

CITY OF LEMMON
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

KOHLMAN, BIERSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LEMMON
CITY OFFICIALS
DECEMBER 31, 2024

Mayor:

Matthew Barnes

Governing Board:

Wally Dauwen
Dacia Hilkeuer
Gary Ericsson
Wayne Corcoran
Tim Pelkofer
Christine Becker

Financial Officer:

Chad Abel

Attorney:

Shane C. Penfield

CITY OF LEMMON
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CERTIFIED PUBLIC ACCOUNTANTS

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

210 EAST GRAND CROSSING | PO BOX 460
MOBRIDGE, SD 57601
605- 845-3658 | 605- 845-3754 (FAX)
KBACPAS.COM

WITH OFFICES IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

City Council
City of Lemmon
Lemmon, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota (City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 7, 2026, which was adverse for the discretely presented component unit because there were no audited modified cash basis of accounting financial statements available for the component unit in 2024, and unmodified for the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings, as items 2024-001 through 2024-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Kohlman Biersebach and Anderson LLP

January 7, 2026

CITY OF LEMMON

303 First Ave West
Lemmon, SD 57638

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

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

2023-001

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

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

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2024-001. The reason for recurrence is, due to cost considerations, the City has determined it is not practical to employ additional staff to adequately segregate duties. The City will implement compensating controls where practical.

2023-002

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

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

Status: Ongoing. This finding has not been corrected and is restated as current auditing finding 2024-002. The reason for recurrence is, due to cost considerations, the City has determined it is not practical to employ additional staff to implement an internal control structure adequate to identify all material adjustments. The City will implement compensating controls where practical.

2023-003

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

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

Status: Ongoing. This finding has not been corrected and is restated as current audit finding 2024-003. The reason for the recurrence is, due to cost considerations, the City accepts the risks associated with the auditors preparing the financial statements. The City will implement compensating controls where practical.


Chad Abel, Finance Officer


Matthew Barnes, Mayor

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2024

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2024-001

Criteria

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

Condition Found

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

Cause

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

Effect

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

Recommendation

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

Identification as a Repeat Finding

Yes, this is a restatement of 2023-001.

Views of Responsible Officials

See the City's corrective action plan on pages 7.

2024-002

Criteria

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

Condition Found

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

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2024

Cause

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

Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Identification as a Repeat Finding

Yes, this is a restatement of 2023-002.

Views of Responsible Officials

See the City's corrective action plan on pages 7.

2024-003

Criteria

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

Condition Found

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

Cause

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

Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

CITY OF LEMMON
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2024

Identification as a Repeat Finding

Yes, this is a restatement of 2023-003.

Views of Responsible Officials

See the City's corrective action plan on pages 7.

CITY OF LEMMON

303 First Ave West
Lemmon, SD 57638

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

CORRECTIVE ACTION PLAN (UNAUDITED)

City of Lemmon submits the following corrective action plan for the year ended December 31, 2024:

Current Audit Findings:

2024-001

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

Responsible official: Wayne Corcoran

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

Anticipated completion date: This is ongoing.

2024-002

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

Responsible official: Wayne Corcoran

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

Anticipated completion date: This is ongoing.

2024-003

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

Responsible official: Wayne Corcoran

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

Anticipated completion date: This is ongoing.


Chad Abel, Finance Officer


Matthew Barnes, Mayor

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WITH OFFICES IN
MILLER, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Lemmon
Lemmon, South Dakota

Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lemmon, South Dakota (City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise of the City's basic financial statements as listed in the Table of Contents.

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Unit section of our report, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the City as of December 31, 2024, or the changes in financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on the modified cash basis of accounting of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2024, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

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

The financial statements referred to above do not include the financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component unit would have been reported for the year ended September 30, 2024, as \$3,083,659, \$1,047,732, \$2,035,927, \$700,010, and \$565,116, respectively.

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the modified cash basis of accounting financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepting auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedule, the Schedule of Changes in Long-Term Debt, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), and the combining nonmajor fund financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedule, the Schedule of Changes in Long-Term Debt, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), and the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Kohlman Bierbach and Anderson LLP

January 7, 2026

CITY OF LEMMON
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2024

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 2,036,719	\$ 1,531,306	\$ 3,568,025
Investments	557,338	1,175,766	1,733,104
Restricted assets:			
Cash and cash equivalents	<u>83,938</u>	<u>6,203</u>	<u>90,141</u>
TOTAL ASSETS	<u>\$ 2,677,995</u>	<u>\$ 2,713,275</u>	<u>\$ 5,391,270</u>
NET POSITION:			
Restricted for:			
Bamble petrified park purposes	\$ 104,769	\$ -	\$ 104,769
Capital project purposes	67,854	-	67,854
Facilities and promoting the City	165,174	-	165,174
Park purposes	43,238	-	43,238
Debt service purposes	23,831	6,203	30,034
Library improvements	1,869	-	1,869
Perpetual care for cemetery purposes	67,675	-	67,675
Fire department purposes	15,000	-	15,000
Unrestricted	<u>2,188,585</u>	<u>2,707,072</u>	<u>4,895,657</u>
TOTAL NET POSITION	<u>\$ 2,677,995</u>	<u>\$ 2,713,275</u>	<u>\$ 5,391,270</u>

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

CITY OF LEMMON
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2024

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 235,374	\$ 23,970	\$ -	\$ -	\$ (211,404)	\$ -	\$ (211,404)
Public safety	307,781	1,850	15,000	-	(290,931)	-	(290,931)
Public works	829,270	269,386	103,427	72,048	(384,409)	-	(384,409)
Health and welfare	6,053	-	-	-	(6,053)	-	(6,053)
Culture and recreation	356,991	31,300	-	-	(325,691)	-	(325,691)
Conservation and development	195,862	-	-	-	(195,862)	-	(195,862)
Miscellaneous	-	63,993	-	-	63,993	-	63,993
* Interest on long-term debt	23,470	-	-	-	(23,470)	-	(23,470)
Total Governmental Activities	1,954,801	390,499	118,427	72,048	(1,373,827)		(1,373,827)
Business-Type Activities:							
Water	495,619	578,349	-	-	\$ 82,730	\$ 82,730	82,730
Sewer	84,302	183,147	-	-	98,845	98,845	98,845
Total Business-Type Activities	579,921	761,496	-	-	181,575	181,575	181,575
Total Primary Government	\$ 2,534,722	\$ 1,151,995	\$ 118,427	\$ 72,048	(1,373,827)	181,575	(1,192,252)
General Revenues:							
Taxes:							
Property taxes					713,695	-	713,695
Sales taxes					865,577	-	865,577
State shared revenues					15,148	-	15,148
Grants and contributions not restricted to specific programs					13,729	-	13,729
Unrestricted investment earnings					27,580	28,562	56,142
Miscellaneous revenue					900	-	900
Transfers					28,562	(28,562)	-
Total General Revenues and Transfers					1,665,191	-	1,665,191
Change in Net Position					291,364	181,575	472,939
Net Position - Beginning					2,386,631	2,531,700	4,918,331
NET POSITION - ENDING					\$ 2,677,995	\$ 2,713,275	\$ 5,391,270

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

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

CITY OF LEMMON
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General Fund	Formerly Major Fund Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS:				
Cash and cash equivalents	\$ 1,783,593	\$ -	\$ 253,126	\$ 2,036,719
Investments	404,992	-	152,346	557,338
Restricted cash and cash equivalents	<u>60,107</u>	<u>-</u>	<u>23,831</u>	<u>83,938</u>
TOTAL ASSETS	<u>\$ 2,248,692</u>	<u>\$ -</u>	<u>\$ 429,303</u>	<u>\$ 2,677,995</u>
FUND BALANCES:				
Nonspendable	\$ -	\$ -	\$ 67,675	\$ 67,675
Restricted	60,107	-	361,628	421,735
Assigned	199,940	-	-	199,940
Unassigned	<u>1,988,645</u>	<u>-</u>	<u>-</u>	<u>1,988,645</u>
TOTAL FUND BALANCES	<u>\$ 2,248,692</u>	<u>\$ -</u>	<u>\$ 429,303</u>	<u>\$ 2,677,995</u>

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

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	General Fund	Formerly Major Fund Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes:				
General property taxes	\$ 681,549	\$ -	\$ 27,361	\$ 708,910
General sales and use taxes	810,250	-	55,327	865,577
Tax deed revenue	3,259	-	-	3,259
Penalties and interest on delinquent taxes	1,526	-	-	1,526
License and Permits	19,239	-	-	19,239
Intergovernmental Revenue:				
Federal grants	68,302	-	-	68,302
Federal payments in lieu of taxes	3,746	-	-	3,746
State shared revenue:				
Bank franchise tax	7,060	-	-	7,060
Prorate license fees	9,593	-	-	9,593
Liquor tax reversion (25%)	7,933	-	-	7,933
Motor vehicle licenses	25,229	-	-	25,229
Local government highway and bridge fund	68,605	-	-	68,605
State payments in lieu of taxes	155	-	-	155
Charges for Goods and Services:				
General government	4,731	-	-	4,731
Public safety	16,259	-	-	16,259
Highways and streets	2,490	-	-	2,490
Sanitation	246,296	-	-	246,296
Culture and recreation	31,300	-	-	31,300
Cemetery	-	-	8,745	8,745
Fines and Forfeits:				
Court fines and costs	591	-	-	591
Miscellaneous Revenue:				
Investment earnings	23,524	-	4,056	27,580
Rentals	11,855	-	-	11,855
Contributions and donations from private sources	11,734	-	1,995	13,729
Liquor operating agreement income	63,993	-	-	63,993
TOTAL REVENUES	<u>2,119,219</u>	<u>-</u>	<u>97,484</u>	<u>2,216,703</u>
EXPENDITURES:				
General Government:				
Executive	84,214	-	-	84,214
Elections	1,111	-	-	1,111
Financial administration	123,666	-	-	123,666
Other	26,383	-	-	26,383
Public Safety:				
Police	246,003	-	-	246,003
Fire	61,778	-	-	61,778
Public Works:				
Highways and streets	503,567	-	-	503,567
Sanitation	278,892	-	-	278,892
Airport	32,864	-	-	32,864
Cemeteries	-	-	13,947	13,947

	General Fund	Formerly Major Fund Airport Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Health and Welfare:				
Health	53	-	-	53
Home health	1,500	-	-	1,500
Mental health centers	4,500	-	-	4,500
Culture and Recreation:				
Recreation	115,152	-	-	115,152
Parks	116,517	-	2,732	119,249
Libraries	78,359	-	-	78,359
Conservation and Development:				
Economic development and assistance	76,045	-	70,236	146,281
Economic opportunity	49,581	-	-	49,581
Debt Service	29,381	-	38,320	67,701
TOTAL EXPENDITURES	<u>1,829,566</u>	<u>-</u>	<u>125,235</u>	<u>1,954,801</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>289,653</u>	<u>-</u>	<u>(27,751)</u>	<u>261,902</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	31,598	-	4,986	36,584
Transfers out	(4,986)	-	(3,036)	(8,022)
Sale of municipal property	900	-	-	900
TOTAL OTHER FINANCING SOURCES (USES)	<u>27,512</u>	<u>-</u>	<u>1,950</u>	<u>29,462</u>
NET CHANGE IN FUND BALANCES	317,165	-	(25,801)	291,364
FUND BALANCE - BEGINNING, AS PREVIOUSLY REPORTED	<u>1,931,527</u>	<u>455,104</u>	<u>455,104</u>	<u>2,386,631</u>
Change within financial reporting entity (major to nonmajor fund)	<u>-</u>	<u>(455,104)</u>	<u>-</u>	<u>(455,104)</u>
FUND BALANCE - ENDING	<u>\$ 2,248,692</u>	<u>\$ -</u>	<u>\$ 429,303</u>	<u>\$ 2,677,995</u>

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

CITY OF LEMMON
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 677,330	\$ 853,976	\$ 1,531,306
Investments	<u>575,766</u>	<u>600,000</u>	<u>1,175,766</u>
Total Current Assets	<u>1,253,096</u>	<u>1,453,976</u>	<u>2,707,072</u>
Noncurrent Assets:			
Restricted cash and cash equivalents	<u>-</u>	<u>6,203</u>	<u>6,203</u>
Total Noncurrent Assets	<u>-</u>	<u>6,203</u>	<u>6,203</u>
TOTAL ASSETS	<u>\$ 1,253,096</u>	<u>\$ 1,460,179</u>	<u>\$ 2,713,275</u>
NET POSITION:			
Restricted for:			
Revenue bond debt service	\$ -	\$ 6,203	\$ 6,203
Assigned to:			
Lagoon replacement	-	500,000	500,000
Sewer debt repayment	-	62,353	62,353
Unrestricted	<u>1,253,096</u>	<u>891,623</u>	<u>2,144,719</u>
TOTAL NET POSITION	<u>\$ 1,253,096</u>	<u>\$ 1,460,179</u>	<u>\$ 2,713,275</u>

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

CITY OF LEMMON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	Business-Type Activities Enterprise Funds		Total
	Water Fund	Sewer Fund	
OPERATING REVENUE:			
Charges for goods and services	\$ <u>578,349</u>	\$ <u>183,147</u>	\$ <u>761,496</u>
TOTAL OPERATING REVENUE	<u>578,349</u>	<u>183,147</u>	<u>761,496</u>
OPERATING EXPENSES:			
Personal services	83,789	16,742	100,531
Other current expense	32,124	14,388	46,512
Materials (cost of goods sold)	<u>304,598</u>	<u>-</u>	<u>304,598</u>
TOTAL OPERATING EXPENSES	<u>420,511</u>	<u>31,130</u>	<u>451,641</u>
OPERATING INCOME	<u>157,838</u>	<u>152,017</u>	<u>309,855</u>
NONOPERATING REVENUE (EXPENSE):			
Investment earnings	13,197	15,365	28,562
Debt service (principal)	(28,413)	(22,069)	(50,482)
Interest expense	<u>(46,695)</u>	<u>(31,103)</u>	<u>(77,798)</u>
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(61,911)</u>	<u>(37,807)</u>	<u>(99,718)</u>
INCOME (LOSS) BEFORE TRANSFERS	95,927	114,210	210,137
TRANSFERS OUT	<u>(13,197)</u>	<u>(15,365)</u>	<u>(28,562)</u>
CHANGE IN NET POSITION	82,730	98,845	181,575
NET POSITION - BEGINNING	<u>1,170,366</u>	<u>1,361,334</u>	<u>2,531,700</u>
NET POSITION - ENDING	<u>\$ 1,253,096</u>	<u>\$ 1,460,179</u>	<u>\$ 2,713,275</u>

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

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. **Financial Reporting Entity:**

The reporting entity of the City of Lemmon (City), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

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

b. **Basis of Presentation:**

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined, or

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 - (Continued)

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the City financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

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

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

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

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

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

TIF Debt Service Fund - To account for resources to be paid for the principal, interest and related costs associated with the sanitary sewer system. This is not a major fund.

Capital Project Funds - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Airport Capital Project Fund - To account for the financial resources to be used for the construction at the airport. This is not a major fund.

Proprietary Funds:

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

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

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 - (Continued)

- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

c. Measurement Focus and Basis of Accounting:

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

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

Measurement Focus:

Government-Wide Financial Statements:

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

Fund Financial Statements:

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

Basis of Accounting:

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed, and assets and liabilities are recognized to the extent that cash has been received or disbursed. The acceptable modification to the cash basis of accounting implemented by the City in these financial statements is:

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

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

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 - (Continued)

If the City applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Deposits and Investments:

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Capital Assets:

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

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording capital assets arising from cash transactions and depreciating/amortizing those assets where appropriate, so any capital assets owned by the City and the related depreciation/amortization are not reported on the financial statements of the City.

f. Long-Term Liabilities:

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

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

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

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City’s taxpayers or citizenry, as a whole. Program revenues are classified into three categories as follows:

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

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 - (Continued)

2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

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

i. Equity Classifications:

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

j. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

k. Fund Balance Classification Policies and Procedures:

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

1. Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
4. Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the City Council.

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 - (Continued)

5. Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

1. Amount legally or contractually required to be maintained intact such as Cemetery Perpetual Care Fund.

The City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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

A schedule of fund balances is provided as follows:

CITY OF LEMMON
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:			
Nonspendable for:			
Perpetual care for cemetery purposes	\$ -	\$ 67,675	\$ 67,675
Restricted for:			
Bamble Petrified Park purposes	-	104,769	104,769
Capital project purpose	-	67,854	67,854
Facilities and promoting the City	-	165,174	165,174
Park purposes	43,238	-	43,238
Fire department	15,000	-	15,000
Debt service purposes	-	23,831	23,831
Library improvements	1,869	-	1,869
Assigned to:			
Fire department	98,061	-	98,061
General parks	18,000	-	18,000
Police department	16,000	-	16,000
Street department	37,879	-	37,879
Swimming pool	30,000	-	30,000
Unassigned	1,988,645	-	1,988,645
Total Fund Balances	\$ 2,248,692	\$ 429,303	\$ 2,677,995

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The City follows the practice of aggregating the cash assets of all the funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2024, the City did not have any investments. The investments reported in the financial statements consists only of certificates of deposit.

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.

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

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

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from deposits and investments to the General Fund. USGAAP, on the other hand, requires income from deposits and investments to be reported in the fund whose assets generated that income except where legal or contractual requirements require investment income to be credited to a fund other than the one associated with the assets. Where the governing board has discretion to credit investment income to a fund other than the fund that provided the resources for investment, a transfer to the designated fund is reported. Accordingly, in the fund financial statements, interfund transfers of investment earnings are reported, while in the government-wide financial statements, they have been eliminated, except for the net amounts transferred between governmental activities and business-type activities.

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

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

Amount:	Purpose:
\$ 43,238	For Bamble Petrified Park purposes in the General Fund
\$ 1,869	For library expansion purposes in the General Fund
\$ 15,000	For fire department purposes in the General Fund
\$ 6,203	For debt service in the Sewer Fund
\$ 23,831	For debt service in the TIF Debt Service Fund

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4 - PROPERTY TAXES

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

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

NOTE 5 - RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2024, was as follows:

Major Purposes:

Debt services purposes - TIF Fund	\$	23,831
Debt services purposes - Sewer Fund		6,203

Other Purposes:

Perpetual care for cemetery purposes		67,675
Bamble Petrified Park purposes		104,769
Library expansion purposes		1,869
Park purposes		43,238
Facilities and promoting the City		165,174
Fire department purposes		15,000
Capital project purposes		<u>67,854</u>

Total Restricted Net Position	\$	<u><u>495,613</u></u>
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These balances are restricted by the terms of bond agreements and statutory requirements.

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2024, were as follows:

Transfers From:	Transfers To:		Total
	General Fund	Cemetery Fund	
Major Funds:			
Bamble Park Fund	\$ 1,156	\$ -	\$ 1,156
3B Tax Fund	1,880	-	1,880
Water Fund	13,197	-	13,197
Sewer Fund	15,365	-	15,365
General Fund	<u>-</u>	<u>4,986</u>	<u>4,986</u>
Total	<u><u>\$ 31,598</u></u>	<u><u>\$ 4,986</u></u>	<u><u>\$ 36,584</u></u>

The purpose of the interfund transfer from the General Fund to the Cemetery Fund was to reimburse the Cemetery Fund for expenses paid. The monies transferred from the General Fund to the 3B Tax Fund, Water Fund and Sewer Fund were to reclassify interest income to the appropriate funds.

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 7 - PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

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

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 7 - (Continued)

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the calendar years ended December 31, 2024, 2023, and 2022, were \$20,755, \$20,906, and \$17,347, respectively, equal to the required contributions each year.

Pension Assets and Pension Expense:

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

Proportionate share of total pension liability	\$ 1,905,659
Less proportionate share of net position restricted for pension benefits	<u>1,906,176</u>
Proportionate share of net pension liability (asset)	<u><u>\$ (517)</u></u>

The net pension asset was measured as of June 30, 2024, and the total pension liability used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the City's proportion was .012774%, which is an increase of .000696% from its proportion measured as of June 30, 2023.

Actuarial Assumptions:

The total pension asset in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.5% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.71%

Mortality Rates:

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

Active and Terminated Vested Members:

- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

Retired Members:

- Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
- Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
- Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

- PubG-2010 contingent survivor mortality table

Disabled Members:

- Public Safety: PubS-2010 disabled member mortality table
- Others: PubG-2010 disabled member mortality table

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 7 - (Continued)

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 (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 %	3.6 %
Investment Grade Debt	22.8 %	2.3 %
High Yield Debt	7.0 %	2.8 %
Real Estate	12.0 %	4.0 %
Cash	1.9 %	0.8 %
Total	100 %	

Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset)	\$ 262,756	\$ (517)	\$ (215,957)

Pension Plan Fiduciary Net Position:

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

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8 - JOINT VENTURES

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

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

Bison	14.67%
Buffalo	17.14%
Isabel	7.53%
Lemmon	55.41%
McIntosh	5.25%

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

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

At December 31, 2024, this joint venture had total assets of \$1,782,140, total liabilities of \$174,498, and total Net Position of \$1,607,642.

NOTE 9 - SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2024, the City was not involved any litigation.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through January 7, 2026, the date on which the financial statements were available to be issued. Management has determined there are none.

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2024, the City managed its risks as follows:

Employee Health Insurance:

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

Liability Insurance:

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

CITY OF LEMMON
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 11 - (Continued)

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, automobile liability, legal liability, and property coverage.

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

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits. During the year ended December 31, 2024, no claims for unemployment benefits were paid. At December 31, 2024, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

SUPPLEMENTARY INFORMATION

CITY OF LEMMON
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2024

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 703,125	\$ 703,125	\$ 681,549	\$ (21,576)
General sales and use taxes	763,325	763,325	810,250	46,925
Tax deed revenue	-	-	3,259	3,259
Penalties and interest on delinquent taxes	2,000	2,000	1,526	(474)
License and Permits	21,725	21,725	19,239	(2,486)
Intergovernmental Revenue:				
Federal grants	-	-	68,302	68,302
Federal payments in lieu of taxes	-	-	3,746	3,746
State grants	2,102,000	2,102,000	-	(2,102,000)
State shared revenue:				
Bank franchise tax	8,000	8,000	7,060	(940)
Prorate license fees	8,000	8,000	9,593	1,593
Liquor tax reversion (25%)	8,000	8,000	7,933	(67)
Motor vehicle licenses	24,000	24,000	25,229	1,229
Local government highway and bridge fund	65,000	65,000	68,605	3,605
State payments in lieu of taxes	-	-	155	155
County shared revenue:				
Other	5,000	5,000	-	(5,000)
Charges for Goods and Services:				
General government	-	-	4,731	4,731
Public safety	16,000	16,000	16,259	259
Highways and streets	1,000	1,000	2,490	1,490
Sanitation	224,750	224,750	246,296	21,546
Culture and recreation	21,700	21,700	31,300	9,600
Fines and Forfeits:				
Court fines and costs	-	-	591	591
Miscellaneous Revenue:				
Investment earnings	20,000	20,000	23,524	3,524
Rentals	11,274	11,274	11,855	581
Contributions and donations from private sources	2,000	2,000	11,734	9,734
Liquor operating agreement income	-	63,650	63,993	343
TOTAL REVENUES	<u>4,006,899</u>	<u>4,070,549</u>	<u>2,119,219</u>	<u>(1,951,330)</u>
EXPENDITURES:				
General Government:				
Contingency	75,000	75,000		
Amount Transferred		(48,579)		26,421
Executive	57,263	84,214	84,214	-
Elections	2,400	2,400	1,111	1,289
Financial administration	123,792	123,792	123,666	126
Other	29,100	29,100	26,383	2,717
Public Safety:				
Police	296,000	296,000	246,003	49,997
Fire	75,555	75,555	61,778	13,777

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
Highways and streets	667,362	667,362	503,567	163,795
Sanitation	280,734	280,734	278,892	1,842
Airport	38,925	38,925	32,864	6,061
Health and Welfare:				
Health	2,000	2,000	53	1,947
Home health	1,500	1,500	1,500	-
Mental health	4,500	4,500	4,500	-
Culture and Recreation:				
Recreation	121,375	128,541	115,152	13,389
Parks	111,081	119,802	116,517	3,285
Libraries	73,099	73,099	78,359	(5,260)
Conservation and Development:				
Economic development and assistance	87,066	87,066	76,045	11,021
Economic opportunity	50,307	50,307	49,581	726
Debt Service	<u>104,000</u>	<u>104,000</u>	<u>29,381</u>	<u>74,619</u>
TOTAL EXPENDITURES	<u>2,201,059</u>	<u>2,195,318</u>	<u>1,829,566</u>	<u>365,752</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>1,805,840</u>	<u>1,875,231</u>	<u>289,653</u>	<u>(1,585,578)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	31,598	31,598
Transfers out	-	-	(4,986)	(4,986)
Sale of municipal property	-	-	900	900
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>27,512</u>	<u>27,512</u>
NET CHANGE IN FUND BALANCES	1,805,840	1,875,231	317,165	(1,558,066)
FUND BALANCE - BEGINNING	<u>1,931,527</u>	<u>1,931,527</u>	<u>1,931,527</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 3,737,367</u>	<u>\$ 3,806,758</u>	<u>\$ 2,248,692</u>	<u>\$ (1,558,066)</u>

CITY OF LEMMON
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND
DECEMBER 31, 2024

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total City budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.

The City did not encumber any amounts at December 31, 2024.

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

CITY OF LEMMON
SCHEDULE OF CHANGES IN LONG-TERM DEBT
YEAR ENDED DECEMBER 31, 2024

Indebtedness	Long-Term Debt January 1, 2024	Add New Debt	Less Debt Retired	Long-Term Debt December 31, 2024
GOVERNMENTAL LONG-TERM DEBT:				
Other long-term liabilities	\$ <u>350,050</u>	\$ <u>-</u>	\$ <u>44,231</u>	\$ <u>305,819</u>
ENTERPRISE LONG-TERM DEBT:				
Revenue bond	<u>2,881,703</u>	<u>-</u>	<u>50,482</u>	<u>2,831,221</u>
Total	\$ <u>3,231,753</u>	\$ <u>-</u>	\$ <u>94,713</u>	\$ <u>3,137,040</u>

NOTE 1 - LONG-TERM DEBT

Debt payable at December 31, 2024, is comprised of the following:

Revenue Bond:

Sewer Project Revenue Bond, due in monthly installments of \$4,431, including 2.250% interest, maturing August 25, 2063. This debt is serviced by the Sewer Fund. \$ 1,370,376

Perkins County Rural Water loan, due in annual installments of \$75,107.81, including 3.000% interest, maturing May 20, 2054. This debt is serviced by the Water Fund. \$ 1,460,845

Other Long-Term Debt:

TIF loan at Dacotah Bank, due in semi-annual installments of \$17,174.62, including a variable interest, maturing December 1, 2036. This debt is serviced by the TIF Debt Service Fund. \$ 305,819

CITY OF LEMMON
SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST 10 YEARS*

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.0127740 %	0.0120780 %	0.0123450 %	0.0128810 %	0.0118955 %	0.0105683 %	0.0114002 %	0.0112544 %	0.0114535 %	0.0116046 %
City's proportionate share of the net pension liability (asset)	\$ <u>(517)</u>	\$ <u>(1,179)</u>	\$ <u>(1,167)</u>	\$ <u>(98,646)</u>	\$ <u>(517)</u>	\$ <u>(1,120)</u>	\$ <u>(266)</u>	\$ <u>(1,021)</u>	\$ <u>38,689</u>	\$ <u>(49,218)</u>
City's covered payroll	\$ <u>358,375</u>	\$ <u>311,536</u>	\$ <u>294,788</u>	\$ <u>289,624</u>	\$ <u>261,071</u>	\$ <u>224,704</u>	\$ <u>236,999</u>	\$ <u>228,669</u>	\$ <u>217,789</u>	\$ <u>211,871</u>
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.14 %	0.38 %	0.40 %	34.06 %	0.20 %	0.50 %	0.11 %	0.44 %	17.76 %	23.23 %
Plan fiduciary net position as a percentage of the total pension liability (asset)	100 %	100 %	100 %	106 %	100 %	100 %	100 %	100 %	97 %	104 %

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

CITY OF LEMMON
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
DECEMBER 31, 2024

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Method Changes

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

Actuarial Assumption Changes

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

As of June 30, 2023, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2024 SDRS COLA was limited to a restricted maximum of 1.91%. For the June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.91%.

As of June 30, 2024, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2025 SDRS COLA is limited to a restricted maximum of 1.71%. The July 2025 SDRS COLA will equal inflation, between 0% and 1.71%. For this June 30, 2024 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

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

CITY OF LEMMON
COMBINING BALANCE SHEET - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	Bamble Petrified Park Fund	Cemetery Perpetual Care Fund	Liquor, Lodging and Dining Gross Receipts Tax Fund	TIF Debt Service Fund	Airport Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS:						
Cash and cash equivalents	\$ 20,098	\$ -	\$ 165,174	\$ -	\$67,854	\$ 253,126
Investments	84,671	67,675	-	-	-	152,346
Restricted cash and cash equivalents	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,831</u>	<u>-</u>	<u>23,831</u>
TOTAL ASSETS	<u>\$ 104,769</u>	<u>\$ 67,675</u>	<u>\$ 165,174</u>	<u>\$ 23,831</u>	<u>\$67,854</u>	<u>\$ 429,303</u>
FUND BALANCES:						
Nonspendable:						
Perpetual care for cemetery purposes	\$ -	\$ 67,675	\$ -	\$ -	\$ -	\$ 67,675
Restricted:						
Bamble Petrified Park purposes	104,769	-	-	-	-	104,769
Debt service purposes	-	-	-	23,831	-	23,831
Capital project purpose	-	-	-	-	67,854	67,854
Facilities and promoting the City	<u>-</u>	<u>-</u>	<u>165,174</u>	<u>-</u>	<u>-</u>	<u>165,174</u>
TOTAL FUND BALANCES	<u>\$ 104,769</u>	<u>\$ 67,675</u>	<u>\$ 165,174</u>	<u>\$ 23,831</u>	<u>\$67,854</u>	<u>\$ 429,303</u>

CITY OF LEMMON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	Bamble Petrified Park Fund	Cemetery Perpetual Care Fund	Liquor, Lodging and Dining Gross Receipts Tax Fund	TIF Debt Service Fund	Airport Capital Project Fund	Total Nonmajor Governmental Funds
REVENUES:						
Taxes:						
General property taxes	\$ -	\$ -	\$ -	\$ 27,361	\$ -	\$ 27,361
General sales and use taxes	-	-	55,327	-	-	55,327
Charges for Goods and Services:						
Cemetery	-	8,745	-	-	-	8,745
Miscellaneous Revenue:						
Investment earnings	1,156	723	1,880	297	-	4,056
Contributions and donations from private sources	-	1,995	-	-	-	1,995
TOTAL REVENUES	<u>1,156</u>	<u>11,463</u>	<u>57,207</u>	<u>27,658</u>	<u>-</u>	<u>97,484</u>
EXPENDITURES:						
Public Works:						
Cemeteries	-	13,947	-	-	-	13,947
Culture and Recreation:						
Parks	2,732	-	-	-	-	2,732
Conservation and Development:						
Economic development and assistance	-	-	70,236	-	-	70,236
Debt Service	-	-	-	38,320	-	38,320
TOTAL EXPENDITURES	<u>2,732</u>	<u>13,947</u>	<u>70,236</u>	<u>38,320</u>	<u>-</u>	<u>125,235</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>(1,576)</u>	<u>(2,484)</u>	<u>(13,029)</u>	<u>(10,662)</u>	<u>-</u>	<u>(27,751)</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-	4,986	-	-	-	4,986
Transfers out	(1,156)	-	(1,880)	-	-	(3,036)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,156)</u>	<u>4,986</u>	<u>(1,880)</u>	<u>-</u>	<u>-</u>	<u>1,950</u>
NET CHANGE IN FUND BALANCES	(2,732)	2,502	(14,909)	(10,662)	-	(25,801)
FUND BALANCE - BEGINNING	<u>107,501</u>	<u>65,173</u>	<u>180,083</u>	<u>34,493</u>	<u>67,854</u>	<u>455,104</u>
FUND BALANCE - ENDING	<u>\$ 104,769</u>	<u>\$ 67,675</u>	<u>\$ 165,174</u>	<u>\$ 23,831</u>	<u>\$ 67,854</u>	<u>\$ 429,303</u>