939
State shared revenue:						
Grants					1,487	1,487
Bank franchise tax					534	534
Motor vehicle - commercial					2,402	2,402
Liquor tax reversion					4,442	4,442
Motor vehicle licenses (5%)					13,512	13,512
Highway and bridge					21,376	21,376
County shared revenue:					1,811	1,811
Charges for goods and services:	13,500			13,500		-13,500
Public works						0
Health and welfare (West Nile)					25,950	25,950
Swimming pool					14,785	14,785
Camping					5,924	5,924
Fines and forfeits:					60	60
Miscellaneous revenue:	84,020			84,020		-84,020
Interest earned					666	666
Rentals and franchise fees					25,496	25,496
Donations					15,542	15,542
Other					10,771	10,771
Total revenues	494,490	0	0	494,490	651,246	156,756
Expenditures:						
General government:						
Mayor and Council	23,800			23,800	22,411	1,389
Contingency	27,500			27,500		27,500
Amount transferred				0		0
Elections				0	176	-176
Financial administration	17,850			17,850	10,175	7,675
Other	139,300			139,300	87,373	51,927
Public safety:						
Police	35,600			35,600	38,205	-2,605
Fire	31,600			31,600	41,111	-9,511
Public works:						
Highways and streets	142,950			142,950	225,050	-82,100
Health and welfare:						
West Nile	40,240			40,240	8,370	31,870
Culture and recreation:						
Swimming pool	25,450			25,450	55,997	-30,547
Parks and recreation	10,200			10,200	32,319	-22,119
Debt service				0	81,978	-81,978
Total expenditures	494,490	0	0	494,490	603,165	-108,675
Excess of revenues over (under) expenditures	0	0	0	0	48,081	48,081
Other financing sources (uses):						
Sale of land				0	125,260	125,260
Insurance settlement				0	3,531	3,531
Net change in fund balance	0	0	0	0	176,872	176,872
Fund balance:						
January 1, 2022, restated	70,289			70,289	70,289	0
December 31, 2022	70,289	0	0	70,289	247,161	176,872

CITY OF COLMAN

NOTES TO SUPPLEMENTARY INFORMATION - BUDGETS

SCHEDULE OF BUDGETARY COMPARISON FOR THE
GENERAL FUND FOR THE TWO YEARS ENDING DECEMBER 31, 2023

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 2022 and 2023 there were no supplemental appropriations to increase the general fund's budget. See page 40 and 41.
- e. Unexpended appropriations lapse at year end unless encumbered by resolution of the governing board. There were no appropriations encumbered at December 31, 2023.

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, 2023
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, 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%
June 30, 2014	0.0063964%	-46,083	111,850	(41.20%)	107.30%

(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, 2023
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, 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%
December 31, 2014	6,342	6,342	0	105,700	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 TWO YEARS ENDING DECEMBER 31, 2023

Changes of Prior Valuation:

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

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

Benefit Provision Changes:

During the 2023 legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

Actuarial Method Changes:

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

Actuarial Assumption Changes:

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

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

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

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

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, 2023 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated January 8, 2025 which was unmodified.

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 2023-01, 2023-02, and 2023-03 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 January 8, 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 2023-01.

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 January 8, 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 mater of public record and its distribution is not limited.

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

January 8, 2025



SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Other Audit Findings:

From:

2006-01: Budget Overdrafts -- Repeated below as 2023-01

2018-02: Lack of Segregation of Duties -- Repeated below as 2023-02

2008-04: Preparation of Financial Statements - Repeated below as 2023-03

SCHEDULE OF CURRENT AUDIT FINDINGS

Summary of the Independent Auditor's Results:

Financial Statements

Type of auditor's report issued:

Unmodified on:

Governmental Activities

Business-Type Activities

All Funds

Material noncompliance noted:

Findings: 2023-01

Internal control over financial reporting:

* Material weakness(es) identified?

None Reported

* Significant deficiency(ies) identified
that are not considered to be material
weaknesses?

Findings: 2023-01 thru 2023-03

Finding 2023-01: 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:

2023: General fund/public safety/police	\$ 4,174
/public safety/fire	17,319
/public works/streets	103,858
/culture and recreation/pool	3,608
/culture and recreation/parks and recreation	13,642
/debt service	71,895
2022: General fund/general government/elections	\$ 176
/public safety/police	2,605
/public safety/fire	9,511
/public works/streets	82,100
/culture and recreation/pool	30,547
/culture and recreation/parks and recreation	22,119
/debt service	81,978

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

DECEMBER 31, 2023

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

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 2023-02: 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 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.