

**MUNICIPALITY OF LENNOX**  
LENNOX, SOUTH DAKOTA

**AUDIT REPORT**

FOR THE YEAR JANUARY 1, 2023 TO DECEMBER 31, 2023

*Schoenfish & Co., Inc.*

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 247

105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF LENNOX

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MUNICIPAL OFFICIALS  
DECEMBER 31, 2023

MAYOR:

Stacy DuChene

GOVERNING BOARD:

Sam Bowers, President  
Chad Swier, Vice-President  
William Daugherty  
Brittany Mower  
Chad Reilly  
Billy Welch

CITY ADMINISTRATOR:

Nathan Vander Plaats

FINANCE OFFICER:

Denise Hanson

ATTORNEY:

Brett Lovrien

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INDEPENDENT AUDITOR'S 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  
Municipality of Lennox  
Lennox, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of the Municipality of Lennox, South Dakota (Municipality), as of December 31, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated March 13, 2025, which was adverse because the legally separate component units were not presented.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Municipality's internal control over financial reporting (internal control) as a basis for designating 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 Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Municipality'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 did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2023-001 to be a material weakness.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Municipality's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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*.

## Municipality's Responses to Findings

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

## 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 Municipality's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.  
Certified Public Accountants  
March 13, 2025

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board  
Municipality of Lennox  
Lennox, South Dakota

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the Municipality of Lennox, South Dakota (Municipality), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Municipality's major federal programs for the year ended December 31, 2023. The Municipality's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the Municipality of Lennox complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Municipality and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Municipality's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Municipality's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Municipality's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Municipality's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Municipality's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Municipality's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such

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that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2023-001 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Municipality's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Current Audit Findings and Questioned Costs. The Municipality's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Schoenfish & Co., Inc.  
Certified Public Accountants  
March 13, 2025

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

PRIOR FEDERAL AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2022-001:

A material weakness in internal control was noted due to a lack of proper segregation of duties. This comment has not been corrected and a similar comment is restated as current audit finding number 2023-001.

PRIOR OTHER AUDIT FINDINGS:

There are no prior other audit findings to report except for the lack of segregation of duties as stated above.

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## SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

### Summary of the Independent Auditor's Results:

#### Financial Statements:

- a. An unmodified opinion was issued on the financial statements of the governmental activities, business-type activities, and each major fund opinion units and adverse opinion on aggregate discretely presented component units.
- b. A material weakness was disclosed by our audit of the financial statements for a lack of segregation of duties for revenues as discussed in finding number 2023-001.
- c. No material noncompliance instances were disclosed by our audit of the financial statements.

#### Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties affecting the compliance requirement category as discussed in finding number 2023-001.
- e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.
- f. Our audit did not disclose any audit findings that need to be disclosed in accordance with 2 CFR 200.516(a) except for a material weakness resulting in a lack of segregation of duties for revenues as discussed in finding 2023-001.
- g. The federal awards tested as major programs were:
  - 1. ALN No. 21.027 Coronavirus State and Local Fiscal Recovery Funds
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$750,000.
- i. The Municipality of Lennox did not qualify as a low-risk auditee.

### CURRENT FEDERAL AUDIT FINDINGS:

#### Internal Control – Related Finding – Material Weakness:

##### Finding Number 2023-001:

##### Condition:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This affects the compliance requirements for the Coronavirus State and Local Fiscal Recovery Funds, ALN No. 21.027.

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SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS(continued)Criteria:

Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets through the separation of key accounting and physical control functions.

The AICPA states that, "Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."

Cause of Condition:

The Finance Officer and Assistant Finance Officer process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential data and increased potential for the loss of public assets.

Potential Effect of Condition:

There is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:

We recommend that the Municipality of Lennox officials be cognizant of the lack of segregation of duties for revenues and attempt to develop policies and provide compensating internal controls whenever, and wherever possible and practical. In addition, we recommend that all necessary accounting records be established and properly maintained to provide some compensation for lack of proper segregation of duties.

Identification as a Repeat Finding:

This is a continuing audit finding since 2001.

CURRENT OTHER AUDIT FINDINGS:

There are no Current Other Audit Findings to report except for the lack of segregation of duties as stated in Current Federal Audit Finding Number 2023-001.

CLOSING CONFERENCE

The audit and recommendations were discussed with the officials during the course of the audit.

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CITY OF

*Lennox*

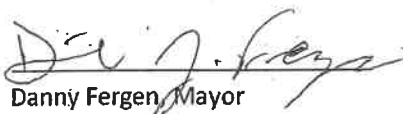
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February 28, 2025

**Corrective Action Plan**

**Finding: 2023-001:** A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This affects the compliance requirement for Coronavirus State and Local Fiscal Recovery Funds, ALN No. 21.027.

**Corrective Action:** The City of Lennox's Mayor, Danny Fergen, is the contact person responsible for the corrective action plan of this finding. Because of the size of the City of Lennox, the municipality cannot support hiring additional staff that would be sufficient to support the internal controls necessary to properly segregate duties. The Mayor, City Council, and Finance employees are aware of this challenge, and have put in place controls that minimize risk.

  
Danny Fergen, Mayor  
Nathan Vander Plaats, City Administrator

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Municipality of Lennox  
Lennox, South Dakota

### **Report on the Audit of the Financial Statements**

#### ***Adverse and Unmodified Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Lennox, South Dakota, (Municipality) as of December 31, 2023, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the Table of Contents.

#### Adverse Opinion on the Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not present fairly the respective financial position of the aggregate discretely presented component units of the Municipality of Lennox as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Unmodified Opinions on Governmental Activities, Business-Type Activities, and Each Major Fund

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Municipality of Lennox as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Adverse and Unmodified Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Municipality 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 audit opinions.

#### Matter Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units

The Municipality did not report the financial information of the Area Ambulance Squad and the Lennox Housing and Redevelopment Commission.

Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Municipality's primary government unless the Municipality also issues financial statements for the financial reporting entity that include the financial data for its component units. The Municipality 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 components units would have been presented.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 Municipality's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our 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 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 GAAS 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 Municipality'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 Municipality'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.

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### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Schedule of the Municipality Contributions, and the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Expenditures of Federal Awards, which as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is 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 Schedule of Expenditures of Federal Awards is 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 March 13, 2025 on our consideration of the Municipality's internal control over financial reporting and on our 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 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 Municipality'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 Municipality's internal control over financial reporting and compliance.



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Certified Public Accountants  
March 13, 2025

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**MUNICIPALITY OF LENNOX**  
**STATEMENT OF NET POSITION**  
**December 31, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	1,839,513.71	1,663,282.85	3,502,796.56
Investments	805,230.08	173,031.11	978,261.19
Accounts Receivable, Net	696,112.79	1,134,146.48	1,830,259.27
Interfund Balances	27,235.64	(27,235.64)	0.00
Other Assets	7,636.48		7,636.48
Net Pension Asset	3,496.62	780.60	4,277.22
Capital Assets:			
Land and Construction Work in Progress	942,445.00	5,961,243.70	6,903,688.70
Other Capital Assets, Net of Depreciation	4,562,113.86	12,545,448.13	17,107,561.99
<b>TOTAL ASSETS</b>	<b>8,883,784.18</b>	<b>21,450,697.23</b>	<b>30,334,481.41</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Related Deferred Outflows	272,258.87	60,780.50	333,039.37
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>272,258.87</b>	<b>60,780.50</b>	<b>333,039.37</b>
<b>LIABILITIES :</b>			
Accounts Payable	134,920.70	854,982.75	989,903.45
Other Current Liabilities	49,364.67	89,794.28	139,158.95
Unearned Revenue	5,000.00		5,000.00
Noncurrent Liabilities:			
Due Within One Year	437,046.63	345,329.02	782,375.65
Due in More than One Year	4,605,568.72	9,176,523.19	13,782,091.91
<b>TOTAL LIABILITIES</b>	<b>5,231,900.72</b>	<b>10,466,629.24</b>	<b>15,698,529.96</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Related Deferred Inflows	177,329.45	39,587.96	216,917.41
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>177,329.45</b>	<b>39,587.96</b>	<b>216,917.41</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	533,496.74	9,024,617.79	9,558,114.53
Restricted for:			
Storm Drainage Purposes	281,453.67		281,453.67
Street Maintenance	352,484.33		352,484.33
Debt Service Purposes		339,914.31	339,914.31
Equipment Repair and/or Replacement		100,000.00	100,000.00
SDRS Pension Purposes	98,426.04	21,973.14	120,399.18
Library Purposes	3,367.59		3,367.59
Promotion and Economic Development	19,314.16		19,314.16
Unrestricted (Deficit)	2,458,270.35	1,518,755.29	3,977,025.64
<b>TOTAL NET POSITION</b>	<b>3,746,812.88</b>	<b>11,005,260.53</b>	<b>14,752,073.41</b>

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

**MUNICIPALITY OF LENNOX**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2023**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Primary Government
					Activities	Business-Type Activities
Primary Government:						
Governmental Activities:						
General Government	605,537.52	36,887.64			(568,649.88)	(568,649.88)
Public Safety	739,030.49		12,108.17		(726,922.32)	(726,922.32)
Public Works	1,290,133.56	5,785.00	60,802.34	629,580.97	(593,965.25)	(593,965.25)
Health and Welfare	8,109.98	3,250.00			(4,859.98)	(4,859.98)
Culture and Recreation	325,727.82	62,093.14	650.00	208,511.85	(54,472.83)	(54,472.83)
Conservation and Development	157,391.66	1,000.00			(156,391.66)	(156,391.66)
Miscellaneous		11,700.00			11,700.00	11,700.00
*Interest on Long-term Debt	167,952.78				(167,952.78)	(167,952.78)
Total Governmental Activities	3,293,883.81	120,715.78	73,560.51	838,092.82	(2,261,514.70)	(2,261,514.70)
Business-type Activities:						
Water	483,784.87	679,255.68		1,554,493.08		1,749,963.89
Sewer	734,495.93	1,043,931.84		3,579,843.57		3,889,279.48
Ambulance	359,414.74	168,586.82		30,876.00	(159,951.92)	(159,951.92)
Pool	224,982.10	83,022.01		480,444.38	338,484.29	338,484.29
Total Business-type Activities	1,802,677.64	1,974,796.35	0.00	5,645,657.03	5,817,775.74	5,817,775.74
Total Primary Government	5,096,561.45	2,095,512.13	73,560.51	6,483,749.85	(2,261,514.70)	3,556,261.04
General Revenues:						
Taxes:						
Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.	Property Taxes				1,255,874.76	1,255,874.76
	Sales Taxes				1,340,300.95	1,340,300.95
	State Shared Revenues				41,078.59	41,078.59
	Grants and Contributions not Restricted to Specific Programs				49,871.85	49,871.85
	Unrestricted Investment Earnings				107,543.46	107,543.46
	Miscellaneous Revenue				50,361.56	50,361.56
	Transfers				(292,000.00)	0.00
	Special Items (Note 14).					(199,388.29)
	Total General Revenues and Transfers				2,553,031.17	2,645,642.88
	Change in Net Position				291,516.47	6,201,903.92
Net Position - Beginning				3,455,296.41	8,550,169.49	
NET POSITION - ENDING				3,746,812.88	14,752,073.41	

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

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

**MUNICIPALITY OF LENNOX  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2023**

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	Baseball Fund	Street Maintenance Fund	Library Special Gifts Fund	Storm Drainage Fund	Swimming Pool Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>									
Cash and Cash Equivalents	211,741.23	1,269,559.76	19,314.16	17,421.84	169,754.36	3,367.59	148,354.77		1,839,513.71
Investments	579,644.50	225,585.58							805,230.08
Taxes Receivable--Delinquent	33,163.60							4,562.85	37,726.45
Accounts Receivable, Net	0.24								0.24
Special Assessments Receivable--Current	23,552.39	17,032.95			211,805.50		131,290.41		383,681.25
Special Assessments Receivable--Delinquent	15,188.75	3,900.00			5,340.44		4,249.69		28,678.88
Special Assessments Receivable--Noncurrent	80,461.24	114,158.70							194,619.94
Due from Ambulance Fund		26,010.41							26,010.41
Due from Pool		1,225.23							1,225.23
Due from Swimming Pool Debt Service Fund	149,442.23								149,442.23
Due from Other Governments	27,594.96	21,541.42			1,145.39		288.80	835.46	51,406.03
Prepaid Expenses	7,636.48								7,636.48
<b>TOTAL ASSETS</b>	<b>1,128,425.62</b>	<b>1,679,014.05</b>	<b>19,314.16</b>	<b>17,421.84</b>	<b>388,045.69</b>	<b>3,367.59</b>	<b>284,183.67</b>	<b>5,398.31</b>	<b>3,525,170.93</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>									
<b>Liabilities:</b>									
Accounts Payable	25,730.66	70,898.68			35,561.36		2,730.00		134,920.70
Due to General Fund								149,442.23	149,442.23
Accrued Wages Payable	46,210.27			237.53					46,447.80
Accrued Benefits Payable	2,916.87								2,916.87
Unearned Revenue		5,000.00							5,000.00
<b>Total Liabilities</b>	<b>74,857.80</b>	<b>75,898.68</b>	<b>0.00</b>	<b>237.53</b>	<b>35,561.36</b>	<b>0.00</b>	<b>2,730.00</b>	<b>149,442.23</b>	<b>338,727.60</b>
<b>Deferred Inflows of Resources:</b>									
Unavailable Revenue - Property Taxes	33,163.60							4,562.85	37,726.45
Unavailable Revenue - Special Assessments	119,202.38	135,091.65			217,145.94	0.00	135,540.10		606,980.07
<b>Total Deferred Inflows of Resources</b>	<b>152,365.98</b>	<b>135,091.65</b>	<b>0.00</b>	<b>0.00</b>	<b>217,145.94</b>	<b>0.00</b>	<b>135,540.10</b>	<b>4,562.85</b>	<b>644,706.52</b>
<b>Fund Balances:</b>									
Restricted - Library						3,367.59			3,367.59
Restricted - Promotion and Economic Development			19,314.16						19,314.16
Restricted - Street Maintenance					135,338.39				135,338.39
Restricted - Future Drainage Projects							145,913.57		145,913.57
Committed - Capital Outlay Accumulations		1,468,023.72							1,468,023.72
Committed - Fire Department Capital Improvements	145,000.00								145,000.00
Assigned - Baseball & Softball Programs & Improv.				17,184.31					17,184.31
Unassigned	756,201.84							(148,606.77)	607,595.07
<b>Total Fund Balances</b>	<b>901,201.84</b>	<b>1,468,023.72</b>	<b>19,314.16</b>	<b>17,184.31</b>	<b>135,338.39</b>	<b>3,367.59</b>	<b>145,913.57</b>	<b>(148,606.77)</b>	<b>2,541,736.81</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>1,128,425.62</b>	<b>1,679,014.05</b>	<b>19,314.16</b>	<b>17,421.84</b>	<b>388,045.69</b>	<b>3,367.59</b>	<b>284,183.67</b>	<b>5,398.31</b>	<b>3,525,170.93</b>

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

**MUNICIPALITY OF LENNOX**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2023**

Total Fund Balances - Governmental Funds	<u>2,541,736.81</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	<u>3,496.62</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>5,504,558.86</u>
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>272,258.87</u>
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(5,042,615.35)</u>
Assets, such as taxes receivable (delinquent) and special assessment receivables (current, delinquent and deferred) are not available to pay for current period expenditures and therefore are deferred in the funds.	<u>644,706.52</u>
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(177,329.45)</u>
Net Position - Governmental Activities	<u><u>3,746,812.88</u></u>

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

**MUNICIPALITY OF LENNOX**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2023**

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	Baseball Fund	Street Maintenance Fund	Library Special Gift Fund	Storm Drainage Fund	Swimming Pool Debt Service Fund	Total Governmental Funds
<b>Revenues:</b>									
<b>Taxes:</b>									
General Property Taxes	1,261,722.16								1,261,722.16
General Sales and Use Taxes	569,270.95	569,270.93	34,126.44					167,632.63	1,340,300.95
Licenses and Permits	47,662.07								47,662.07
Intergovernmental Revenue:									
Federal Grants	12,108.17								12,108.17
State Shared Revenue:									
Bank Franchise Tax	24,326.84								24,326.84
Piorate License Fees	2,420.54								2,420.54
Liquor Tax Reversion	16,751.75								16,751.75
Motor Vehicle Licenses	19,581.91								19,581.91
Local Government Highway and Bridge Fund	32,305.50								32,305.50
County Shared Revenue:									
County Wheel Tax	6,494.39								6,494.39
Charges for Goods and Services:									
General Government	2,675.57								2,675.57
Highways and Streets	1,410.00								1,410.00
Sanitation	5,825.00								5,825.00
Health	1,050.00								1,050.00
Culture and Recreation	12,400.09			43,308.19					55,708.28
Fines and Forfeits:									
Library	6,284.86								6,284.86
Miscellaneous Revenue:									
Investment Earnings	103,845.63	3,697.83							107,543.46
Rentals	100.00								100.00
Special Assessments	32,992.02	50,322.35			142,174.99		131,624.86		357,114.22
Contributions and Donations from Private Sources	49,871.85	208,511.85		650.00					259,033.70
Other	18,125.92								18,125.92
<b>Total Revenue</b>	<b>2,227,225.22</b>	<b>831,802.96</b>	<b>34,126.44</b>	<b>43,958.19</b>	<b>142,174.99</b>	<b>0.00</b>	<b>131,624.86</b>	<b>167,632.63</b>	<b>3,578,545.29</b>

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

**MUNICIPALITY OF LENNOX**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2023

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	Baseball Fund	Street Maintenance Fund	Library Special Gift Fund	Storm Drainage Fund	Swimming Pool Debt Service Fund	Total Governmental Funds
<b>Expenditures:</b>									
General Government:									
Legislative	31,761.38								31,761.38
Executive	167,573.72								167,573.72
Financial Administration	190,167.23								190,167.23
Other	185,582.45	12,978.27							198,560.72
Total General Government	575,084.78	12,978.27	0.00	0.00	0.00	0.00	0.00	0.00	588,063.05
Public Safety:									
Police	570,722.89								570,722.89
Fire	61,000.00								61,000.00
Protective Inspection	69,560.54								69,560.54
Total Public Safety	701,283.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	701,283.43
Public Works:									
Highways and Streets	418,689.49	529,522.27			152,295.30		26,834.18		1,127,341.24
Sanitation	2,223.33								2,223.33
Total Public Works	420,912.82	529,522.27	0.00	0.00	152,295.30	0.00	26,834.18	0.00	1,129,564.57
Culture and Recreation:									
Recreation	79,396.98			51,900.20					131,297.18
Parks	68,358.18								68,358.18
Libraries	119,163.01					1,344.66			120,507.67
Museums	3,267.04								3,267.04
Total Culture and Recreation	270,185.21	0.00	0.00	51,900.20	0.00	1,344.66	0.00	0.00	323,430.07
Conservation and Development:									
Economic Development and Assistance	105,418.70								105,418.70
Total Conservation and Development	105,418.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	105,418.70
Debt Service	9,872.82	272,458.06	0.00	0.00	0.00	0.00	96,965.96	152,820.00	532,116.84
Capital Outlay	131,646.80	147,122.46			0.00	0.00	0.00	0.00	278,769.26
Total Expenditures	2,214,404.56	962,081.06	0.00	51,900.20	152,295.30	1,344.66	123,800.14	152,820.00	3,658,645.92
Excess of Revenue Over (Under) Expenditures	12,820.66	(130,278.10)	34,126.44	(7,942.01)	(10,120.31)	(1,344.66)	7,824.72	14,812.63	(80,100.63)

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

**MUNICIPALITY OF LENNOX**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2023**

	General Fund	Second Penny Sales Tax Fund	Third Penny Sales Tax Fund	Baseball Fund	Street Maintenance Fund	Library Special Gift Fund	Storm Drainage Fund	Swimming Pool Debt Service Fund	Total Governmental Funds
<b>Other Financing Sources (Uses):</b>									
Sale of Municipal Property	21,599.10								21,599.10
Compensation for Loss or Damage to Capital Assets	10,636.54	532,482.04							543,118.58
Transfers Out		(232,000.00)	(60,000.00)						(292,000.00)
<b>Total Other Financing Sources (Uses)</b>	<b>32,235.64</b>	<b>300,482.04</b>	<b>(60,000.00)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>272,717.68</b>
<b>Net Change in Fund Balances</b>	<b>45,056.30</b>	<b>170,203.94</b>	<b>(25,873.56)</b>	<b>(7,942.01)</b>	<b>(10,120.31)</b>	<b>(1,344.66)</b>	<b>7,824.72</b>	<b>14,812.63</b>	<b>192,617.05</b>
<b>Fund Balance - Beginning</b>	<b>856,145.54</b>	<b>1,297,819.78</b>	<b>45,187.72</b>	<b>25,126.32</b>	<b>145,458.70</b>	<b>4,712.25</b>	<b>138,088.85</b>	<b>(163,419.40)</b>	<b>2,349,119.76</b>
<b>FUND BALANCE - ENDING</b>	<b>901,201.84</b>	<b>1,468,023.72</b>	<b>19,314.16</b>	<b>17,184.31</b>	<b>135,338.39</b>	<b>3,367.59</b>	<b>145,913.57</b>	<b>(148,606.77)</b>	<b>2,541,736.81</b>

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

**MUNICIPALITY OF LENNOX**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2023**

Net Change in Fund Balances - Total Governmental Funds	<u>192,617.05</u>
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	<u>278,769.26</u>
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	<u>(205,064.73)</u>
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>(584,455.00)</u>
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position	<u>364,164.06</u>
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	<u>(5,847.40)</u>
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	<u>272,466.75</u>
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	<u>(10,497.14)</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., pension expense)	<u>3,397.76</u>
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	<u>(14,034.14)</u>
Change in Net Position of Governmental Activities	<u><u>291,516.47</u></u>

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



**MUNICIPALITY OF LENNOX**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
December 31, 2023

	Enterprise Funds			
	Water Fund	Sewer Fund	Ambulance Fund	Pool Fund
				Totals
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	386,363.75	1,276,919.10		1,663,282.85
Investments	25,890.67	147,140.44		173,031.11
Accounts Receivable, Net	41,835.28	78,394.10	154,693.73	274,923.11
Due From Other Government	254,296.24	604,927.13		859,223.37
Total Current Assets	708,385.94	2,107,380.77	154,693.73	2,970,460.44
Noncurrent Assets:				
Net Pension Asset	231.64	231.67	317.29	780.60
Capital Assets:				
Land	30,000.00	50,000.00		80,000.00
Buildings	6,158.24	1,788,250.00		1,794,408.24
Improvements Other Than Buildings	2,635,509.73	7,225,339.43		12,145,218.24
Machinery and Equipment	43,074.50	134,401.45	37,942.44	220,967.39
Construction Work in Progress	1,811,789.46	4,069,454.24		5,881,243.70
Less: Accumulated Depreciation	(130,818.38)	(1,155,288.71)	(18,123.26)	(1,615,145.74)
Total Noncurrent Assets	4,395,945.19	12,112,388.08	20,136.47	18,507,472.43
TOTAL ASSETS	5,104,331.13	14,219,768.85	174,830.20	21,477,932.87
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension Related Deferred Outflows	18,036.64	18,038.43	24,705.43	60,780.50
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,036.64	18,038.43	24,705.43	60,780.50

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

**MUNICIPALITY OF LENNOX**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
December 31, 2023

	Enterprise Funds				
	Water Fund	Sewer Fund	Ambulance Fund	Pool Fund	Totals
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts Payable	264,053.77	588,931.09	1,993.89	4.00	854,982.75
Accrued Wages Payable	3,258.66	3,258.70	10,235.27		16,752.63
Accrued Benefits Payable	78.15	78.10	635.40		791.65
Due to 2nd Penny Sales Tax Fund			26,010.41	1,225.23	27,235.64
Customer Deposits	72,250.00				72,250.00
Bonds Payable Current:					
Revenue	162,635.91	162,693.11			325,329.02
Accrued Leave Payable-Current	5,000.00	5,000.00	10,000.00		20,000.00
Total Current Liabilities	507,276.49	759,961.00	48,874.97	1,229.23	1,317,341.69
<b>LIABILITIES (Continued):</b>					
Noncurrent Liabilities:					
Bonds Payable:					
Revenue	3,056,234.28	6,100,510.74			9,156,745.02
Accrued Leave Payable	3,406.88	3,406.88	12,964.41		19,778.17
Total Noncurrent Liabilities	3,059,641.16	6,103,917.62	12,964.41	0.00	9,176,523.19
<b>TOTAL LIABILITIES</b>	<b>3,566,917.65</b>	<b>6,863,878.62</b>	<b>61,839.38</b>	<b>1,229.23</b>	<b>10,493,864.88</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Pension Related Deferred Inflows	11,747.74	11,748.91	16,091.31		39,587.96
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>11,747.74</b>	<b>11,748.91</b>	<b>16,091.31</b>	<b>0.00</b>	<b>39,587.96</b>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	1,176,843.36	5,848,952.56	19,819.18	1,979,002.69	9,024,617.79
Restricted for:					
Revenue Bond Debt Service	339,914.31				339,914.31
Equipment Repair and/or Replacement		100,000.00			100,000.00
SDRS Pension Purposes	6,520.54	6,521.19	8,931.41		21,973.14
Unrestricted	20,424.17	1,406,706.00	92,854.35	(1,229.23)	1,518,755.29
<b>TOTAL NET POSITION</b>	<b>1,543,702.38</b>	<b>7,362,179.75</b>	<b>121,604.94</b>	<b>1,977,773.46</b>	<b>11,005,260.53</b>

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

**MUNICIPALITY OF LENNOX**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**

For the Year Ended December 31, 2023

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Ambulance Fund	Pool Fund	
<b>Operating Revenue:</b>					
Surcharge as Security for Debt	278,078.51	562,026.62			840,105.13
Charges for Goods and Services	395,747.17	481,905.22	168,586.82	83,022.01	1,129,261.22
Miscellaneous	5,430.00				5,430.00
Total Operating Revenue	679,255.68	1,043,931.84	168,586.82	83,022.01	1,974,796.35
<b>Operating Expenses:</b>					
Personal Services	84,443.27	84,287.36	271,316.68	79,126.18	519,173.49
Other Current Expense	130,431.94	292,941.98	84,303.82	48,762.32	556,440.06
Materials (Cost of Goods Sold)	132,554.40				132,554.40
Depreciation	59,517.64	220,768.49	3,794.24	97,093.60	381,173.97
Total Operating Expenses	406,947.25	597,997.83	359,414.74	224,982.10	1,589,341.92
Operating Income (Loss)	272,308.43	445,934.01	(190,827.92)	(141,960.09)	385,454.43
<b>Nonoperating Revenue (Expense):</b>					
Interest Expense	(76,837.62)	(136,498.10)			(213,335.72)
Total Nonoperating Revenue (Expense)	(76,837.62)	(136,498.10)	0.00	0.00	(213,335.72)
Income (Loss) Before Contributions & Transfers In	195,470.81	309,435.91	(190,827.92)	(141,960.09)	172,118.71
Capital Contributions	1,554,493.08	3,579,843.57	30,876.00	480,444.38	5,645,657.03
Transfers In			197,000.00	95,000.00	292,000.00
Special Items (Note 14).			(199,388.29)		(199,388.29)
Change in Net Position	1,749,963.89	3,889,279.48	(162,340.21)	433,484.29	5,910,387.45
Net Position - Beginning	(206,261.51)	3,472,900.27	283,945.15	1,544,289.17	5,094,873.08
NET POSITION - ENDING	1,543,702.38	7,362,179.75	121,604.94	1,977,773.46	11,005,260.53

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

**MUNICIPALITY OF LENNOX**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2023**

	Enterprise Funds				Totals
	Water Fund	Sewer Fund	Ambulance Fund	Pool Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Receipts from Customers	680,677.44	1,027,792.22	169,785.35	83,022.01	1,961,277.02
Cash Payments to Employees for Services	(81,795.91)	(81,633.96)	(256,862.34)	(79,126.18)	(499,418.39)
Cash Payments to Suppliers of Goods and Services	(209,496.04)	(116,843.51)	(86,311.36)	(48,825.32)	(461,476.23)
Net Cash Provided (Used) by Operating Activities	389,385.49	829,314.75	(173,388.35)	(44,929.49)	1,000,382.40
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Interfund Loan Transfer In		116,844.80	(54,487.65)	(35,121.51)	27,235.64
Net Cash Provided (Used) by Noncapital Financing Activities	0.00	116,844.80	197,000.00	95,000.00	292,000.00
			142,512.35	59,878.49	319,235.64
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from Capital Debt	404,543.00	948,571.00			1,353,114.00
Capital Contributions	1,300,196.84	2,974,916.44	30,876.00	480,444.38	4,786,433.66
Purchase of Capital Assets	(1,814,628.63)	(4,031,003.64)		(495,393.38)	(6,341,025.65)
Principal Paid on Capital Debt	(151,457.78)	(137,694.26)			(289,152.04)
Interest Paid on Capital Debt	(76,837.62)	(136,498.10)			(213,335.72)
Net Cash (Used) by Capital and Related Financing Activities	(338,184.19)	(381,708.56)	30,876.00	(14,949.00)	(703,965.75)
Net Increase (Decrease) in Cash and Cash Equivalents	51,201.30	564,450.99	0.00	0.00	615,652.29
Balances - Beginning	361,053.12	859,608.55	0.00	0.00	1,220,661.67
Balances - Ending	412,254.42	1,424,059.54	0.00	0.00	1,836,313.96

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

**MUNICIPALITY OF LENNOX**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2023

	Enterprise Funds				
	Water Fund	Sewer Fund	Ambulance Fund	Pool Fund	Totals
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	272,308.43	445,934.01	(190,827.92)	(141,960.09)	385,454.43
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	59,517.64	220,768.49	3,794.24	97,093.60	381,173.97
(Increase) decrease in Receivables	(7,794.34)	(16,139.62)	1,198.53		(22,735.43)
(Increase) decrease in Net Pension Asset	(18.92)	(18.74)	(44.10)		(81.76)
(Increase) decrease in Pension Related Deferred Outflows	1,270.70	1,287.59	90.34		2,648.63
(Decrease) increase in Accounts and Other Payables	53,490.30	176,098.47	(2,007.54)	(63.00)	227,518.23
(Decrease) increase in Accrued Wages Payable	470.23	470.19	2,155.69		3,096.11
(Decrease) increase in Accrued Leave Payable	1,737.16	1,737.16	12,290.91		15,765.23
(Decrease) increase in Pension Related Deferred Inflows	(811.81)	(822.80)	(38.50)		(1,673.11)
(Decrease) increase in Customer Deposits	9,216.10				9,216.10
Net Cash Provided (Used) by Operating Activities	389,385.49	829,314.75	(173,388.35)	(44,929.49)	1,000,382.40
<b>Noncash Investing, Capital and Financing Activities:</b>					
Special Item - Ambulance Writeoff (Note 14).			(199,388.29)		(199,388.29)

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

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Financial Reporting Entity:

The reporting entity of the Municipality of Lennox, (Municipality) 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.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality 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 Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Lennox, South Dakota is a discretely presented component unit that utilizes the accrual basis of accounting. The Municipality has created a Housing and Redevelopment Commission under the authority of South Dakota Codified Law 11-7-7 with a fiscal year ended March 31. The entity is legally separate but is fiscally depending upon the governing board and has the ability to impose a financial burden on the Municipality. Separately issued, accrual basis financial statements of the Housing and Redevelopment Commission may be obtained from: Housing and Redevelopment Commission of the City of Lennox; 217 South Pine Street; Lennox, SD 57039.

The Area Ambulance Squad, Inc. of Lennox, South Dakota is a proprietary fund-type, discretely-presented component unit. The Area Ambulance Squad is legally separate but is fiscally dependent upon the Governing Board and has the ability to impose financial burden on the Municipality through the purchase of equipment and other financial assistance.

#### 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.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality'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 three major categories: governmental, proprietary, and fiduciary. 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 Municipality or it meets the following criteria.

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 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 5 percent of the corresponding total for all governmental and enterprise funds combined, or
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 Municipality financial reporting entity are described below:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the Municipality. It is used to account for all financial resources 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.

2<sup>nd</sup> Penny Sales Tax Fund – to account for the collection of a one percent sales tax to be used strictly for capital needs and debt service. This is a major fund.

3<sup>rd</sup> Penny Sales 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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

fund may be established at the direction of the governing body through local ordinance. This is a major fund.

Baseball Fund – to account for the collection and disbursement of money from baseball fees and donations. This is a major fund.

Street Maintenance Fund – to account for the annual levy assessed for the purpose of maintaining or repairing public improvements within the municipality that are maintained by the municipality (SDCL 9-43-138). This is a major fund.

Library Special Gifts Fund – to account for money derived by gift, bequest or devise to be spent on library purposes. This money is generally held by the library board and all of the dollars received are expendable. (SDCL 14-2-41) This is 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.

Storm Drainage Debt Service Fund – debt service funds are used to account of the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This is a major fund.

Swimming Pool Debt Service Fund – 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 of the pool bond. This is 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.
- 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 municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Pool Fund – financed primarily by user charges, this fund accounts for the operations of a municipal swimming pool. (SDCL 9-28-60) This is a major fund.

Ambulance Fund – financed primarily by user charges, this fund accounts for the operations of municipal ambulance services. (SDCL 34-9-1 and 28-18-7) 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.

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 on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary funds.

Basis of Accounting:

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

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Lennox, the length of that cycle is 30 days. The revenues that are accrued at December 31, 2023 are ambulance fees, grants receivable, and state and county taxes.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term liabilities which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

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

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

e. 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.

f. Capital Assets:

Capital assets include land, buildings, machinery and equipment, 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.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

*Government-Wide Financial Statements*

Capital assets are recorded at historical cost. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2023 balance of governmental and business-type activities capital assets are all valued at original cost.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 1980 are recorded at cost and classified as "Improvements Other than Buildings."

For governmental activities and business-type activities/proprietary fund's operations Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

A formal capital asset policy has not been established by the Municipality. Capitalization thresholds, depreciation methods and useful lives of capital assets reported in the government-wide financial statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	-- N/A --	-- N/A --	-- N/A --
Buildings	5,000.00	Straight-line	20-50 yrs
Improvements Other Than Buildings	25,000.00	Straight-line	25 yrs
Machinery & Equipment	5,000.00	Straight-line	5-10 yrs

Land is an inexhaustible capital asset and is not depreciated.

*Fund Financial Statements:*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

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NOTES TO THE FINANCIAL STATEMENTS(Continued)

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide financial statements. The long-term liabilities primarily consist of general obligation bonds, direct borrowing leases, revenue bonds, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term liabilities is on the accrual basis, the same in the fund statements as in the government-wide financial statements.

h. Program Revenues:

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

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

i. Deferred Inflows and Deferred Outflows of Resources:

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

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

j. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses, and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

k. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly,

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents.

l. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as Net Position and is displayed in three components.

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position – Consists of net position with constraints placed on 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.
3. Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

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

m. Application of Net Position:

It is the Municipality'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 positions are available.

n. Fund Balance Classification Policies and Procedures:

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

- Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

- 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 Finance Officer.
- 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 Municipal Governing Board committed the following fund balance types by taking the following actions:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
Capital Improvements	\$ 1,468,023.72	Resolution
Fire Department Capital Improvements	\$ 145,000.00	Resolution

The Municipality 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 Municipality would first use committed, then assigned, and lastly unassigned amounts for unrestricted fund balance when expenditures are made.

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

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
2nd Penny Sales Tax Fund	Sales Taxes
3rd Penny Sales Tax Fund	Sales Taxes
Baseball Fund	Charges
Street Maintenance	Front Footage Tax Levy
Library Special Gift Fund	Donations

o. Pensions:

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

## 2. VIOLATIONS OF FINANCE – RELATED LEGAL AND CONTRACTED PROVISIONS

The Municipality is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	<u>Year Ended</u> <u>12/31/2023</u>
General Fund:	
Highway and Streets	8,898.49
2nd Penny Sales Tax Fund:	
Other - General Government	6,412.27
Highway and Streets	151,244.73

The Municipality plans to take the following actions to address these violations: Supplemental budgets will be used when legal authority exists.

3. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Municipality follows the practice of aggregating the cash assets of 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 Municipality'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 Municipality 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, 2023, the Municipality did not have any investments. The investments reported in the financial statements consist of only certificates of deposit.

**Credit Risk** – State law limits eligible investments for the Municipality, as discussed above. The Municipality has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk** – The Municipality places no limit on the amount that may be invested in any one issuer.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates that will adversely affect the value of an investment. The Municipality does not have a formal investment policy that limits

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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 Municipality's policy is to credit all income from investments to the fund making the investment.

4. RECEIVABLE AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

5. INVENTORY

Purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are purchased.

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



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

**7. CHANGES IN GENERAL CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2023, is as follows:

	Balance 01/01/2023	Increases	Decreases	Balance 12/31/2023
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	1,526,751.00		(584,455.00)	942,296.00
Construction Work in Progress		149.00		149.00
Total Capital Assets, not being Depreciated	1,526,751.00	149.00	(584,455.00)	942,445.00
Capital Assets, being Depreciated:				
Buildings	599,993.88	54,300.00		654,293.88
Improvements Other Than Buildings	5,322,617.53	146,973.46		5,469,590.99
Machinery and Equipment	417,304.12	77,346.80		494,650.92
Total, being Depreciated	6,339,915.53	278,620.26	0.00	6,618,535.79
Less Accumulated Depreciation for:				
Buildings	(252,815.91)	(13,058.09)		(265,874.00)
Improvements Other Than Buildings	(1,413,183.46)	(136,492.31)		(1,549,675.77)
Machinery and Equipment	(185,357.83)	(55,514.33)		(240,872.16)
Total Accumulated Depreciation	(1,851,357.20)	(205,064.73)	0.00	(2,056,421.93)
Total Governmental Activities Capital Assets, being Depreciated, Net	4,488,558.33	73,555.53	0.00	4,562,113.86
Governmental Activity Capital Assets, Net	6,015,309.33	73,704.53	(584,455.00)	5,504,558.86

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	3,980.00
Public Safety	32,491.63
Public Works	158,883.12
Culture and Recreation	8,109.98
Health and Wellness	1,600.00
Total Depreciation Expense - Governmental Activities	205,064.73

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

	Balance 01/01/2023	Increases	Decreases	Balance 12/31/2023
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	80,000.00			80,000.00
Construction Work in Progress	3,941,710.39	6,291,025.65	(4,351,492.34)	5,881,243.70
Total Capital Assets, not being Depreciated	4,021,710.39	6,291,025.65	(4,351,492.34)	5,961,243.70
Capital Assets, being Depreciated:				
Buildings	1,794,408.24			1,794,408.24
Improvements Other Than Buildings	7,793,725.90	4,351,492.34		12,145,218.24
Machinery and Equipment	170,967.39	50,000.00		220,967.39
Total, being Depreciated	9,759,101.53	4,401,492.34	0.00	14,160,593.87
Less Accumulated Depreciation for:				
Buildings	(721,458.20)	(59,608.33)		(781,066.53)
Improvements Other Than Buildings	(467,479.85)	(296,137.80)		(763,617.65)
Machinery and Equipment	(45,033.72)	(25,427.84)		(70,461.56)
Total Accumulated Depreciation	(1,233,971.77)	(381,173.97)	0.00	(1,615,145.74)
Total Business-Type Activities Capital Assets, being Depreciated, Net	8,525,129.76	4,020,318.37	0.00	12,545,448.13
Business-Type Activity Capital Assets, Net	12,546,840.15	10,311,344.02	(4,351,492.34)	18,506,691.83

Depreciation expense was charged to functions as follows:

Business-Type Activities:	
Water	59,517.64
Sewer	220,768.49
Pool	97,093.60
Ambulance	3,794.24
Total Depreciation Expense - Business-Type Activities	381,173.97

Construction Work in Progress at December 31, 2023 is composed of the following:

Project Name	Project Authorization	Expended through 12/31/2023	Committed	Required Future Financing
Central Basin	10,255,000.00	5,881,392.70	0.00	4,373,607.30

See Independent Auditor's Report.

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**8. LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds-Series 2018	1,400,000.00		105,000.00	1,295,000.00	110,000.00
Sales Tax Revenue Bonds, Series 2021	577,299.99		61,366.13	515,933.86	62,977.30
Sales Tax Revenue Bonds, Series 2022	1,603,352.05		147,530.37	1,455,821.68	152,139.27
SRF Loan #6, Storm Water Assess. Bond 2017	1,718,217.00		41,627.83	1,676,589.17	42,997.31
Direct Borrowing Lease Payable-Police Radios	36,357.14		8,639.73	27,717.41	8,932.75
Total Debt	5,335,226.18	0.00	364,164.06	4,971,062.12	377,046.63
Accrued Compensated Absences					
- Governmental Funds	61,056.09	10,497.14		71,553.23	60,000.00
Total Governmental Activities	5,396,282.27	10,497.14	364,164.06	5,042,615.35	437,046.63
Business-Type Activities:					
Bonds Payable:					
SRF Loan #1, Drinking Water Series 2005	1,063,507.20		70,910.58	992,596.62	73,243.45
SRF Loan #2, Drinking Water Series 2012	207,376.99		14,953.51	192,423.48	15,407.16
SRF Loan #4, Clean Water Series 2010	1,361,948.62		51,816.85	1,310,131.77	53,521.54
SRF Loan #5, Clean Water Series 2017	1,098,006.71		32,181.82	1,065,824.89	33,240.53
Water Revenue Refunding Bonds Series 2017	245,000.00		35,000.00	210,000.00	35,000.00
SRF Loan #3, Drinking Water Series 2019	868,413.45		22,537.81	845,875.64	23,049.21
SRF Loan #7, Clean Water Series 2019	1,436,030.46		35,461.07	1,400,569.39	36,355.96
SRF Loan #4, Drinking Water Series 2019	356,379.33		8,055.88	348,323.45	8,279.72
SRF Loan #8, Clean Water Series 2019	806,664.32		18,234.52	788,429.80	18,741.20
SRF Loan #5, Drinking Water Series 2021	225,108.00	182,814.00		407,922.00	7,656.37
SRF Loan #9, Clean Water Series 2021	749,677.00	405,716.00		1,155,393.00	20,833.88
SRF Loan #6 Drinking Water Series 2022		221,729.00		221,729.00	
SRF Loan #10, Clean Water Series 2022		542,855.00		542,855.00	
Total Debt	8,418,112.08	1,353,114.00	289,152.04	9,482,074.04	325,329.02
Accrued Compensated Absences					
- Business-Type Funds	24,012.94	15,765.23		39,778.17	20,000.00
Total Business-Type Activities	8,442,125.02	1,368,879.23	289,152.04	9,521,852.21	345,329.02
Total Primary Government	13,838,407.29	1,379,376.37	653,316.10	14,564,467.56	782,375.65

Liabilities payable at December 31, 2023 are comprised of the following:

**General Obligation Bonds:**

General Obligation Bonds, Series 2018

Maturity Date: July 15, 2033

Fixed Interest Rate: 3.40% to 4.00%

Payable from Pool Debt Service Fund

\$1,295,000.00

**Sales Tax Revenue Bonds:**

Sales Tax Revenue Bonds, Series 2021

Maturity Date: June 1, 2031

See Independent Auditor's Report.

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NOTES TO THE FINANCIAL STATEMENTS(Continued)

Fixed Interest Rate: 2.670%	
Payable from Second Penny Tax Fund	\$ 515,933.86
Sales Tax Revenue Bonds, Series 2022	
Maturity Date: June 1, 2032	
Fixed Interest Rate: 3.10% to 4.00%	
Payable from Second Penny Tax Fund	\$1,455,821.68
State Revolving Fund Loan #6 (SRF):	
SRF Loan, Series 2017 for Storm Water Drainage	
Maturity Date: April 15, 2049	
Fixed Interest Rate: 3.25%	
Payable from Storm Drainage Debt Service Fund	\$1,676,589.17
State Revolving Fund Loan #1 (SRF):	
SRF Loan, Series 2005 for Drinking Water	
Maturity Date: April 15, 2035	
Fixed Interest Rate: 3.25%	
Payable from Water Fund	\$ 992,596.62
State Revolving Fund Loan #2 (SRF):	
SRF Loan, Series 2012 for Drinking Water	
Maturity Date: July 15, 2034	
Interest Rate: 3.00%	
Payable from Water Fund	\$ 192,423.48
State Revolving Fund Loan #4 (SRF):	
SRF Loan, Series 2010 for Clean Water	
Maturity Date: October 15, 2041	
Interest Rate: 3.25%	
Payable from Sewer Fund	\$1,310,131.77
State Revolving Fund Loan #5 (SRF):	
SRF Loan, Series 2012 for Clean Water	
Maturity Date: February 15, 2046	
Interest Rate: 3.25%	
Payable from Sewer Fund	\$1,065,824.89
Revenue Refunding Bonds:	
Water Revenue Refunding Bonds, Series 2017	
Maturity Date: November 1, 2029	
Fixed Interest Rates: 2.00% to 3.00%	
Payable from Water Fund	\$ 210,000.00
State Revolving Fund Loan #3 (SRF):	
SRF Loan, Series 2019 for Drinking Water	
Maturity Date: October 15, 2050	
Interest Rate: 2.25%	
Payable from Water Fund	\$ 845,875.64

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

State Revolving Fund Loan #7 (SRF): SRF Loan, Series 2019 for Clean Water Maturity Date: January 15, 2051 Interest Rate: 2.50% Payable from Sewer Fund	\$1,400,569.39
State Revolving Fund Loan #4 (SRF): SRF Loan, Series 2019 for Drinking Water Maturity Date: January 15, 2052 Interest Rate: 2.75% Payable from Water Fund	\$ 348,323.45
State Revolving Fund Loan #8 (SRF): SRF Loan, Series 2019 for Clean Water Maturity Date: January 15, 2054 Interest Rate: 2.75% Payable from Sewer Fund	\$ 788,429.80
State Revolving Fund Loan #5 (SRF): SRF Loan, Series 2021 for Drinking Water Maturity Date: July 15, 2054 Interest Rate: 1.875% Payable from Water Fund	\$ 407,922.00
State Revolving Fund Loan #9 (SRF): SRF Loan, Series 2021 for Clean Water Maturity Date: July 15, 2053 Interest Rate: 2.125% Payable from Sewer Fund	\$1,155,393.00
State Revolving Fund Loan #6 (SRF): SRF Loan, Series 2022 for Drinking Water Maturity Date: October 15, 2054 Interest Rate: 1.875% Payable from Water Fund	\$ 221,729.00
State Revolving Fund Loan #10 (SRF): SRF Loan, Series 2022 for Clean Water Maturity Date: October 15, 2054 Interest Rate: 2.125% Payable from Sewer Fund	\$ 542,855.00
Direct Borrowing Lease Payable – US Bank For Police Radios Maturity Date: October 29, 2026 Interest Rate: 3.34% Payable from General Fund	\$ 27,717.41

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NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Compensated Absences:

Accrued Annual Leave and Benefits, Payment to be made by the fund that the payroll expenditures are charged to.

General Fund	\$ 71,553.23
Water Fund	\$ 8,406.88
Sewer Fund	\$ 8,406.88
Ambulance Fund	\$ 22,964.41

The Municipality's outstanding notes from direct borrowings and direct placements related to governmental activities of \$27,717.41, include provisions that in an event of default the following may occur: a) terminate the Agreement and all of Lessee's rights hereunder as to any or all items of property; b) require at Lessee's expense to return any or all items of property; c) proceed by appropriate court action or actions to enforce performance by Lessee of its obligations hereunder or to recover damages for the breach hereof or pursue any other remedy available by law; d) declare all unpaid Lease Payments and other sums payable hereunder during the current fiscal year of the Lease Term to be immediately due and payable without any presentment, demand or protest and/or take any and all actions to which Lessor shall be entitled under by law. Collateralized equipment on the direct borrowing financing agreements includes the police radios.

Primary Government

The annual requirements to amortize all debt outstanding as of December 31, 2023, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Liabilities  
December 31, 2023

Year Ending December 31,	General Obligation Bonds Payable Series 2018		2021 Sales Tax Revenue Bonds		Sales Tax Revenue Bonds Series 2022	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	110,000.00	43,620.00	62,977.30	13,394.45	152,139.27	43,947.05
2025	115,000.00	39,220.00	64,708.26	11,663.49	156,892.13	39,194.18
2026	120,000.00	34,620.00	66,447.50	9,924.24	161,793.48	34,292.83
2027	125,000.00	31,020.00	68,233.49	8,138.25	166,847.95	29,238.36
2028	125,000.00	27,270.00	70,048.70	6,323.06	172,060.32	24,025.99
2029-2033	700,000.00	72,300.00	183,518.61	7,410.76	646,088.53	49,685.07
Totals	1,295,000.00	248,050.00	515,933.86	56,854.25	1,455,821.68	220,383.48

Year Ending December 31,	SRF Loan #6, Storm Water Assess. Bond 2017		Direct Borrowing Lease Payable - Police Radios		State Revolving Fund Loan Drinking Water #1	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	42,997.31	53,968.65	8,932.75	940.07	73,243.45	31,372.75
2025	44,411.85	52,554.11	9,235.72	637.10	75,653.04	28,963.16
2026	45,872.91	51,093.05	9,548.94	323.88	78,141.88	26,474.32
2027	47,382.05	49,583.91			80,712.61	23,903.59
2028	48,940.84	48,025.12			83,367.91	21,248.29
2029-2033	269,941.06	214,888.74			459,829.11	63,251.89
2034-2038	317,363.28	167,466.52			141,648.62	3,824.85
2039-2043	373,116.42	111,713.38				
2044-2048	438,664.06	46,165.74				
2049-2053	47,899.39	584.51				
Totals	1,676,589.17	796,043.73	27,717.41	1,901.05	992,596.62	199,038.85

See Independent Auditor's Report.

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

Year Ending December 31,	State Revolving Fund Loan Drinking Water #2		State Revolving Fund Loan Clean Water #4		State Revolving Fund Clean Water #5	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	15,407.16	5,600.48	53,521.54	41,931.38	33,240.53	34,236.95
2025	15,874.60	5,133.04	55,282.30	40,170.62	34,334.09	33,143.39
2026	16,356.23	4,651.41	57,101.00	38,351.92	35,463.62	32,013.86
2027	16,852.46	4,155.18	58,979.51	36,473.41	36,630.31	30,847.17
2028	17,363.75	3,643.89	60,919.84	34,533.08	37,835.39	29,642.09
2029-2033	95,047.78	9,990.42	336,013.16	141,251.44	208,687.10	128,700.30
2034-2038	15,521.50	233.51	395,042.64	82,221.86	245,348.48	92,038.92
2039-2043			293,271.78	16,950.21	288,450.31	48,937.09
2044-2048					145,835.06	5,988.66
Totals	192,423.48	33,407.93	1,310,131.77	431,883.92	1,065,824.89	435,548.43

Year Ending December 31,	Water Revenue Refunding Bonds Payable Series 2017		Drinking Water Surcharge Revenue Drinking Water #3		Wastewater Surcharge Revenue Clean Water #7	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	35,000.00	6,300.00	23,049.21	18,838.63	36,355.96	34,675.16
2025	30,000.00	5,250.00	23,572.21	18,315.63	37,273.41	33,757.71
2026	35,000.00	4,350.00	24,107.08	17,780.76	38,214.02	32,817.10
2027	35,000.00	3,300.00	24,654.08	17,233.76	39,178.36	31,852.76
2028	35,000.00	2,250.00	25,213.50	16,674.34	40,167.04	30,864.08
2029-2033	40,000.00	1,200.00	134,913.18	74,526.02	216,561.01	138,594.59
2034-2038			150,929.97	58,509.23	245,300.34	109,855.26
2039-2043			168,848.33	40,590.87	277,853.58	77,302.02
2044-2048			188,893.94	20,545.26	314,726.92	40,428.68
2049-2053			81,694.14	2,081.38	154,938.75	4,882.04
Totals	210,000.00	22,650.00	845,875.64	285,095.88	1,400,569.39	535,029.40

Year Ending December 31,	Drinking Water Surcharge Revenue Drinking Water #4		Wastewater Surcharge Revenue Clean Water #8		Drinking Water Surcharge Revenue Drinking Water #5	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	8,279.72	9,494.00	18,741.20	21,489.64	7,656.37	5,700.62
2025	8,509.78	9,263.94	19,261.91	20,968.93	10,377.01	7,432.31
2026	8,746.21	9,027.51	19,797.09	20,347.16	10,572.96	7,236.36
2027	8,989.23	8,784.49	20,347.16	19,883.68	10,772.60	7,036.72
2028	9,239.00	8,534.72	20,912.50	19,318.34	10,976.01	6,833.31
2029-2033	50,191.21	38,677.39	113,607.93	87,546.22	58,068.24	30,978.36
2034-2038	57,562.37	31,306.23	130,292.67	70,861.53	63,761.50	25,285.10
2039-2043	66,016.11	22,852.49	149,427.72	51,726.48	70,012.95	19,033.65
2044-2048	75,711.38	13,157.22	171,372.96	29,781.24	76,877.39	12,169.21
2049-2053	55,078.44	2,687.00	124,668.66	6,081.85	84,414.78	4,631.82
2054-2058					4,432.19	20.78
Totals	348,323.45	153,784.99	788,429.80	348,005.07	407,922.00	126,358.24

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**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

Year Ending December 31,	Wastewater Surcharge Revenue Clean Water #9		Drinking Water Surcharge Revenue Drinking Water #6		Wastewater Surcharge Revenue Clean Water #10	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	20,833.88	18,303.79	0.00	0.00	0.00	0.00
2025	28,298.68	23,884.88	5,561.94	4,118.46	13,086.32	11,431.84
2026	28,904.84	23,278.72	5,666.96	4,013.44	13,366.62	11,151.54
2027	29,523.99	22,659.57	5,773.96	3,906.44	13,652.93	10,865.23
2028	30,156.38	22,027.18	5,882.99	3,797.41	13,945.38	10,572.78
2029-2033	160,752.35	100,165.45	31,123.76	17,278.24	74,337.55	48,253.25
2034-2038	178,722.40	82,195.40	34,175.27	14,226.73	82,647.56	32,662.55
2039-2043	198,701.29	62,216.51	37,526.00	10,876.00	91,886.46	37,985.03
2044-2048	220,913.50	40,004.30	41,205.20	7,196.80	102,158.21	20,432.59
2049-2053	245,608.79	15,309.01	45,245.13	3,156.87	113,578.20	9,012.60
2054-2058	12,976.90	68.94	9,567.79	112.39	24,195.77	322.20
Totals	1,155,393.00	410,113.75	221,729.00	68,682.78	542,855.00	192,689.61

Year Ending December 31,	Totals	
	Principal	Interest
2024	702,375.65	383,813.62
2025	747,333.25	385,102.79
2026	775,101.34	361,748.10
2027	788,530.69	338,882.52
2028	807,029.55	315,583.68
2029-2033	3,778,680.58	1,224,698.14
2034-2038	2,058,316.60	770,687.69
2039-2043	2,015,110.95	500,183.73
2044-2048	1,776,358.62	235,869.70
2049-2053	953,126.28	48,427.08
2054-2058	51,172.65	524.31
Totals	14,453,136.16	4,565,521.36

## 9. LONG-TERM COMMITMENTS

The Municipality of Lennox entered into a commitment with Lewis and Clark Rural Water System, Inc. to provide water to the Municipality. The agreement states that the city agrees to purchase a minimum of 100,000 gallons of potable, treated water per day, on average, each month during the term commencing on December 31, 2055. At December 31, 2023, the capacity charge per 1,000 gallons was \$0.64. The monthly charge represents a contribution by the Municipality to aid Lewis and Clark Rural Water System, Inc. in the construction of the facilities necessary to provide the Municipality with water. The Municipality will not acquire ownership of any of these water facilities through these payments. Payments are made from the Municipality's Water Fund.

See Independent Auditor's Report.



NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

10. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2023 were as follows:

	<u>Transfers To:</u>	
<u>Transfers From:</u>	<u>Ambulance</u>	<u>Pool</u>
Major Funds:		
2nd Penny Sales Tax Fund	197,000.00	35,000.00
3rd Penny Sales Tax Fund		60,000.00

The Municipality used transfers to the Ambulance and Pool Funds to conduct indispensable function of the city.

11. INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at December 31, 2023 were:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	149,442.23	
2nd Penny Sales Tax Fund	27,235.64	
Swimming Pool Debt Service Fund		149,442.23
Ambulance Fund		26,010.41
Pool Fund		1,225.23
	<u>176,677.87</u>	<u>176,677.87</u>

The purpose for the General Fund/Swimming Pool Debt Service Fund interfund receivable and payable balances are to eliminate a cash deficit that was created by a timing issue with the Swimming Pool Bond Levy.

The Municipality expects this interfund receivables and payables to be repaid over the life of the bond levy which is 14 years.

The purpose for the other interfund receivables and payables balances are to eliminate a cash deficit and are expected to be repaid within a year.

12. RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2023 was as follows:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

## Major Purposes:

Library	3,367.59
City Promotion and Economic Development Purposes	19,314.16
Storm Drainage	281,453.67
Street Maintenance	352,484.33
Equipment Repair and Replacement	100,000.00
Debt Service	339,914.31
SDSR Pension Purposes	120,399.18
Total Restricted Net Position	<u>1,216,933.24</u>

These balances are restricted due to statutory and debt covenant contractual requirements.

**13. 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 provide 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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may 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 different classes of employees, Class A general members, Class B public safety and judicial members, and 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 retirement benefits 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

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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 the 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.

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 Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2023, 2022, and 2021, equal to the required contributions each year, were as follows:

<u>Year</u>	<u>Amount</u>
2023	\$71,976.48
2022	\$64,674.41
2021	\$57,880.67

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2023, SDRS is 100.1% 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 Municipality as of the measurement period ending June 30, 2023 and reported by the Municipality as of December 31, 2023 are as follows:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Proportionate share of pension liability	\$ 6,350,111.34
Less proportionate share of net position restricted for pension benefits	<u>\$ 6,354,388.56</u>
Proportionate share of net pension liability (asset)	<u>\$ (4,277.22)</u>

At December 31, 2023, the Municipality reported a liability (asset) of \$(4,277.22) for its proportionate share of the net pension liability (asset). The net pension liability (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 Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Municipality's proportion was 0.04382200%, which is an increase of 0.0011590% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Municipality recognized pension expense (reduction of expense) of \$11,530.14. At December 31, 2023, the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Difference between expected and actual experience.	\$ 121,239.98	
Changes in assumption.	\$ 146,232.29	\$ 213,759.06
Net difference between projected and actual earnings on pension plan investments.	\$ 28,476.28	
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	\$ 11.28	\$ 3,158.35
Municipality contributions subsequent to the measurement date.	<u>\$ 37,079.54</u>	
TOTAL	<u>\$ 333,039.37</u>	<u>\$ 216,917.41</u>

\$37,079.54 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

Year Ended  
December 31:

2024	56,922.00
2025	(65,733.43)
2026	82,050.20
2027	5,803.65
TOTAL	<u>79,042.42</u>

Actuarial Assumptions:

The total pension liability (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 percent
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 returns 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 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

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

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

See Independent Auditor's Report.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability (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 from 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 liability (asset).

Sensitivity of liability (asset) to changes in the discount rate:

The following presents the Municipality's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50% as well as what the Municipality'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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Municipality's proportionate share of the net pension liability (asset)	\$ 876,680.57	\$ (4,277.22)	\$(724,732.65)

Pension Plan Fiduciary Net Position:

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

14. SPECIAL ITEM – AMBULANCE WRITE-OFF

During 2023, the municipality switched ambulance billing services. As a result, the municipality made the decision to write off \$199,388.29 in old ambulance accounts which is reported on the financial statements as a special item due to the infrequent nature of the transaction.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

15. RISK MANAGEMENT

The Municipality 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, 2023, the Municipality managed its risks as follows:

Employee Health Insurance:

The Municipality joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The Municipality pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$2,000,000 lifetime maximum payment per person.

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

Liability Insurance:

The Municipality 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 Municipality'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 Municipality. The Municipality pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for vehicle liability; liability coverage for torts, theft, or damage to property; and errors and omissions of public officials.

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

Worker's Compensation:

The Municipality 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 Municipality'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 Municipality 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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to an additional \$2,000,000 per individual per incident.

The Municipality 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 Municipality provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

16. DEFICIT FUND BALANCES/NET POSITION OF INDIVIDUAL FUNDS

As of December 31, 2023, the following individual funds had deficit fund balance/net position in the amounts shown:

Swimming Pool Debt Service Fund	\$ 148,606.77
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17. SUBSEQUENT EVENTS

On December 1, 2021, the municipal board authorized the issuance of a drinking water surcharge revenue bond not to exceed \$868,000.00 and to create a special surcharge to be used for the payment of the drinking water surcharge revenue bond. As of December 31, 2023, \$407,922.00 has been drawn down on the revenue bond.

On December 1, 2021, the municipal board authorized the issuance of a wastewater surcharge revenue bond not to exceed \$2,299,000.00 and to create a special surcharge to be used for the payment of the wastewater surcharge revenue bond. As of December 31, 2023, \$1,155,393.00 has been drawn down on the revenue bond.

On September 15, 2022, the municipal board authorized the issuance of a drinking water surcharge revenue bond not to exceed \$1,339,200.00 and to create a special surcharge to be used for the payment of the drinking water surcharge revenue bond. As of December 31, 2023, \$221,729.00 has been drawn down on the revenue bond.

On September 15, 2022, the municipal board authorized the issuance of a wastewater surcharge revenue bond not to exceed \$3,275,550.00 and to create a special surcharge to be used for the payment of the wastewater surcharge revenue bond. As of December 31, 2023, \$542,855.00 has been drawn down on the revenue bond.

Management has evaluated whether any subsequent events have occurred through March 13, 2025, the date on which the financial statements were available to be issued.

18. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2023, the Municipality was not involved in any significant litigation.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF LENNOX**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Property Taxes	1,230,228.00	1,230,228.00	1,261,722.16	31,494.16
General Sales and Use Taxes	501,023.00	501,023.00	569,270.95	68,247.95
Total Taxes	1,731,251.00	1,731,251.00	1,830,993.11	99,742.11
Licenses and Permits	45,250.00	45,250.00	47,662.07	2,412.07
Intergovernmental Revenue:				
State Grants	20,000.00	20,000.00	12,108.17	(7,891.83)
State Shared Revenue:				
Bank Franchise Tax	25,000.00	25,000.00	24,326.84	(673.16)
Prorate License Fees	12,000.00	12,000.00	2,420.54	(9,579.46)
Liquor Tax Reversion	15,000.00	15,000.00	16,751.75	1,751.75
Motor Vehicle Licenses	20,000.00	20,000.00	19,581.91	(418.09)
Local Government Highway and Bridge Fund	37,500.00	37,500.00	32,305.50	(5,194.50)
County Shared Revenue:				
County Road Tax	6,500.00	6,500.00	0.00	(6,500.00)
County Wheel Tax	5,000.00	5,000.00	6,494.39	1,494.39
Total Intergovernmental Revenue	141,000.00	141,000.00	113,989.10	(27,010.90)
Charges for Goods and Services:				
General Government	23,500.00	23,500.00	2,675.57	(20,824.43)
Highways and Streets	1,000.00	1,000.00	1,410.00	410.00
Sanitation	7,000.00	7,000.00	5,825.00	(1,175.00)
Health	2,000.00	2,000.00	1,050.00	(950.00)
Culture and Recreation	11,000.00	11,000.00	12,400.09	1,400.09
Total Charges for Goods and Services	44,500.00	44,500.00	23,360.66	(21,139.34)
Fines and Forfeits:				
Library	6,700.00	6,700.00	6,284.86	(415.14)
Total Fines and Forfeits	6,700.00	6,700.00	6,284.86	(415.14)
Miscellaneous Revenue:				
Investment Earnings	2,000.00	2,000.00	103,845.63	101,845.63
Rentals	43,000.00	43,000.00	100.00	(42,900.00)
Special Assessments	33,586.00	33,586.00	32,992.02	(593.98)
Contributions and Donations from Private Sources	1,000.00	1,000.00	49,871.85	48,871.85
Other	15,000.00	15,000.00	18,125.92	3,125.92
Total Miscellaneous Revenue	94,586.00	94,586.00	204,935.42	110,349.42
Total Revenue	2,063,287.00	2,063,287.00	2,227,225.22	163,938.22

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF LENNOX**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**GENERAL FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Expenditures:</b>				
General Government:				
Legislative	38,952.00	40,422.00	31,761.38	8,660.62
Contingency	50,000.00	50,000.00		
Amount Transferred		(31,000.00)		19,000.00
Executive	141,693.00	170,049.00	167,573.72	2,475.28
Elections	650.00	650.00	0.00	650.00
Financial Administration	170,130.00	195,755.00	190,167.23	5,587.77
Other	140,408.00	188,426.50	185,582.45	2,844.05
Total General Government	541,833.00	614,302.50	575,084.78	39,217.72
Public Safety:				
Police	601,449.00	662,375.00	642,069.69	20,305.31
Fire	61,000.00	61,000.00	61,000.00	0.00
Other Protection	62,429.00	69,561.00	69,560.54	0.46
Total Public Safety	724,878.00	792,936.00	772,630.23	20,305.77
Public Works:				
Highways and Streets	394,661.00	415,791.00	424,689.49	(8,898.49)
Sanitation	500.00	2,500.00	2,223.33	276.67
Total Public Works	395,161.00	418,291.00	426,912.82	(8,621.82)
Health and Welfare:				
Health	3,200.00	3,200.00	0.00	3,200.00
Total Health and Welfare	3,200.00	3,200.00	0.00	3,200.00
Culture and Recreation:				
Recreation	56,582.00	83,282.00	79,396.98	3,885.02
Parks	66,733.00	69,233.00	68,358.18	874.82
Libraries	111,019.00	119,164.00	119,163.01	0.99
Museums	41,950.00	57,568.00	57,567.04	0.96
Total Culture and Recreation	276,284.00	329,247.00	324,485.21	4,761.79
Conservation and Development:				
Economic Development and Assistance	98,000.00	125,000.00	105,418.70	19,581.30
Total Conservation and Development	98,000.00	125,000.00	105,418.70	19,581.30
Debt Service	9,900.00	9,900.00	9,872.82	27.18
Total Expenditures	2,049,256.00	2,292,876.50	2,214,404.56	78,471.94
Excess of Revenue Over (Under)				
Expenditures	14,031.00	(229,589.50)	12,820.66	242,410.16
<b>Other Financing Sources (Uses):</b>				
Sale of Municipal Property	0.00	0.00	21,599.10	21,599.10
Compensation for Loss or				
Damage to Capital Assets	0.00	0.00	10,636.54	10,636.54
Total Other Financing Sources (Uses)	0.00	0.00	32,235.64	32,235.64
Net Change in Fund Balances	14,031.00	(229,589.50)	45,056.30	274,645.80
Fund Balance - Beginning	856,145.54	856,145.54	856,145.54	0.00
FUND BALANCE - ENDING	870,176.54	626,556.04	901,201.84	274,645.80

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF LENNOX**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**SECOND PENNY SALES TAX FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	501,023.00	501,023.00	569,270.93	68,247.93
Total Taxes	501,023.00	501,023.00	569,270.93	68,247.93
Miscellaneous Revenue:				
Investment Earnings	1,000.00	1,000.00	3,697.83	2,697.83
Special Assessments	31,568.00	31,568.00	50,322.35	18,754.35
Contributions and Donations from Private Sources	0.00	0.00	208,511.85	208,511.85
Total Miscellaneous Revenue	32,568.00	32,568.00	262,532.03	229,964.03
Total Revenue	533,591.00	533,591.00	831,802.96	298,211.96
<b>Expenditures:</b>				
General Government:				
Other	0.00	20,500.00	26,912.27	(6,412.27)
Total General Government	0.00	20,500.00	26,912.27	(6,412.27)
<b>Expenditures (continued):</b>				
Public Works:				
Highways and Streets	0.00	386,466.00	537,710.73	(151,244.73)
Total Public Works	0.00	386,466.00	537,710.73	(151,244.73)
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	400,000.00	400,000.00	125,000.00	275,000.00
Total Conservation and Development	400,000.00	400,000.00	125,000.00	275,000.00
Debt Service	333,825.00	333,825.00	272,458.06	61,366.94
Total Expenditures	733,825.00	1,140,791.00	962,081.06	178,709.94
Excess of Revenue Over (Under) Expenditures	(200,234.00)	(607,200.00)	(130,278.10)	476,921.90
<b>Other Financing Sources (Uses):</b>				
Long-Term Debt Issued	400,000.00	400,000.00	0.00	(400,000.00)
Transfers Out	(77,294.29)	(223,494.29)	(232,000.00)	(8,505.71)
Compensation for Loss or Damage to Capital Assets	0.00	0.00	532,482.04	532,482.04
Total Other Financing Sources (Uses)	322,705.71	176,505.71	300,482.04	123,976.33
Net Change in Fund Balances	122,471.71	(430,694.29)	170,203.94	600,898.23
Fund Balance - Beginning	1,297,819.79	1,297,819.79	1,297,819.79	0.00
FUND BALANCE - ENDING	1,420,291.50	867,125.50	1,468,023.73	600,898.23

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF LENNOX**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**THIRD PENNY SALES TAX FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
General Sales and Use Taxes	29,700.00	29,700.00	34,126.44	4,426.44
Total Taxes	29,700.00	29,700.00	34,126.44	4,426.44
 Total Revenue	29,700.00	29,700.00	34,126.44	4,426.44
 <b>Expenditures:</b>				
Total Expenditures	0.00	0.00	0.00	0.00
 Excess of Revenue Over (Under)				
Expenditures	29,700.00	29,700.00	34,126.44	4,426.44
 <b>Other Financing Sources (Uses):</b>				
Transfers Out	(29,615.00)	(60,015.00)	(60,000.00)	15.00
Total Other Financing Sources (Uses)	(29,615.00)	(60,015.00)	(60,000.00)	15.00
 Net Change in Fund Balances	85.00	(30,315.00)	(25,873.56)	4,441.44
 Fund Balance - Beginning	45,187.72	45,187.72	45,187.72	0.00
 FUND BALANCE - ENDING	45,272.72	14,872.72	19,314.16	4,441.44

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF LENNOX**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**BASEBALL FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Charges for Goods and Services:				
Culture and Recreation	42,550.00	42,550.00	43,308.19	758.19
Total Charges for Goods and Services	42,550.00	42,550.00	43,308.19	758.19
Miscellaneous Revenue:				
Contributions and Donations from Private Sources	2,100.00	2,100.00	650.00	(1,450.00)
Total Miscellaneous Revenue	2,100.00	2,100.00	650.00	(1,450.00)
Total Revenue	44,650.00	44,650.00	43,958.19	(691.81)
<b>Expenditures:</b>				
Culture and Recreation:				
Recreation	42,379.00	52,651.00	51,900.20	750.80
Total Culture and Recreation	42,379.00	52,651.00	51,900.20	750.80
Total Expenditures	42,379.00	52,651.00	51,900.20	750.80
Net Change in Fund Balances	2,271.00	(8,001.00)	(7,942.01)	58.99
Fund Balance - Beginning	25,126.32	25,126.32	25,126.32	0.00
FUND BALANCE - ENDING	27,397.32	17,125.32	17,184.31	58.99

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF LENNOX**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**STREET MAINTENANCE FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Taxes:				
Special Assessments	161,000.00	161,000.00	142,174.99	(18,825.01)
Total Taxes	161,000.00	161,000.00	142,174.99	(18,825.01)
Total Revenue	161,000.00	161,000.00	142,174.99	(18,825.01)
<b>Expenditures:</b>				
Public Works:				
Highways and Streets	250,000.00	250,000.00	152,295.30	97,704.70
Total Public Works	250,000.00	250,000.00	152,295.30	97,704.70
Total Expenditures	250,000.00	250,000.00	152,295.30	97,704.70
Excess of Revenue Over (Under)				
Expenditures	(89,000.00)	(89,000.00)	(10,120.31)	78,879.69
<b>Other Financing Sources (Uses):</b>				
Transfers In	89,000.00	89,000.00	0.00	(89,000.00)
Total Other Financing Sources (Uses)	89,000.00	89,000.00	0.00	(89,000.00)
Net Change in Fund Balances	0.00	0.00	(10,120.31)	(10,120.31)
Fund Balance - Beginning	145,458.70	145,458.70	145,458.70	0.00
FUND BALANCE - ENDING	145,458.70	145,458.70	135,338.39	(10,120.31)

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPALITY OF LENNOX**  
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**  
**LIBRARY SPECIAL GIFT FUND**  
**For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget -</b>
				<b>Positive (Negative)</b>
<b>Revenues:</b>				
Miscellaneous Revenue:				
Contributions and Donations from Private Sources	700.00	700.00	0.00	(700.00)
Total Miscellaneous Revenue	700.00	700.00	0.00	(700.00)
Total Revenue	700.00	700.00	0.00	(700.00)
<b>Expenditures:</b>				
Culture and Recreation:				
Libraries	700.00	2,725.00	1,344.66	1,380.34
Total Culture and Recreation	700.00	2,725.00	1,344.66	1,380.34
Total Expenditures	700.00	2,725.00	1,344.66	1,380.34
Excess of Revenue Over (Under) Expenditures	0.00	(2,025.00)	(1,344.66)	680.34
Fund Balance - Beginning	4,712.25	4,712.25	4,712.25	0.00
FUND BALANCE - ENDING	4,712.25	2,687.25	3,367.59	680.34

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NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund  
and for each major Special Revenue Fund with a legally required budget.

NOTE 1. Budgets and Budgetary Accounting:

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

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 municipal 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. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.



SUPPLEMENTARY INFORMATIONSCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)

## South Dakota Retirement System

## Last Nine Years \*

	Municipality's proportion of the net pension liability/asset	Municipality's proportionate share of net pension liability (asset)	Municipality's covered-employee payroll	Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2023	0.0438220%	\$ (4,277.22)	\$ 1,012,902.32	0.42%	100.10%
2022	0.0426630%	\$ (4,031.92)	\$ 922,864.82	0.44%	100.10%
2021	0.0421370%	\$ (322,697.30)	\$ 862,527.30	37.41%	105.52%
2020	0.0408924%	\$ (1,775.95)	\$ 814,942.71	0.22%	100.04%
2019	0.0379955%	\$ (4,026.48)	\$ 740,169.68	0.54%	100.09%
2018	0.0355379%	\$ (828.83)	\$ 682,014.34	0.12%	100.02%
2017	0.0370165%	\$ (3,359.29)	\$ 687,781.33	0.49%	100.10%
2016	0.0307682%	\$ 103,931.96	\$ 508,095.69	20.46%	96.89%
2015	0.0347124%	\$ (147,225.21)	\$ 561,875.19	26.20%	104.10%

\* The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30. Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

SUPPLEMENTARY INFORMATION

## SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

## South Dakota Retirement System

## Last Nine Years \*

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Municipality's covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2023	\$ 71,976.48	\$ 71,976.48	\$ -	\$ 1,062,116.85	6.78%
2022	\$ 64,674.41	\$ 64,674.41	\$ -	\$ 975,508.52	6.63%
2021	\$ 57,880.67	\$ 57,880.67	\$ -	\$ 871,628.68	6.64%
2020	\$ 55,870.57	\$ 55,870.57	\$ -	\$ 840,304.21	6.65%
2019	\$ 52,400.65	\$ 52,400.65	\$ -	\$ 793,665.11	6.60%
2018	\$ 43,838.07	\$ 43,838.07	\$ -	\$ 683,913.55	6.41%
2017	\$ 45,428.20	\$ 45,428.20	\$ -	\$ 693,115.54	6.55%
2016	\$ 39,844.96	\$ 39,844.96	\$ -	\$ 601,984.64	6.62%
2015	\$ 36,349.72	\$ 36,349.72	\$ -	\$ 541,708.54	6.71%

\* Until a full 10-year trend is compiled, the Municipality will present information for those years for which information is available.

**NOTES TO SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2023**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and  
Schedule of Pension Contributions

**Changes from Prior Valuation**

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

**MUNICIPALITY OF LENNOX**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2023**

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Expenditures 2023
US Department of Transportation:		
Highway Safety Cluster:		
US Department of Transportation - Pass-Through Programs:		
SD Department of Public Safety		
State and Community Highway Safety	20.600	10,711.05
SD Department of Transportation		
National Priority Safety Programs	20.616	1,397.12
Total Highway Safety Cluster		12,108.17
<b>Total US Department of Transportation</b>		12,108.17
 US Department of Treasury - Direct Programs:		
Coronavirus State and Local Fiscal Recovery Funds (Note 3)	21.027	5,048,067.34
<b>Total US Department of Treasury</b>		5,048,067.34
 US Department of Health and Human Services:		
Indirect Federal Funding:		
SD Department of Health		
Activities to Support State, Tribal, Local and Territorial (STLT) Health		
Department Response to Public Health or Healthcare Crises (Covid-19)	93.391	30,876.00
<b>Total Department of Health and Human Services</b>		30,876.00
 <b>GRAND TOTAL</b>		<b>5,091,051.51</b>

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Municipality under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Municipality has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.