

CITY OF EDGEMONT
EDGEMONT, 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 EDGEMONT
EDGEMONT, SOUTH DAKOTA

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

INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042
605.270.3020

Governing Board
City of Edgemont
Edgemont, South Dakota

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

Financial Statement Audit:

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities and each major fund of the City of Edgemont (City), Fall River 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 of Edgemont's basic financial statements as listed in the table of contents.

Qualified Opinions:

In my opinion, except for effects of matters described in the Basis for Qualified Opinions section of my report, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities and each major fund of the City of Edgemont, Fall River County, South Dakota as of December 31, 2023, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for each year in the biennial period then ended in accordance with the modified cash basis of accounting described in Note 1c to these financial statement.

Basis for Qualified Opinions:

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

Matter Giving Rise to Qualified Opinions:

Because the City of Edgemont hired a new finance officer and changed its accounting system, the general ledger information was not sufficient to compile these financial statements. I was not able to rely entirely on the City's general ledger but rather needed to use the 2022 and 2023 bank statement activity given to me by the City for compiling these modified cash basis financial statements. As a result of this matter, I was unable to determine whether any adjustments might be necessary for the amounts reported within these financial statements.

Emphasis of Matters - Basis of Accounting:

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

Responsibilities of Management for the Financial Statements:

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

In preparing the modified cash basis of accounting financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Edgemont's ability to continue as a going concern for 12 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 will 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 of Edgemont'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 of Edgemont'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.

Supplementary Information (no opinion):

Accounting principles generally accepted in the United States of America allow for the budgetary comparison schedules (page 26 to 29) and the pension schedules (page 30 and 31) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is allowed 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 this 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.

Supplementary Information (opinion):

My audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City of Edgemont's financial statements.

The schedule of changes in long-term liabilities (page 25) is presented for the purpose of additional analysis and is not a required part of the modified cash basis of accounting financial statements.

The schedule of changes in long-term liabilities is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the modified cash basis of accounting financial statements. The information has been subject to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

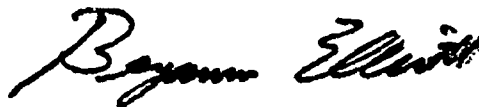
In my opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinions" paragraph above, the schedule of changes in long-term liabilities is fairly stated, in all material respects, in relation to the modified cash basis of accounting financial statements as a whole.

Other Reporting Required by Government Auditing Standards:

In accordance with *Government Auditing Standards*, I have also issued my report dated May 2, 2025 (page 32) on my consideration of the City of Edgemont's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, 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 Edgemont'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 Edgemont's internal control over financial reporting and compliance.

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

May 2, 2025



CITY OF EDMONTON

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

	Primary Government		

	Governmental	Business-	
	Activities	Type	
	Activities	Activities	Total
	-----	-----	-----
ASSETS:			
Current assets:			
Checking	13,296		13,296
Savings	1,501,939	1,623,999	3,125,938
Certificates of deposit	300,000		300,000
Restricted cash:			
Checking - Library	4,653		4,653
Savings - Library	7,929		7,929
	-----	-----	-----
Total assets	1,827,817	1,623,999	3,451,816
	=====	=====	=====
NET POSITION:			
Restricted for:			
3rd cent fund uses	25,236		25,236
Library trust fund	12,582		12,582
Debt service, repair & maintenance		90,428	90,428
Unrestricted	1,789,999	1,533,571	3,323,570
	-----	-----	-----
Total net position	1,827,817	1,623,999	3,451,816
	=====	=====	=====

See accompanying notes.

GOVERNMENT-WIDE - STATEMENT OF CASH ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDING DECEMBER 31, 2023

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	147,877	15,521			-132,356		-132,356
Public safety	236,641				-236,641		-236,641
Public works	367,973	3,042			-364,931		-364,931
Health and welfare	11,695				-11,695		-11,695
Culture and recreation	94,236	5,746			-88,490		-88,490
Economic development	18,000				-18,000		-18,000
Total governmental activitie	876,422	24,309	0	0	-852,113	0	-852,113
Business-type activities:							
Water	297,352	355,351				57,999	57,999
Sewer	87,803	117,756				29,953	29,953
Solid waste	133,180	110,194				-22,986	-22,986
Total business-type activiti	518,335	583,301	0	0	0	64,966	64,966
Total primary government	1,394,757	607,610	0	0	-852,113	64,966	-787,147
General receipts:							
Taxes:							
Property taxes					433,939		433,939
Sales taxes					368,176		368,176
State shared receipts					53,417		53,417
County shared receipts					1,474		1,474
Interest received					65,080	2,679	67,759
Capital credits					2,683		2,683
Rents and franchise fees					15,316		15,316
Donations					1,000		1,000
Total general receipts and other receip					941,085	2,679	943,764
Change in net position					88,972	67,645	156,617
Net position, January 1, 2023					1,738,845	1,556,354	3,295,199
Net position, December 31, 2023					1,827,817	1,623,999	3,451,816

See accompanying notes.

CITY OF EDMONTON

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

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Disbursements	Charges for Services and Reimbursements	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental activities:							
General government	148,275	13,895	65,740		-68,640		-68,640
Public safety	150,360				-150,360		-150,360
Public works	236,115	3,299			-232,816		-232,816
Health and welfare	30,261		2,608		-27,653		-27,653
Culture and recreation	131,306	4,202			-127,104		-127,104
Economic development	18,000				-18,000		-18,000
Miscellaneous	23,237				-23,237		-23,237
Total governmental activities	737,554	21,396	68,348	0	-647,810	0	-647,810
Business-type activities:							
Water	242,531	373,392				130,861	130,861
Sewer	81,892	116,172				34,280	34,280
Solid waste	75,780	99,996				24,216	24,216
Total business-type activities	400,203	589,560	0	0	0	189,357	189,357
Total primary government	1,137,757	610,956	68,348	0	-647,810	189,357	-458,453
General receipts:							
Taxes:							
Property taxes					384,181		384,181
Sales taxes					361,424		361,424
State shared receipts					54,927		54,927
County shared receipts					2,998		2,998
Interest received					16,938	11,788	28,726
Rents and franchise fees					11,906		11,906
Total general receipts and other receipts					832,374	11,788	844,162
Change in net position					184,564	201,145	385,709
Net position, January 1, 2022					1,554,281	1,355,209	2,909,490
Net position, December 31, 2022					1,738,845	1,556,354	3,295,199

See accompanying notes.

CITY OF EDMONTON

BALANCE SHEET - GOVERNMENTAL FUNDS

MODIFIED CASH BASIS

AS OF DECEMBER 31, 2023

	General Fund	3rd Cent Fund	Total
	-----	-----	-----
ASSETS:			
Current assets:			
Checking	13,296		13,296
Savings	1,476,703	25,236	1,501,939
Certificates of deposit	300,000		300,000
Restricted cash:			
Checking - Library	4,653		4,653
Savings - Library	7,929		7,929
	-----	-----	-----
	1,802,581	25,236	1,827,817
	=====	=====	=====
FUND BALANCE:			
Nonspendable			0
Restricted	12,582	25,236	37,818
Committed	0		0
Assigned	0		0
Unassigned	1,789,999		1,789,999
	-----	-----	-----
Total fund balance	1,802,581	25,236	1,827,817**
	=====	=====	=====

** Equals net position on
statement of net position

See accompanying notes.

CITY OF EDMONTON
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND
BALANCES -- MODIFIED CASH BASIS -- ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2023
FOR THE YEAR ENDING DECEMBER 31, 2022

	2023			2022		
	General	3rd Cent	Total	General	3rd Cent	Total
	Fund	Fund		Fund	Fund	
Receipts:						
Local sources:						
Taxes:						
Ad valorem taxes	433,939		433,939	384,181		384,181
General sales and use taxes	357,759	10,417	368,176	345,629	15,795	361,424
Licenses and permits:	12,423		12,423	13,161		13,161
Intergovernmental:						
State shared receipts:						
Grants			0	68,348		68,348
Bank franchise tax	1,641		1,641	2,695		2,695
Commercial prorate	2,380		2,380	2,299		2,299
Liquor tax revision	4,983		4,983	5,080		5,080
Motor vehicle licenses (5%)	11,281		11,281	12,632		12,632
Highway and bridge	33,132		33,132	32,221		32,221
County shared revenue: road tax	1,474		1,474	2,998		2,998
Charges for goods and services:						
General government	3,073		3,073	144		144
Special assessments			0	409		409
Cemetery	3,042		3,042	2,890		2,890
Library	5,746		5,746	4,202		4,202
Fines and forfeits:	25		25	590		590
Miscellaneous:						
Interest received	65,080		65,080	16,938		16,938
Capital credits	2,683		2,683			0
Rents and franchise fees	15,316		15,316	11,906		11,906
Donations	1,000		1,000			0
Total receipts	954,977	10,417	965,394	906,323	15,795	922,118
Disbursements:						
Current:						
General government:	147,877		147,877	148,275		148,275
Public safety:						
Police	115,000		115,000	115,000		115,000
Fire	28,576		28,576	33,190		33,190
Other public safety			0	2,170		2,170
Public works:						
Highways and streets	248,906		248,906	146,077		146,077
Airport	6,759		6,759	7,832		7,832
Cemetery	6,326		6,326	6,016		6,016
Other public works	1,023		1,023	1,500		1,500
Health and welfare:	11,695		11,695	30,261		30,261
Culture and recreation:						
Recreation	30,477		30,477	54,785		54,785
Library	54,219		54,219	46,724		46,724
Museum	9,540		9,540	16,199		16,199
Conservation and development:						
Economic development		18,000	18,000		18,000	18,000
Miscellaneous			0	23,237		23,237
Capital outlay:	198,024		198,024	88,288		88,288
Total disbursements	858,422	18,000	876,422	719,554	18,000	737,554
Excess of receipts over (under) disbursements	96,555	-7,583	88,972	186,769	-2,205	184,564
Other financing sources (uses):						
None			0			0
Net change in fund balance (**)	96,555	-7,583	88,972	186,769	-2,205	184,564
Fund balance:						
January 1, 2022				1,519,257	35,024	1,554,281
December 31, 2022	1,706,026	32,819	1,738,845	1,706,026	32,819	1,738,845
December 31, 2023	1,802,581	25,236	1,827,817			

** Equals change in net position on
Statement of Activities
See accompanying notes.

CITY OF EDMONTON

STATEMENT OF NET POSITION
MODIFIED CASH BASIS
ENTERPRISE FUNDS
AS OF DECEMBER 31, 2023

	Water Fund	Sewer Fund	Solid Waste Fund	Total Enterprise Funds
	-----	-----	-----	-----
ASSETS				
Current assets:				
Checking				0
Savings	1,044,651	477,865	101,483	1,623,999
	-----	-----	-----	-----
Total assets	1,044,651	477,865	101,483	1,623,999
	=====	=====	=====	=====
NET POSITION				
Restricted - Debt and R&M	90,428			90,428
Unrestricted	954,223	477,865	101,483	1,533,571
	-----	-----	-----	-----
Total net position	1,044,651	477,865	101,483	1,623,999
	=====	=====	=====	=====

See accompanying notes.

CITY OF EDMONTON

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
 IN NET POSITION -- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2023
 FOR THE YEAR ENDING DECEMBER 31, 2022

	2023				2022			
	Water Fund	Sewer Fund	Solid Waste Fund	Total	Water Fund	Sewer Fund	Solid Waste Fund	Total
Operating receipts:								
Charges for goods and services	332,303	117,756	110,194	560,253	337,898	116,172	99,996	554,066
Surcharge	23,048			23,048	35,494			35,494
Total operating receipts	355,351	117,756	110,194	583,301	373,392	116,172	99,996	589,560
Operating disbursements:								
Personnel	79,218	41,671	41,257	162,146	52,574	29,173	14,009	95,756
Operations	183,231	46,132	91,923	321,286	158,070	52,719	61,771	272,560
Total operating disbursements	262,449	87,803	133,180	483,432	210,644	81,892	75,780	368,316
Excess operating receipts (disbursements)	92,902	29,953	-22,986	99,869	162,748	34,280	24,216	221,244
Nonoperating receipts (disbursements):								
Interest received	2,679			2,679	11,788			11,788
Loan pymts - principal	-34,903			-34,903	-31,887			-31,887
- interest				0	0			0
Total nonoperating receipts (disbursements)	-32,224	0	0	-32,224	-20,099	0	0	-20,099
Excess receipts (disbursements) before capital contributions	60,678	29,953	-22,986	67,645	142,649	34,280	24,216	201,145
Capital contributions				0				0
Change in net position	60,678	29,953	-22,986	67,645	142,649	34,280	24,216	201,145
Net position:								
January 1, 2022					841,324	413,632	100,253	1,355,209
December 31, 2022	983,973	447,912	124,469	1,556,354	983,973	447,912	124,469	1,556,354
December 31, 2023	1,044,651	477,865	101,483	1,623,999				

See accompanying notes.

CITY OF EDMONTON

STATEMENT OF CASH FLOWS-- MODIFIED CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2023
 FOR THE YEAR ENDING DECEMBER 31, 2022

	2023				2022			
	Water Fund	Sewer Fund	Solid Waste Fund	Total	Water Fund	Sewer Fund	Solid Waste Fund	Total
Cash flows from:								
Operating activities:								
Receipts from customers	355,351	117,756	110,194	583,301	373,392	116,172	99,996	589,560
Payments for personnel	-79,218	-41,671	-41,257	-162,146	-52,574	-29,173	-14,009	-95,756
Payments for operations	-183,231	-46,132	-91,923	-321,286	-158,070	-52,719	-61,771	-272,560
Net cash provided (used) by operating activities	92,902	29,953	-22,986	99,869	162,748	34,280	24,216	221,244
Noncapital financing activities:								
None				0				0
Capital financing activities:								
Debt service - principal	-34,903			-34,903	-31,887			-31,887
- interest				0	0			0
Investing activities:								
Interest received	2,679			2,679	11,788			11,788
Net increase (decrease) in cash and cash equivalents	60,678	29,953	-22,986	67,645	142,649	34,280	24,216	201,145
Cash and cash equivalents:								
January 1, 2022					841,324	413,632	100,253	1,355,209
December 31, 2022	983,973	447,912	124,469	1,556,354	983,973	447,912	124,469	1,556,354
December 31, 2023	1,044,651	477,865	101,483	1,623,999				
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	92,902	29,953	-22,986	99,869	162,748	34,280	24,216	221,244
Capital improvements				0				0
Net cash provided (used) by operating activities	92,902	29,953	-22,986	99,869	162,748	34,280	24,216	221,244
Noncash investing, capital and financing activities: None								
See accompanying notes.								

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity:

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

The City's officials at December 31, 2023 are:

Mayor:	Finance Officer:
Rheta Reagan	Aaron Eberle
Governing Board:	Attorney:
Brent White, President	Lance Russell
David Levey	
Jarrell Rola	
Jason Shook	
Dennis Tubb	
Vacant	

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

Financial Reporting Entity:
Primary Government: - The City of Edgemont
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 Edgemont 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 Edgemont does not have any 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 Cash Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds (if any). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The Statement of Net Position reports all cash assets. Net position is displayed in two components: restricted (distinguishing between major categories of restrictions) and unrestricted.

The Statement of Cash Activities presents a comparison between direct disbursements and program receipts for each function of the City's governmental activities and for each segment of City's business-type activities. Direct disbursements are associated with a specific program or function and are clearly identifiable to a particular function. Program receipts 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. Receipts that are not classified as program receipts, including all taxes and interest, are presented as general receipts.

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 cash, net position, receipts and disbursements. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). 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 cash, receipts or disbursements of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (cash, receipts or disbursements) 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.

City funds 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.

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

3rd Cent Sales Tax Fund - A fund established by SDCL 10-52-8, to account for the collection of a 1% tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including promotion and advertising of the City. The 3rd cent sales tax 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:

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

Solid Waste Fund - A fund established by SDCL 9-32-11 and 34A-6 to provide garbage collection services customers within the City of Edgemont. The solid waste fund is a major fund.

Fiduciary Funds

Fiduciary funds are never considered to be major funds.

The City of Edgemont has no fiduciary funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses (disbursements) are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The City's basis of accounting is the modified cash basis of accounting, which is a basis of accounting other than US-GAAP. Under US-GAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis of accounting, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-type, and major fund activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the statement of net position reports only cash and cash equivalents. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City of Edgemont in these financial statements are certificates of deposit (if any) whose maturity when purchased is more than 90 days.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied US-GAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting and the fund financial statements for enterprise funds and fiduciary funds (if any) would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Cash and Cash Equivalents:

For purposes of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments (if any) in open-end mutual funds shares or similar investments in external investment pools, are also considered to be cash equivalents.

Any certificate of deposit that has a maturity of more than three months when purchased is not considered a cash equivalent for the statement of cash flows.

Under the modified cash basis of accounting, investments are carried at cost.

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. Program Receipts and General Receipts:

Program Receipts:

In the government-wide Statement of Cash Activities, reported program receipts derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program receipts are classified in 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 government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General Receipts:

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

g. Enterprise Fund Receipt Classifications:

In both the government-wide statements and fund financial statements, enterprise fund operating receipts, such as charges for water and sewer services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, if any, such as grants, operating subsidies, interest received, and transfers in, result from nonexchange transactions.

h. Equity Classifications:

Government-wide financial Statements:

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

1. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted Net Position - All other net position that does not meet the definition of "restricted net position".

Fund Financial Statements:

Governmental fund equity is classified as "Fund Balance", and 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 (if any) is reported as "Custodial Net Position".

i. 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.

j. Fund Cash 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 cash balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- * Restricted - includes fund cash 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 cash 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 cash balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund cash balance may be assigned by the Council or Finance Officer.
- * Unassigned - includes positive fund cash balance within the general fund which has not been classified within the above categories and negative fund balance amounts in other governmental funds.

The City of Edgemont fund cash 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	General: Library Trust Fund	Statute	12,582
	3rd Cent Fund	Statute	25,236
Committed	None		0
Assigned	None		0
Unassigned	General		1,789,999

			1,827,817

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 cash balance policy.

The purpose of each special revenue fund and revenue source is:

Special Revenue Fund:	Revenue Source: (see page 8)
* 3rd Cent	Sales tax

2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Budget overdrafts:

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

2023: General fund	- Public Safety/Fire	56,641
	- Public Works/Other	1,023
3 rd Cent:	- Promoting the City	2,000
2022: 3 rd Cent:	- Promoting the City	2,000

These are not considered a significant violation of a departmental expenditure compared to appropriations. In the future, the City expects to make contingency transfers or adopt supplemental appropriations to cover disbursements that will exceed their original appropriation.

3. DEPOSITS, INVESTMENTS AND RELATED RISKS

Except for restricted cash held by 3rd parties and bank certificates of deposit purchased for an individual fund, the City follows the practice of aggregating deposits of its various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The City 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 \$276,554, Collateralized ** \$3,183,867, for a total of \$3,460,421.

** 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 at December 31, 2023 was \$3,451,816 held as follows.

First Interstate Bank (Edgemont, SD):

Checking	\$ 17,949
Savings	3,133,867
Certificates of deposit	300,000

	\$ 3,451,816
	=====

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

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.

During the two years ending December 31, 2023 the City had no investments.

Investment 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.

Custodial Risk (Investments) - 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. At December 31, 2023 the City had no investments and was not exposed to custodial risk for investments.

Custodial Risk (Deposits) - 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 were with First Interstate Bank, Edgemont, SD and were not exposed to custodial deposit risks.

Concentration of Credit Risk - the City places no limit on the amount that may be invested in any one institution. The amount of investment in an institution is shown above.

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 general fund.

5. INTERFUND TRANSFERS

There were no interfund cash transfers in 2022 or 2023.

6. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities is presented as supplementary information on page 25. The City did not have any short-term or conduit debt in 2022 or 2023.

The water fund has a surcharge of \$5.50 per month to cover payments on the 2016 Drinking Water SRF loan DW-01. The City collected a surcharge of \$35,494 in 2022 and \$23,048 in 2023.

7. RESTRICTED NET POSITION

The following table shows the December 31, 2023 net position restricted for specific purposes as shown on the statement of net position

Purpose:	Restricted By:	Governmental	Business-Type
3 rd Cent uses	Statute	25,236	
Library	Statute	12,582	
Debt service and R&M	Covenant		90,428
		-----	-----
Total Restricted Net Position		37,818	90,428

8. PENSION PLAN

Summary of Significant Accounting Policies:

As mentioned in note 1c above, these financial statements, both government-wide and fund financial statements, are presented on a modified cash basis of accounting rather than an accrual/modified accrual basis of accounting. Consequently, these financial statements do not measure the net pension (assets)/liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense (revenue), and information about the fiduciary net position of the South Dakota Retirement System (SDRS).

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and

survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098; accessing <http://sdrs.sd.gov/publications.aspx> or calling (605) 773-3731.

Benefits Provided:

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

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual 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 \$12,518, \$12,899, and \$12,823 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	\$ 1,195,917
Less: Proportionate share of net position restricted for pension benefits	(1,196,722)

Proportionate share of net pension (asset)/liability	\$ (805)
	=====

The net pension (asset) was measured as of June 30, 2023 and the total pension liability/(asset) used to calculate the net pension liability/(asset) was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the City's proportion was .000082530 which is a decrease of .00000124 over its proportion measured as of June 30, 2022.

Actuarial Assumptions:

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

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

Sentivity 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	Current Discount Rate	1% Increase
	5.50%	6.50%	7.50%
City's proportionate share of the net pension (asset)/liability	\$165,105	\$(805)	\$(136,489)

Pension Plan Fiduciary Net Position:

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

9. PROPERTY TAX

Property taxes are levied on or before October 1, of the year preceding the start of the fiscal year. They attach as an enforceable lien on property, and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. During the two years ending December 31, 2023 the City managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-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 provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. During 2022 and 2023, no claims were paid for unemployment and none are expected to be paid for 2024.

11. TAX ABATEMENTS

As of December 31, 2023 the City did not provide any tax abatement incentives through a Tax Increment Financing District Project (of which the City has none) or through other agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

12. LITIGATION

The City can be a party to litigation. No determination can be made at this time regarding the potential outcome of such 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.

13. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

The City has no material unallowed related party activity.

The City does not offer any Other Post Employment Benefits.

The City has a rubble site. It does not have a landfill with any associated closure costs or liabilities.

In 2024 the fire hall roof was repaired for approximately \$250,000

CITY OF EDGE MONT
SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES
FOR THE TWO YEARS ENDING DECEMBER 31, 2023

				Governmental Funds	Enterprise Funds	Principal Payments Due in 2024
	Beginning 12-31-21	2022 Additions (Deletions)	2023 Additions (Deletions)	Ending 12-31-23	Ending 12-31-23	
	-----	-----	-----	-----	-----	-----
BUSINESS-TYPE - DIRECT BORROWING						
2016 DWSRF-01 Loan:						
Original loan: \$1,890,000						
Forgiven: \$1,206,890						
Net loan: \$683,110						
Maturing on February 15, 2048						
Interest at 0.00%						
Quarterly payments of \$5,709.87						
Paid by water fund	599,528	-22,839	-22,840		553,849	22,839
2017 DWSRF-02 Loan:						
Original loan: \$558,497						
Forgiven: \$196,590						
Net loan: \$361,907						
Maturing on February 15, 2052						
Interest at 0.00%						
Quarterly payments of \$3,015.89						
Paid by water fund	361,907	-9,048	-12,063		340,796	12,064
Totals	961,435	-31,887	-34,903	0	894,645	34,903
	=====	=====	=====	=====	=====	=====

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

	Total Payment	Principal	Interest	Balance
	-----	-----	-----	-----
2016 DWSRF-01 Loan:				
2024	22,839	22,839	0	531,010
2025	22,840	22,840	0	508,170
2026	22,839	22,839	0	485,331
2027	22,840	22,840	0	462,491
2028	22,839	22,839	0	439,652
2029-2033	114,197	114,197	0	325,455
2034-2038	114,198	114,198	0	211,257
2039-2043	114,197	114,197	0	97,060
2044-2048	97,060	97,060	0	0
Totals	553,849	553,849	0	
	=====	=====	=====	
2017 DWSRF-02 Loan:				
2024	12,064	12,064	0	328,732
2025	12,063	12,063	0	316,669
2026	12,064	12,064	0	304,605
2027	12,063	12,063	0	292,542
2028	12,064	12,064	0	280,478
2029-2033	60,318	60,318	0	220,160
2034-2038	60,318	60,318	0	159,842
2039-2043	60,318	60,318	0	99,524
2044-2048	60,318	60,318	0	39,206
2049-2052	39,206	39,206	0	0
Totals	340,796	340,796	0	
	=====	=====	=====	

CITY OF EDMONTON

SUPPLEMENTARY INFORMATION

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

GENERAL FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals		
Receipts:	-----	-----	-----	-----	-----
Receipts from local sources:					
All taxes	840,287			791,698	-48,589
Licenses and permits	4,500			12,423	7,923
Intergovernmental receipts:	142,119			54,891	-87,228
Charges for goods and services	16,000			11,861	-4,139
Fines and forfeits	250			25	-225
Miscellaneous receipts	206,573			84,079	-122,494
	-----	-----	-----	-----	-----
Total receipts	1,209,729	0	0	954,977	-254,752
	-----	-----	-----	-----	-----
Disbursements:					
General government:	223,000			147,877	75,123
Contingency	100,000				100,000
Public safety:					
Police	115,000			115,000	0
Fire	65,000			121,641	-56,641
Other	15,000				15,000
Public works:					
Highways and streets	450,000			353,865	96,135
Airport	25,000			6,759	18,241
Cemetery	10,365			6,326	4,039
Other public works			0	1,023	-1,023
Health and welfare:	21,000			11,695	9,305
Culture and recreation:					
Recreation and parks	69,000			30,477	38,523
Library	55,000			54,219	781
Museum	25,000			9,540	15,460
Conservation & development:					
Economic development	19,000				
	-----	-----	-----	-----	-----
Total disbursements	1,192,365	0	0	858,422	314,943
	-----	-----	-----	-----	-----
Excess of receipts over (under) disbursements:	17,364	0	0	96,555	60,191
Other financing sources (uses):					
None				0	0
	-----	-----	-----	-----	-----
Net change in fund balance	17,364	0	0	96,555	60,191
Fund balance:					
January 1, 2023	1,706,026			1,706,026	0
	-----	-----	-----	-----	-----
December 31, 2023	1,723,390	0	0	1,802,581	60,191
	=====	=====	=====	=====	=====

CITY OF EDGE MONT

SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

FOR THE YEAR ENDING DECEMBER 31, 2022

GENERAL FUND	Budgeted Amounts				Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Contingency Transfers	Supplementals	Final		
Receipts:						
Receipts from local sources:						
All taxes	763,168			763,168	729,810	-33,358
Licenses and permits	4,500			4,500	13,161	8,661
Intergovernmental receipts:	65,000		68,348	133,348	126,273	-7,075
Charges for goods and services	15,000			15,000	7,645	-7,355
Fines and forfeits	250			250	590	340
Miscellaneous receipts	52,332			52,332	28,844	-23,488
Total receipts	900,250	0	68,348	968,598	906,323	-62,275
Disbursements:						
General government:	190,750			190,750	148,275	42,475
Contingency	93,000	-15,000		78,000		78,000
Public safety:						
Police	115,000			115,000	115,000	0
Fire	35,000			35,000	33,190	1,810
Other	15,000			15,000	2,170	12,830
Public works:						
Highways and streets	310,000		15,240	325,240	220,767	104,473
Airport	15,000			15,000	7,832	7,168
Cemetery	9,000			9,000	6,016	2,984
Other public works			1,500	1,500	1,500	0
Health and welfare:	18,500		12,608	31,108	30,261	847
Culture and recreation:						
Recreation and parks	63,000			63,000	54,785	8,215
Library	50,000			50,000	46,724	3,276
Museum	15,000		15,000	30,000	29,797	203
Conservation & development:						
Economic development	2,000			2,000		
Miscellaneous			24,000	24,000	23,237	763
Total disbursements	931,250	-15,000	68,348	984,598	719,554	263,044
Excess of receipts over (under) disbursement:	-31,000	15,000	0	-16,000	186,769	200,769
Other financing sources (uses):						
Transfer to sewer budget		-15,000		-15,000		15,000
Net change in fund balance	-31,000	0	0	-31,000	186,769	215,769
Fund balance:						
January 1, 2022	1,519,257			1,519,257	1,519,257	0
December 31, 2022	1,488,257	0	0	1,488,257	1,706,026	215,769

CITY OF EDMONTON
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
FOR THE ONE YEAR ENDING DECEMBER 31, 2023

3RD CENT SALES TAX FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	16,000		16,000	10,417	-5,583
Intergovernmental:			0		0
Total receipts	16,000	0	16,000	10,417	-5,583
Disbursements:					
Conservation and development:					
Promoting the city	16,000		16,000	18,000	-2,000
Total disbursements	16,000	0	16,000	18,000	-2,000
Excess of receipts over (under) disbursement:	0	0	0	-7,583	-7,583
Other financing sources (uses):					
None	0		0		0
Net change in fund balance	0	0	0	-7,583	-7,583
Fund balance:					
January 1, 2023	32,819		32,819	32,819	0
December 31, 2023	32,819	0	32,819	25,236	-7,583

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

3RD CENT SALES TAX FUND	Budgeted Amounts			Actual (Modified Cash Basis)	Variance Positive (Negative)
	Original	Supplemental:	Final		
Receipts:					
Receipts from local sources:					
Taxes:					
Sales and use tax	15,000		15,000	15,795	795
Intergovernmental:			0		0
Total receipts	15,000	0	15,000	15,795	795
Disbursements:					
Conservation and development:					
Promoting the city	16,000		16,000	18,000	-2,000
Total disbursements	16,000	0	16,000	18,000	-2,000
Excess of receipts over (under) disbursement:	-1,000	0	-1,000	-2,205	-1,205
Other financing sources (uses):					
None	0		0		0
Net change in fund balance	-1,000	0	-1,000	-2,205	-1,205
Fund balance:					
January 1, 2022	35,024		35,024	35,024	0
December 31, 2022	34,024	0	34,024	32,819	-1,205

CITY OF EDMONTON

NOTE TO SUPPLEMENTARY INFORMATION - BUDGETS

SCHEDULE OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND
SPECIAL REVENUE 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 budgetary supplementary information:

- a. At the first regular Council meeting in September of each year or within ten days thereafter, the Council introduces the annual appropriation ordinance for the ensuing fiscal year.
- b. After adoption by the Council, the operating budget is legally binding and actual disbursements 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 Council 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 budgets. There was one supplemental budgets in 2022 year and none in 2023. See page 27 for more information.
- e. Formal budgetary integration is employed as a management control device for the general and 3rd cent funds.
- f. The budget for the general and 3rd cent funds are not adopted on a basis consistent with generally accepted accounting principles (GAAP) because all accounting, and the adoption of the all budgets, is on a modified cash basis of accounting.

2. GAAP AND BUDGETARY ACCOUNTING BASIS DIFFERENCE:

The financial statements prepared in conformity with U.S.GAAP (within the context of the modified cash basis of accounting) present capital outlay expenditure information as a separate category of disbursements. Under the budgetary basis of accounting, capital outlay disbursements are reported within the function to which they relate. For example, the purchase of a road grader would be reported as a capital disbursement on the governmental funds statement of receipts, disbursement and changes in fund balance. However, in the budgetary schedule, the purchase of a road grader would be reported as a disbursement in the public works function of general fund, along with all other current public works disbursements.

CITY OF EDGE MONT
FOR THE TEN YEARS ENDING DECEMBER 31, 2023
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 Percentage of the Net Pension Asset	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	0.0082530%	-806	212,883	(00.38%)	100.10%
June 30, 2022	0.0083770%	-792	200,033	(00.40%)	100.10%
June 30, 2021	0.0098900%	-75,740	224,433	(33.75%)	105.53%
June 30, 2020	0.0094738%	-411	207,917	(00.20%)	100.04%
June 30, 2019	0.0083083%	-880	176,650	(00.50%)	100.09%
June 30, 2018	0.0088316%	-206	183,600	(00.11%)	100.02%
June 30, 2017	0.0099797%	-906	202,767	(00.45%)	100.10%
June 30, 2016	0.0106770%	36,066	203,017	17.76%	96.89%
June 30, 2015	0.0112988%	-47,921	206,283	(23.23%)	104.10%
June 30, 2014	0.0122882%	-88,531	214,883	(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 EDGE MONT
FOR THE TEN YEARS ENDING DECEMBER 31, 2023
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	12,518	12,518	0	208,633	6.00%
December 31, 2022	12,899	12,899	0	214,983	6.00%
December 31, 2021	12,823	12,823	0	213,717	6.00%
December 31, 2020	13,319	13,319	0	221,983	6.00%
December 31, 2019	10,599	10,599	0	176,650	6.00%
December 31, 2018	11,016	11,016	0	183,600	6.00%
December 31, 2017	12,166	12,166	0	202,767	6.00%
December 31, 2016	12,181	12,181	0	203,017	6.00%
December 31, 2015	12,377	12,377	0	206,283	6.00%
December 31, 2014	12,893	12,893	0	214,883	6.00%

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

CITY OF EDMONTON

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*

Governing Board
City of Edgemont
Edgemont, 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 Edgemont (City), Fall River 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 of Edgemont's basic financial statements and have issued my report thereon dated May 2, 2025 which was qualified for an incomplete general ledger.

Report on Internal Control Over Financial Reporting:

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing 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 the City'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 the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of 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. However, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did identify a deficiency in internal control that I consider to be material weakness which is described in the accompanying schedule of current audit findings and responses as item 2023-01.

Also, I did identify deficiencies in internal control that I consider to be a significant deficiencies and are described in the accompanying schedule of current audit findings and responses as items 2023-02 and 2023-03.

Additionally, other material weaknesses or significant deficiencies may exist that were not identified.

I did note minor matters involving internal control over financial reporting that I reported to the governing body and management of the City in a separate Letter of Comments dated May 2, 2025.

Government Auditing Standards require the auditor to perform limited procedures on the City's responses to the internal control over financial reporting findings identified in my audit described in the accompanying schedule of current audit findings and responses. 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.

Report on Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the City'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 is described in the accompanying schedule of current audit findings and responses as item 2023-01.

I did note minor matters involving compliance that I reported to the governing body and management of the City in a separate Letter of Comments dated May 2, 2025.

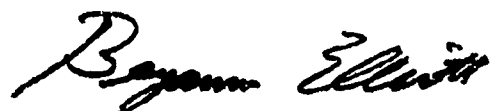
Government Auditing Standards require the auditor to perform limited procedures on the City's response to the compliance and other matters finding identified in my audit and described in the accompanying schedule of current audit findings and responses. The City's response was not subject to the other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

Purpose of this Report

The purpose of this 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's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

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



May 2, 2025

CITY OF EDMONTON
SCHEDULES OF FINDINGS AND RESPONSES
DECEMBER 31, 2023

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit finding:
Not applicable to this audit.

Prior Other Audit Findings:
2021-01: [Non-Governmental Accounting System] - Improvement
2021-02: [Filing Annual Report] - Resolved
2021-03: [Segregation of Duties] - Repeated below
2021-04: [Preparation of Financial Statements] - Repeated below

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Part I - Summary of the Audit:

Financial Statements

Type of auditor's report issued:	Qualified of opinion on: Governmental Activities Business-Type Activities All Funds
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Noncompliance noted:	Item: 2023-01
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Internal control over financial reporting: * Material weakness(es) identified?	Item: 2023-01
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* Significant deficiency(ies) identified that are not considered to be material weaknesses?	Item: 2023-02, 2023-03
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Part II - Findings Relating to the Financial Statements

Finding 2023-01: Incomplete General Ledger: (internal control and compliance)
Condition:

The 2022 and 2023 general ledgers were incomplete.

Criteria:

SDCL 9-22-16 require the finance officer to keep a separate account of each fund and the debits and credits belonging thereto.

Cause of the Condition:

In 2023 the City hired a new finance officer and changed its accounting system.

Effect:

An incomplete general ledger can result in miscoded transactions and incorrect financial statements.

Recommendation:

I recommend that the finance officer review the general ledger monthly to ensure that all transactions have been correctly posted and that the general ledger cash balances tie to bank reconciliations.

Management Response:

The City hired a professional bookkeeping firm to assist with record keeping matters.

CITY OF EDMONTON

DECEMBER 31, 2023

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES (continued)

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 and records most transactions from beginning to end. The finance officer receives money, issues receipts, records receipts, posts receipts in the accounting records, prepared bank deposits and prepares annual reports. As a result, an inadequate segregation of duties exist.

Effect:

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

Recommendation:

I recommend the City of Edmonton's management be aware of this lack of segregation of duties 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 Edmonton is aware of this problem and is attempting to provide compensating controls whenever and wherever possible and practical. However, this lack of segregation of duties is expected to continue to exist.

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

Condition:

As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Criteria:

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements and the preparation of the financial statements.

Cause of the Condition:

The City has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited.

Effect:

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

Recommendation:

This situation is not unusual for an entity of this City's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management Response:

Due to cost constraints, the City has decided to continue having the auditor draft the financial statements and accompanying notes to the financial statements.