Financial Statements
December 31, 2025

City of Aberdeen

City Council		**Expires**
Mayor	Travis Schaunaman	2029
NE District Council Member	Erin Fouberg	2027
NE District Council Member	Rob Ronayne	2028
NW District Council Member	Charlotte Liebelt	2027
NW District Council Member	Rich Ward	2029
SE District Council Member	David Novstrup	2027
SE District Council Member	Chad Nilson	2030
SW District Council Member	Talmage Ekanger	2030
SW District Council Member	Alan Johnson	2028

Appointive Officers

City Manager	Dave McNeil
Finance Officer	Jordan McQuillen
City Attorney	Ronald A. Wager

Governing Boards

Parks, Recreation & Forestry Board (5 Years)	**Expires**
David Sandvig, President	2026
Taylor Armstrong	2028
Dewey Tullar	2029
Jake Cramond	2026
Adam Buckhouse	2030
Tarah Heupel	2029
Kristin Morris	2026

Airport Board (5 Years)	**Expires**
Carl Perry, Chairperson	2026
Jarret Rix	2028
Lon Gellhaus	2027
Mike Erickson	2030
Tony Schwan	2026

Library Board (3 Years)	**Expires**
Lynn Klundt, President	2026
Troy McQuillen	2026
Peter Ramey	2026
Cindy Senger	2027
Nichole Heinz	2027

Independent Auditor's Report 1

Management's Discussion and Analysis 5

Financial Statements

- Statement of Net Position–Exhibit I 17
- Statement of Activities–Exhibit II 19
- Balance Sheet–Governmental Funds–Exhibit III 20
- Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 21
- Statement of Revenues, Expenditures and Changes in Fund Balances–Exhibit IV 22
- Reconciliation of the Statement of Revenues, Expenditures and Changes to the Government-Wide Statement of Activities 24
- Statement of Net Position–Proprietary Funds–Exhibit V 25
- Statement of Revenues, Expenses and Changes in Net Position–Proprietary Funds–Exhibit VI 27
- Statement of Cash Flows–Proprietary Funds–Exhibit VII 28
- Statement of Net Position–Fiduciary Funds–Exhibit VIII 30
- Statement of Change in Net Position–Fiduciary Funds–Exhibit IX 31
- Notes to Financial Statements 32

Required Supplementary Information

- Schedule of Proportionate Share of Net Pension Liability (Asset) 72
- Schedule of Pension Contributions 73
- Budgetary Comparison Schedule–General Fund 74
- Budgetary Comparison Schedule–General Fund 75
- Budgetary Comparison Schedule–Special Revenue Fund–Airport Fund 76
- Budgetary Comparison Schedule–Special Revenue Fund–Special Sales Tax Fund 77
- Notes to Required Supplementary Information 78

Supplementary Information

- Combining Balance Sheet–Nonmajor Governmental Funds 80
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds 87
- Combining Statement of Net Position–Nonmajor Proprietary Funds 94
- Combining Statement of Revenues, Expenses and Changes in Net Position–Nonmajor Proprietary Funds 95
- Combining Statement of Cash Flows–Nonmajor Proprietary Funds 96
- Statement of Cash Flows–Discretely Presented Component Unit 97

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* 99

Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance 101

Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards 104

Schedule of Findings and Questioned Costs 106

Independent Auditor's Report

To the City Council
City of Aberdeen
Aberdeen, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota, (the City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

eidebailly.com
24 2nd Ave. S.W. • P.O. Box 430 • Aberdeen, SD 57402-0430 • **T** 605.225.8783 • **F** 605.225.0508 • EOE

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

Auditor's 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of net pension liability (asset), schedule of pension contributions, and budgetary comparison information 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, discretely presented component unit's statement of cash flows, and schedule of expenditures of federal awards*,* as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the discretely presented component unit's statement of cash flows, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of municipal officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Eide Bailly LLP

Aberdeen, South Dakota
September 22, 2026

The following is a discussion and analysis of the City of Aberdeen's (hereinafter referred to as the City) financial performance and position, providing an overview of the City's financial activities for the fiscal year ended December 31, 2025. In addition, this discussion and analysis provides comparisons with the previous year.

Financial Highlights

Government-Wide

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year by $275.296 million (reported as net position), an increase of $40.559 million from the previous year.

Fund Level

As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of $46.732 million, with $5,697,053 reported as unassigned, $514,850 reported as assigned, $10,055,520 reported as committed, $30,138,374 reported as restricted, and $326,408 reported as nonspendable. At the end of the fiscal year, the General Fund reported fund balance of $10,663,765, including $5,708,504 unassigned, $514,850 assigned, $4,326,486 committed, $9,340 restricted, and $104,585 nonspendable.

Proprietary funds reported total net position at year-end of $95.270 million, an increase of approximately $27.673 million during the year.

Long-Term Liabilities

The primary government's total long-term outstanding bonds, direct borrowings, leases, and compensated absences totaled $52.763 million, an increase of approximately $21.719 million from the previous year. Governmental activities accounted for $43.747 million of this amount and business-type activities accounted for $9.016 million. Water and sewer system revenues are pledged for repayment of the related revenue bonds and State Revolving Fund obligations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements and component unit financial statements; and, 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements (Reporting the City as a Whole)

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the City's financial position that aids in assessing the City's economic condition at the end of the fiscal year. These statements include all non-fiduciary assets and liabilities, using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account, regardless of when cash is received or paid. The government-wide financial statements include two statements:

- The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as "net position." Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

- The statement of activities presents information depicting how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the statement of net position and the statement of activities segregate the activities of the City into three types:

- Governmental Activities. The governmental activities of the City include general government; parks, recreation, and forestry; airport; public works; public safety; health and welfare; library; conservation and economic development; and, interest expense. Taxes, fees, unrestricted investment earnings, and intergovernmental revenues (federal and state grants) finance most of the costs of these activities.

- Business-Type Activities. The City charges fees to customers to help cover all or most of the cost of certain services it provides. Water, Sewer, Parks and Rec Enterprise, and Lee Park Golf Fund are examples of business-type activities.

- Discretely Presented Component Unit. Component units are legally separate organizations for which the City is financially accountable, or the nature and significance of the unit's relationship with the City is such that exclusion of the unit would cause the City's financial statements to be misleading or incomplete. The following entity is included in the component unit column of the City's government-wide financial statements:

    - ✓ Housing and Redevelopment Commission of the City of Aberdeen, South Dakota

Fund Financial Statements and Component Unit Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity. All funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. It is important to note that these categories use different accounting approaches and should be interpreted differently.

Governmental Funds

Most of the City's basic services are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources available at the end of the fiscal year. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. This short-term view of the City's financial position may be useful in determining whether the City has sufficient resources to cover expenditures for its basic services in the near future.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental funds financial statement.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Airport Fund, Special Sales Tax Fund, and Public Works Facility Project Fund, which are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for nonmajor governmental funds is provided in combining statements elsewhere in this report.

Proprietary Funds

Proprietary funds include enterprise funds and internal service funds and account for the City's activities that operate much like private sector businesses. Like the government-wide financial statements, proprietary fund statements are presented using the full accrual basis of accounting.

Activities (e.g., Water Fund) that largely involve customers outside of City government are accounted for in proprietary funds, and are the same functions reported as business-type activities in the government-wide financial statements. Activities (e.g., City Self-Funded Health Insurance) that largely involve other City agencies are accounted for in internal service funds. The internal service fund activities are consolidated with the governmental activities in the government-wide financial statement because those services predominantly benefit governmental, rather than business-type, activities.

The City maintains four individual proprietary funds, of which the City presents two (Water and Sewer) as major funds. The proprietary funds are as follows: Water Fund, Sewer Fund, Parks and Rec Enterprise Fund, and Lee Park Golf Fund. These proprietary funds are presented separately in the proprietary funds statement of net position and statement of revenues, expenses, and changes in net position.

Fiduciary Funds

Fiduciary funds are used to report activities when the City acts as trustee or fiduciary to hold resources for the benefit of parties outside City government. The full accrual basis of accounting is used for fiduciary funds and is similar to the accounting used for proprietary funds. The government-wide financial statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and cannot be used by the City to finance operations. The City's fiduciary funds include custodial funds.

Component Unit

As mentioned above, component units are legally separate organizations for which the City is financially accountable. Since there is only one component unit, the government-wide financial statements present information for the component unit (a) in a single column on the statement of net position, and (b) in a single column on the statement of activities. The statement of cash flows for the component unit is also provided.

Notes to the Financial Statements

The notes provide additional narrative and financial information essential to fully understand the data provided in the government-wide financial statements, fund financial statements, and component unit financial statements. The notes to the financial statements are located immediately following the statement of net position – fiduciary funds and statement of change in net position – fiduciary funds.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes budgetary comparison schedules and related notes for the General Fund and for each major special revenue fund that has a legally adopted annual budget. For 2025, the major special revenue funds presented with budgetary comparison schedules are the Special Sales Tax Fund and the Airport Fund.

The budgetary comparison schedule presents both the original and the final appropriated budgets for the fiscal year ending December 31. The budgetary comparison schedule also lists the actual outflows and balances stated on a budgetary basis. A variance column is included to compare the final appropriated budget with the actual budget results.

Required supplementary information also includes certain pension-related disclosures for the City's proportionate share of the South Dakota Retirement System's net pension asset or liability and required contributions to the plan.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental and proprietary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements.

Government-Wide Financial Analysis

Net Position

As presented in the following table, total assets and deferred outflows of the City on December 31, 2025, were $341.002 million, while total liabilities and deferred inflows were $65.707 million, resulting in combined net position (governmental and business-type activities) of $275.296 million.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	**2025**	2024	**2025**	2024
Current and Other Assets	**$ 55,054,274**	$ 35,688,218	**$ 18,959,855**	$ 17,043,877	**$ 74,014,129**	$ 52,732,095
Capital Assets	**170,381,918**	159,264,314	**90,614,019**	62,074,180	**260,995,937**	221,338,494
Total Assets	**225,436,192**	194,952,532	**109,573,874**	79,118,057	**335,010,066**	274,070,589
Deferred Outflows of Resources	**5,385,849**	4,461,719	**606,425**	521,758	**5,992,274**	4,983,477
	230,822,041	199,414,251	**110,180,299**	79,639,815	**341,002,340**	279,054,066
Noncurrent Liabilities Outstanding	**43,746,713**	25,675,980	**9,015,797**	5,367,595	**52,762,510**	31,043,575
Other Liabilities	**3,272,235**	2,511,362	**5,564,099**	6,317,528	**8,836,334**	8,828,890
Total Liabilities	**47,018,948**	28,187,342	**14,579,896**	11,685,123	**61,598,844**	39,872,465
Deferred Inflows of Resources	**3,777,097**	4,086,861	**330,790**	358,076	**4,107,887**	4,444,937
	50,796,045	32,274,203	**14,910,686**	12,043,199	**65,706,731**	44,317,402
Net Position:						
Net Investment in Capital Assets	**154,378,575**	142,899,505	**81,727,802**	56,830,358	**236,106,377**	199,729,863
Restricted	**12,231,967**	11,115,154	**3,604,637**	1,629,319	**15,836,604**	12,744,473
Unrestricted	**13,415,454**	13,125,389	**9,937,174**	9,136,939	**23,352,628**	22,262,328
Total Net Position	**$180,025,996**	$167,140,048	**$95,269,613**	$67,596,616	**$275,295,609**	$234,736,664

The largest component of the City's net position, 85.76% (up from 85.09% in 2024), is net investment in capital assets (land; land improvements; buildings; equipment; infrastructure; construction in progress; and right-to-use leased assets), less accumulated depreciation and amortization and outstanding debt attributable to those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position comprises 5.75% (an increase from 5.43% in 2024) of total net position. These resources are subject to restrictions either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

The remaining balance, $23.353 million, is unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. However, certain resources within this balance may have internally imposed limitations. These resources are not reported as restricted net position because the limitations are imposed internally by the City rather than externally.

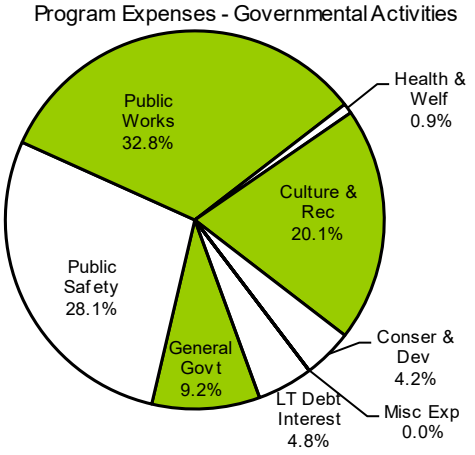
Changes in Net Position

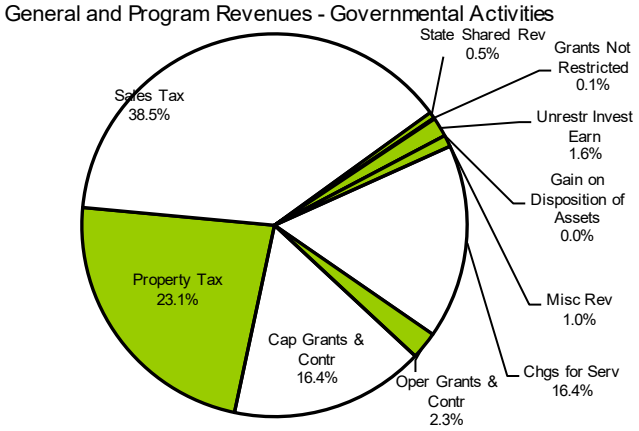
The following table summarizes financial information derived from the government-wide statement of activities and reflects how the City's net position changed during fiscal years 2025 and 2024.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	**2025**	2024	**2025**	2024
Revenues:						
Program Revenues:						
Charges for Services	**$ 10,756,013**	$ 9,676,546	**$ 17,033,090**	$ 15,498,013	**$ 27,789,103**	$ 25,174,559
Operating Grants and Contributions	**1,514,828**	1,442,429	**28,690**	25,990	**1,543,518**	1,468,419
Capital Grants and Contributions	**10,715,029**	2,855,675	**22,928,582**	1,700,134	**33,643,611**	4,555,809
General Revenues:						
Property Taxes	**15,158,572**	14,249,443	**-**	-	**15,158,572**	14,249,443
Sales Taxes	**25,212,389**	23,477,376	**-**	-	**25,212,389**	23,477,376
State Shared Revenues	**350,709**	363,469	**-**	-	**350,709**	363,469
Grants and Contributions Not Restricted to Specific Programs	**61,690**	173,390	**-**	-	**61,690**	173,390
Unrestricted Investment Earnings	**1,064,945**	1,366,105	**467,359**	560,621	**1,532,304**	1,926,726
Gain on Disposition of Assets	**-**	-	**-**	-	**-**	-
Miscellaneous	**645,959**	679,042	**213,784**	125,559	**859,743**	804,601
Total Revenues	**65,480,134**	54,283,475	**40,671,505**	17,910,317	**106,151,639**	72,193,792
Program Expenses:						
General Government	**4,832,451**	7,060,631	**-**	-	**4,832,451**	7,060,631
Public Safety	**14,739,009**	14,085,970	**-**	-	**14,739,009**	14,085,970
Public Works	**17,202,434**	16,544,393	**-**	-	**17,202,434**	16,544,393
Health and Welfare	**455,196**	436,345	**-**	-	**455,196**	436,345
Cultural and Recreation	**10,522,480**	9,889,012	**-**	-	**10,522,480**	9,889,012
Conservation and Development	**2,215,974**	2,025,846	**-**	-	**2,215,974**	2,025,846
Miscellaneous Expenditures	**3,500**	10,680	**-**	-	**3,500**	10,680
Interest on Long-term Debt	**2,500,431**	2,063,485	**-**	-	**2,500,431**	2,063,485
Water	**-**	-	**6,717,170**	6,786,353	**6,717,170**	6,786,353
Sewer	**-**	-	**4,130,415**	3,863,613	**4,130,415**	3,863,613
Park and Rec Enterprise	**-**	-	**1,464,035**	1,396,398	**1,464,035**	1,396,398
Golf	**-**	-	**809,599**	861,581	**809,599**	861,581
Total Expenses	**52,471,475**	52,116,362	**13,121,219**	12,907,945	**65,592,694**	65,024,307
Excess Before Transfers and Extraordinary Items	**13,008,659**	2,167,113	**27,550,286**	5,002,372	**40,558,945**	7,169,485
Transfers	**(122,711)**	(2,631,253)	**122,711**	2,631,253	**-**	-
Change in Net Position	**12,885,948**	(464,140)	**27,672,997**	7,633,625	**40,558,945**	7,169,485
Net Position – Beginning	**167,140,048**	167,604,188	**67,596,616**	59,962,991	**234,736,664**	227,567,179
Net Position – Ending	**$180,025,996**	$167,140,048	**$95,269,613**	$67,596,616	**$275,295,609**	$234,736,664

Governmental Activities

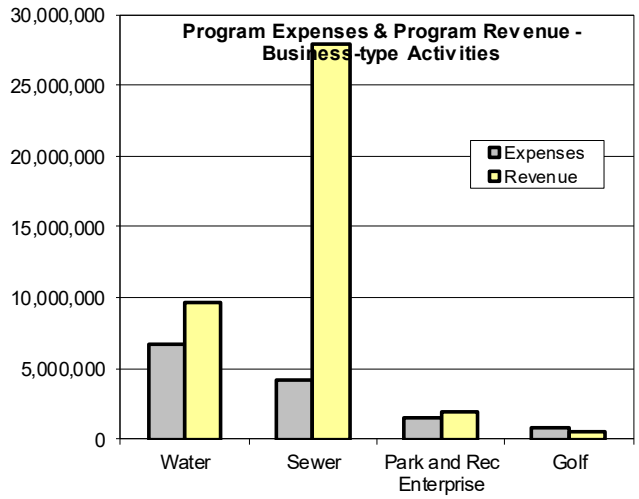
Governmental activities increased the City's net position by $12,885,948, compared with a decrease of $464,140 in 2024. Significant factors included an increase of $7,859,354 in capital grants and contributions, an increase of $1,735,013 in sales taxes, an increase of $909,129 in property taxes, and an increase of $1,079,467 in charges for services. Overall governmental activity expenses increased by $355,113. Transfers to business-type activities were $122,711 in 2025 compared with $2,631,253 in 2024.

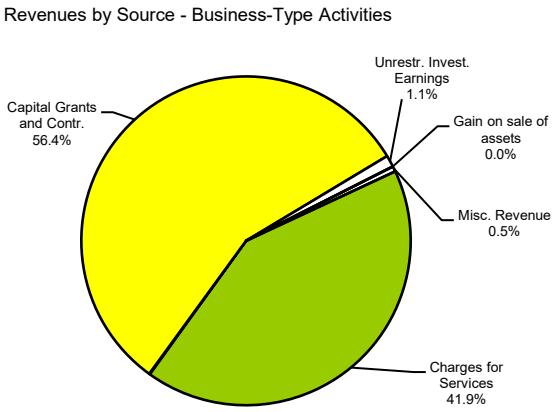




Business-Type Activities

Net position of the business-type activities increased by $27,672,997 during 2025, compared with an increase of $7,633,625 during 2024. Significant factors included $22,928,582 of capital grants and contributions, an increase of $1,535,077 in charges for services, and an increase of $213,274 in overall expenses. Transfers from governmental activities were $122,711 in 2025 compared with $2,631,253 in 2024.





Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required by law, while others are established internally to maintain control over a particular activity.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows and outflows during the fiscal year and on balances of spendable resources as of fiscal year-end. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. However, this measure must be used with care because large portions of the balance may relate to internally imposed limitations, such as statutory language, which could limit resource use.

At the end of fiscal year 2025, the City's governmental funds reported combined ending fund balances of $46.732 million, an increase of approximately $18.934 million in comparison with the prior year.

Approximately 0.70%, or $326,408 of the combined ending fund balances, is reported as nonspendable to indicate that it is not available for new spending because the underlying resources are not in spendable form or are required to remain intact.

Approximately 64.49%, or $30,138,374 of the combined ending fund balances, is reported as restricted to indicate that it is constrained for specific purposes by external providers, constitutional provisions, or enabling legislation.

Approximately 21.52%, or $10,055,520 of the combined ending fund balances, is reported as committed to indicate that it is intended to be used for specific purposes as formally established by the City Council.

Approximately 1.10%, or $514,850 of the combined ending fund balances, is reported as assigned to indicate that it is intended to be used for specific purposes that are neither restricted nor committed. This amount is assigned to be used for 2026 appropriations.

The remaining 12.19%, or $5,697,053 of the combined ending fund balances, constitutes unassigned fund balance that may be used to meet the City's ongoing obligations to citizens and creditors.

The City's major governmental funds for fiscal year 2025 were the General Fund, Airport Fund, Special Sales Tax Fund, and Public Works Facility Project Fund. The General Fund is the chief operating fund of the City. At year-end, assigned and unassigned General Fund balance totaled $6.223 million, including $514,850 assigned for 2026 appropriations. Total General Fund balance was $10.664 million. Assigned and unassigned fund balance represented approximately 16.65% of total General Fund expenditures, compared with 32.4% in 2024.

Overall, the fund balance of the City's General Fund decreased by $2,672,458 during the current fiscal year, a decrease of approximately 20.0% from the prior year's ending fund balance.

The Special Sales Tax Fund is maintained by the City to account for the proceeds from the second penny sales tax. The City has adopted ordinances to designate the use of these proceeds for eligible purposes including capital improvements, land acquisition, and certain public safety uses. At the end of the fiscal year, the committed fund balance of the Special Sales Tax Fund was $5,729,034, which was also the fund's total ending fund balance.

Overall, the fund balance of the City's Special Sales Tax Fund increased by $411,850 during the current fiscal year, an increase of approximately 7.7% from the prior year's ending fund balance.

The Public Works Facility Project Fund is a capital projects fund used to account for financial resources for construction of a new public works facility. The fund reported an ending restricted fund balance of $19,091,544 at December 31, 2025. During the year, the City issued $19,230,000 of sales tax revenue bonds for the project, together with a related bond premium of $1,033,654.

The Airport Fund accounts for activities associated with the City's airport activities. At the end of the fiscal year, nonspendable fund balance was $130,595 and restricted fund balance was $1,972,512, for total fund balance of $2,103,107. Fund balance decreased by $474,294, or approximately 18.4%, during 2025.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following proprietary funds are reported as major funds and had significant changes to net position during fiscal year 2025:

Water Fund

At the end of fiscal year 2025, the Water Fund reported total net position of $34.421 million, an increase of approximately $3.128 million, or 10.0%, from the prior year. During 2025, the Water Fund produced operating income of $2,136,051 on total operating revenue of $8.795 million, compared with 2024 operating income of $1,153,970 on total operating revenue of approximately $7.897 million. The increase in net position reflected improved operating results, capital contributions, and continued investment in the water system.

Sewer Fund

At the end of fiscal year 2025, the Sewer Fund reported total net position of $56.520 million, an increase of approximately $24.305 million, or 75.5%, from the prior year. During 2025, the Sewer Fund produced operating income of $1,909,156 on total operating revenue of $5.972 million, compared with 2024 operating income of $1,586,913 on total operating revenue of approximately $5.358 million. The substantial increase in net position was driven primarily by capital grants and contributions associated with the water reclamation facility project.

Budgetary Highlights – General Fund

The following analysis is based on the Budgetary Comparison Schedules included in the Required Supplementary Information that immediately follows the basic financial statements.

General Fund

The difference between the original budget and the final amended budget was $3,451,450, or 9.51%, in additional General Fund operating appropriations and can be summarized as follows:

- $73,700 in supplemental appropriations to General Government for personnel services, insurance, supplies, and equipment purchases.
- $1,625,800 in supplemental appropriations to Public Works for personnel services, insurance, supplies, and equipment purchases.
- $335,800 in supplemental appropriations to Public Safety for personnel services, insurance, supplies, and equipment purchases.
- $1,268,050 in supplemental appropriations to Culture and Recreation for personnel services, insurance, supplies, and equipment purchases.
- $27,500 in supplemental appropriations to Health and Welfare for personnel services, insurance, supplies, and equipment purchases.
- $120,600 in supplemental appropriations to Conservation and Development for personnel services, insurance, supplies, and equipment purchases.

Actual General Fund spending exceeded the original budget by $1,106,250 and was $2,345,200 less than the final amended budget.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025, was $260.996 million, net of accumulated depreciation and amortization, compared with $221.338 million the previous year. This investment includes land; buildings; improvements other than buildings; machinery and equipment; construction in progress; and right-to-use assets.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	**2025**	2024	**2025**	2024
Land	**$ 14,419,231**	$ 13,431,422	**$ 927,749**	$ 927,749	**$ 15,346,980**	$ 14,359,171
Buildings	**49,368,887**	49,233,937	**65,843,314**	65,533,197	**115,212,201**	114,767,134
Improvements other than Buildings	**187,077,149**	178,021,788	**43,611,664**	40,172,634	**230,688,813**	218,194,422
Machinery and Equipment	**34,907,630**	32,906,247	**9,972,802**	9,734,122	**44,880,432**	42,640,369
Construction in Progress	**9,046,752**	3,303,792	**32,590,875**	5,571,029	**41,637,627**	8,874,821
Right-To-Use Leased Assets	**892,166**	892,166	**145,690**	195,539	**1,037,856**	1,087,705
Total Capital Assets	**295,711,815**	277,789,352	**153,092,094**	122,134,270	**448,803,909**	399,923,622
Accumulated Depreciation	**124,917,615**	118,215,827	**62,441,652**	59,903,658	**187,359,267**	178,119,485
Accumulated Amortization	**412,282**	309,211	**36,423**	156,432	**448,705**	465,643
Total Capital Assets, Net	**$170,381,918**	$159,264,314	**$90,614,019**	$62,074,180	**$260,995,937**	$221,338,494

The City's investment in capital assets, net of accumulated depreciation increased by 17.92% from 2024 to 2025. Governmental activity capital assets increased by approximately 6.98%, while business-type activity capital assets increased by approximately 45.98%. At December 31, 2025, active construction projects included the water reclamation facility expansion, a water tower and transmission line, bridge improvements, and airport improvements. Remaining contractual commitments related to active capital projects were approximately $76.778 million.

More detailed information on the City's capital assets can be found in Note 7 in the Notes to the Financial Statements.

Debt Administration

South Dakota Codified Law Section 9-25-1 describes the authority of the City to incur debt. Generally, the State Constitution prohibits the City from having general obligation indebtedness in excess of 5% of the assessed valuation of taxable property within the City for the year preceding that in which the indebtedness is incurred. During 2025, the City issued sales tax revenue bonds for the Public Works Facility project and drew additional State Revolving Fund debt for water and sewer capital projects.

At the end of the current fiscal year, primary government governmental activities had total bonds and direct borrowings outstanding of $41,784,202 and business-type activities had total bonds and direct borrowings outstanding of $8,813,476. Including leases and compensated absences, total primary government long-term liabilities were $52,762,510.

Additional information on the City's long-term debt obligations is located in Note 8 in the Notes to the Financial Statements.

Economic Condition and Outlook

Aberdeen continued to experience significant public capital investment during 2025. Key indicators reflected in the City's financial statements include:

- Municipal capital investment: net capital assets increased by approximately $39.657 million during 2025, including substantial investment in water, sewer, transportation, airport, and other public infrastructure.
- Construction commitments: at December 31, 2025, remaining contractual commitments related to active capital projects were approximately $76.778 million.

Future Construction Activity

During 2025, work continued on major infrastructure projects including the water reclamation facility expansion, the water tower and transmission line project, bridge improvements, and airport improvements. The City also financed a new public works facility through a 2025 sales tax revenue bond issue. These projects are expected to continue to affect capital spending, debt, grant revenue, and utility operations in future periods.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact the Finance Office, 123 South Lincoln Street, Aberdeen, South Dakota, 57401, (605) 626-7026.

The City's discretely presented component unit issues its own separate financial statements. These statements may be obtained by directly contacting the individual component unit.

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Commission
Assets				
Cash and cash equivalents	$ 47,395,474	$ 11,185,957	$ 58,581,431	$ 1,828,624
Investments	72,094	-	72,094	-
Internal balances	89,809	(89,809)	-	-
Accounts receivable, net	7,115,280	6,125,051	13,240,331	1,940,810
Funded security deposits	-	-	-	141,927
Inventories	211,841	1,730,793	1,942,634	-
Other assets	64,367	-	64,367	294,754
Restricted assets				
Cash and cash equivalents	50,358	-	50,358	-
Deposits and funded reserves	-	-	-	1,678,245
Net pension asset	55,051	7,863	62,914	2,708
Capital assets				
Land and construction in progress	23,465,983	33,518,624	56,984,607	1,609,925
Other capital assets, net	146,436,051	56,986,128	203,422,179	13,532,635
Right-to-use lease assets, net	479,884	109,267	589,151	-
Total assets	225,436,192	109,573,874	335,010,066	21,029,628
Deferred Outflows of Resources				
Deferred charge on refunding	9,428	-	9,428	-
Pension related deferred outflows	5,376,421	606,425	5,982,846	260,313
Total deferred outflows of resources	5,385,849	606,425	5,992,274	260,313
	$230,822,041	$110,180,299	$341,002,340	$ 21,289,941

	Primary Government			Component Unit Housing and Redevelopment Commission
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Accounts payable	$ 1,313,254	$ 5,171,840	$ 6,485,094	$ 105,802
Other current liabilities	1,958,981	392,259	2,351,240	1,764,823
Unearned revenue	-	-	-	3,212
Noncurrent liabilities				
Due within one year	4,008,678	2,337,800	6,346,478	692,903
Due in more than one year	39,738,035	6,677,997	46,416,032	3,366,788
Total liabilities	47,018,948	14,579,896	61,598,844	5,933,528
Deferred Inflows of Resources				
Pension related deferred inflows	3,028,567	330,790	3,359,357	149,787
Other deferred inflows	748,530	-	748,530	-
Total deferred inflows of resources	3,777,097	330,790	4,107,887	149,787
Net Position				
Net investment in capital assets	154,378,575	81,727,802	236,106,377	9,849,701
Restricted for				
Capital projects purposes	2,726,329	-	2,726,329	-
Debt service purposes	3,092,222	3,596,774	6,688,996	-
SDRS pension	55,051	7,863	62,914	2,708
Permanently restricted purposes				
Expendable	154,978	-	154,978	-
Nonexpendable	50,200	-	50,200	-
Other purposes	797,368	-	797,368	-
Other purposes - Airport	3,053,953	-	3,053,953	-
Other purposes - Promotion Fund	833,419	-	833,419	-
Other purposes - Park and Recreation Gift Fund	1,312,158	-	1,312,158	-
Other purposes - Parking District Fund	156,289	-	156,289	-
Other purposes - Component Unit	-	-	-	1,535,854
Unrestricted	13,415,454	9,937,174	23,352,628	3,818,363
Total net position	180,025,996	95,269,613	275,295,609	15,206,626
	$230,822,041	$110,180,299	$341,002,340	$ 21,289,941

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Housing and Redevelopment Commission
Primary Government								
Governmental activities								
General government	$ 4,832,451	$ 4,482,307	$ 13,000	$ 797,671	$ 460,527	$ -	$ 460,527	$ -
Public safety	14,739,009	210,428	52,620	-	(14,475,961)	-	(14,475,961)	-
Public works	17,202,434	4,056,528	-	9,742,540	(3,403,366)	-	(3,403,366)	-
Health and welfare	455,196	1,195,298	1,048,303	-	1,788,405	-	1,788,405	-
Culture and recreation	10,522,480	811,452	400,905	174,818	(9,135,305)	-	(9,135,305)	-
Conservation and development	2,215,974	-	-	-	(2,215,974)	-	(2,215,974)	-
Miscellaneous	3,500	-	-	-	(3,500)	-	(3,500)	-
Interest on long-term debt	2,500,431	-	-	-	(2,500,431)	-	(2,500,431)	-
Total governmental activities	52,471,475	10,756,013	1,514,828	10,715,029	(29,485,605)	-	(29,485,605)	-
Business-type activities								
Water	6,717,170	8,700,361	-	997,136	-	2,980,327	2,980,327	-
Sewer	4,130,415	5,928,416	-	21,931,446	-	23,729,447	23,729,447	-
Park and Rec Enterprise	1,464,035	1,876,147	28,690	-	-	440,802	440,802	-
Golf	809,599	528,166	-	-	-	(281,433)	(281,433)	-
Total business-type activities	13,121,219	17,033,090	28,690	22,928,582	-	26,869,143	26,869,143	-
Total primary government	$ 65,592,694	$ 27,789,103	$ 1,543,518	$ 33,643,611	(29,485,605)	26,869,143	(2,616,462)	-
Component Unit								
Housing and Redevelopment Commission	$ 7,300,308	$ 2,696,804	$ 3,536,830	$ 278,437				(788,237)
General Revenues								
Taxes								
Property taxes					15,158,572	-	15,158,572	-
Sales taxes					25,212,389	-	25,212,389	-
State shared revenue					350,709	-	350,709	-
Grants and contributions not restricted to specific programs					61,690	-	61,690	-
Unrestricted investment earnings					1,064,945	467,359	1,532,304	39,694
Miscellaneous revenue					645,959	213,784	859,743	64,320
Transfers					(122,711)	122,711	-	-
Total general revenues and transfers					42,371,553	803,854	43,175,407	104,014
Change in Net Position					12,885,948	27,672,997	40,558,945	(684,223)
Net Position - Beginning					167,140,048	67,596,616	234,736,664	15,890,849
Net Position - Ending					$180,025,996	$ 95,269,613	$275,295,609	$ 15,206,626

See Notes to Financial Statements

City of Aberdeen

Balance Sheet–Governmental Funds–Exhibit III

December 31, 2025

	General Fund	Airport Fund	Special Sales Tax Fund	Public Works Facility Project Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 11,495,605	$ 1,030,433	$ 5,910,546	$ 19,182,760	$ 9,183,840	$ 46,803,184
107.1 Restricted cash and cash equivalents	50,358	-	-	-	-	50,358
151 Investments	72,094	-	-	-	-	72,094
110 Taxes receivable, delinquent	286,100	-	-	-	20,907	307,007
115 Accounts receivable, net	592,354	56,865	-	-	97,251	746,470
121 Special assessments receivable, current	21,480	-	-	-	-	21,480
122 Special assessments receivable, delinquent	26,031	-	-	-	-	26,031
130 Leases receivable	387,406	427,974	-	-	-	815,380
131 Due from other funds	89,812	-	-	-	11,498	101,310
132 Due from federal government	7,751	1,831,097	-	-	-	1,838,848
132 Due from state government	1,600,168	62,261	1,426,977	-	166,228	3,255,634
132 Due from county government	97,906	-	-	-	6,524	104,430
142 Inventories	40,218	130,595	-	-	41,028	211,841
155 Prepaid expenses	64,367	-	-	-	-	64,367
	$ 14,831,650	$ 3,539,225	$ 7,337,523	$ 19,182,760	$ 9,527,276	$ 54,418,434
Liabilities						
202 Accounts payable	$ 633,916	$ 191,431	$ 54,540	$ 91,216	$ 50,881	$ 1,021,984
207 Contracts payable - retained percentage	-	122,640	381,121	-	-	503,761
208 Due to other funds	-	-	-	-	11,501	11,501
216 Accrued wages payable	1,224,702	40,606	-	-	53,822	1,319,130
219 Amounts held for others	47,898	-	-	-	-	47,898
220 Customer deposits	6,684	-	-	-	-	6,684
Total liabilities	1,913,200	354,677	435,661	91,216	116,204	2,910,958
Deferred Inflows of Resources						
244 Unavailable revenue - sales and use taxes	1,172,768	-	1,172,828	-	145,374	2,490,970
245 Unavailable revenue - property taxes	286,100	-	-	-	20,907	307,007
246 Unavailable revenue - special assessments	24,256	-	-	-	-	24,256
247 Unavailable revenue - other deferred inflows of resources	771,561	1,081,441	-	-	100,036	1,953,038
Total deferred inflows of resources	2,254,685	1,081,441	1,172,828	-	266,317	4,775,271
Fund Balance						
263 Nonspendable	104,585	130,595	-	-	91,228	326,408
264 Restricted	9,340	1,972,512	-	19,091,544	9,064,978	30,138,374
265 Committed	4,326,486	-	5,729,034	-	-	10,055,520
266 Assigned	514,850	-	-	-	-	514,850
267 Unassigned	5,708,504	-	-	-	(11,451)	5,697,053
Total fund balance	10,663,765	2,103,107	5,729,034	19,091,544	9,144,755	46,732,205
	$ 14,831,650	$ 3,539,225	$ 7,337,523	$ 19,182,760	$ 9,527,276	$ 54,418,434

See Notes to Financial Statements

	Total
Total Fund Balances - Governmental Funds	$ 46,732,205
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.	55,051
Pension related deferred outflows are components of pension asset and, therefore, are not reported in the funds.	5,376,421
Assets such as taxes receivable (delinquent) and special receivables (current, delinquent and deferred) are not available to pay for current period expenditures and, therefore, are deferred in the funds.	4,026,741
Pension related deferred inflows are components of pension asset and, therefore, are not reported in the funds.	(3,028,567)
Capital and right-to-use lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	170,381,918
Long-term liabilities, including bonds payable, lease liabilities, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(42,459,061)
Unamortized balance of debt premiums are not due and payable in the current period and, therefore, are not reported in the funds.	(1,287,652)
Interest on long-term debt is not accrued in governmental funds, but, rather, is recognized as an expenditure when due.	(53,172)
The unamortized difference between the net carrying value of the refunded debt and its reacquisition price is not reported in the funds, though needs to be treated as a deferred outflow in the government-wide financial statements.	9,428
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	272,684
Net Position - Governmental Activities	$ 180,025,996

	General Fund	Parks and Recreation Fund	Airport Fund	Special Sales Tax Fund	Public Works Facility Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
310 Taxes							
311 General property taxes	$11,914,193	$ -	$ -	$ -	$ -	$ 3,072,818	$14,987,011
312 Airflight property taxes	-	-	37,272	-	-	-	37,272
313 General sales and use taxes	11,711,613	-	-	11,331,246	-	1,532,265	24,575,124
314 Gross receipts business taxes	128,934	-	-	-	-	-	128,934
319 Penalties and interest on delinquent taxes	27,583	-	-	-	-	5,755	33,338
320 Licenses and permits	669,351	-	-	-	-	-	669,351
330 Intergovernmental revenue							
331 Federal grants	1,097,848	-	6,525,839	-	-	-	7,623,687
334 State grants	72,214	-	316,721	3,035,021	-	-	3,423,956
335 State shared revenue							
335.01 Bank franchise tax	146,344	-	-	-	-	-	146,344
335.02 Motor vehicle commercial prorate	31,910	-	-	-	-	-	31,910
335.03 Liquor tax reversion	193,580	-	-	-	-	-	193,580
335.04 Motor vehicle licenses (5%)	207,502	-	-	-	-	-	207,502
335.06 Fire insurance premiums reversion	158,720	-	-	-	-	-	158,720
335.08 Local government highway and bridge fund	591,800	-	-	-	-	-	591,800
335.20 Other	66,710	-	-	-	-	-	66,710
336 State payments in lieu of taxes	10,785	-	-	-	-	-	10,785
338 County shared revenue							
338.03 County wheel tax	242,108	-	-	-	-	-	242,108
340 Charges for goods and services							
341 General government	53,279	-	-	-	-	-	53,279
342 Public safety	167,369	-	-	-	-	-	167,369
343 Highways and streets	92,224	-	-	-	-	-	92,224
344 Sanitation	1,773,835	-	-	-	-	838,182	2,612,017
345 Health	92,018	-	-	-	-	-	92,018
346 Culture and recreation	775,232	-	-	-	-	34,107	809,339
347 Ambulance	1,085,527	-	-	-	-	-	1,085,527
348 Cemetery	74,490	-	-	-	-	-	74,490
349 Other	220,424	-	652,288	-	-	-	872,712
350 Fines and forfeits							
351 Court fines and costs	5,831	-	-	-	-	-	5,831
354 Fines	-	-	-	-	-	2,284	2,284
360 Miscellaneous revenue							
361 Investment earnings	491,792	-	93,048	262,975	3,785	213,345	1,064,945
362 Rentals/franchises	41,455	-	-	-	-	-	41,455
367 Contributions and donations from private sources	52,336	-	-	-	-	580,077	632,413
369 Other	439,298	-	4,673	-	-	2,000	445,971
Total revenues	32,636,305	-	7,629,841	14,629,242	3,785	6,280,833	61,180,006
Expenditures							
410 General government							
411 Legislative	170,161	-	-	-	-	-	170,161
412 Executive	383,971	-	-	-	-	-	383,971
414 Financial administration	1,492,458	-	-	-	-	-	1,492,458
419 Other	2,242,991	-	-	-	-	-	2,242,991
Total general government	4,289,581	-	-	-	-	-	4,289,581
420 Public safety							
421 Police	7,540,295	-	-	-	-	-	7,540,295
422 Fire	6,430,915	-	-	-	-	-	6,430,915
423 Protective inspection	262,198	-	-	-	-	-	262,198
429 Other protection	-	-	-	500,000	-	-	500,000
Total public safety	14,233,408	-	-	500,000	-	-	14,733,408

	General Fund	Parks and Recreation Fund	Airport Fund	Special Sales Tax Fund	Public Works Facility Project Fund	Other Governmental Funds	Total Governmental Funds
430 Public works							
431 Highways and streets	4,344,673	-	-	7,517,392	863,210	226,939	12,952,214
432 Sanitation	1,676,432	-	-	-	-	890,790	2,567,222
435 Airport	-	-	8,344,135	-	-	-	8,344,135
437 Cemeteries	291,518	-	-	-	-	-	291,518
439 Transit	1,968,166	-	-	-	-	-	1,968,166
Total public works	8,280,789	-	8,344,135	7,517,392	863,210	1,117,729	26,123,255
440 Health and welfare							
441 Health	363,570	-	-	-	-	-	363,570
449 Other	91,626	-	-	-	-	-	91,626
Total health and welfare	455,196	-	-	-	-	-	455,196
450 Culture and recreation							
451 Recreation	3,910,981	-	-	-	-	-	3,910,981
452 Parks	3,641,315	-	-	-	-	659,194	4,300,509
455 Libraries	1,486,306	-	-	-	-	10,333	1,496,639
456 Auditorium	331,642	-	-	-	-	-	331,642
Total culture and recreation	9,370,244	-	-	-	-	669,527	10,039,771
460 Conservation and development							
465 Economic development	629,470	-	-	-	-	1,271,504	1,900,974
466 Economic opportunity	-	-	-	315,000	-	-	315,000
Total conservation and development	629,470	-	-	315,000	-	1,271,504	2,215,974
470 Debt service	123,262	-	-	-	182,685	4,450,646	4,756,593
492 Other expenditures	-	-	-	-	-	3,500	3,500
Total expenditures	37,381,950	-	8,344,135	8,332,392	1,045,895	7,512,906	62,617,278
Excess of Revenue over (under) Expenditures	(4,745,645)	-	(714,294)	6,296,850	(1,042,110)	(1,232,073)	(1,437,272)
Other Financing Sources (Uses)							
391.01 Transfers in	2,553,438	-	240,000	-	370,000	5,503,810	8,667,248
511 Transfers out	(740,610)	-	-	(5,885,000)	(500,000)	(1,694,349)	(8,819,959)
391.03 Sale of municipal property	178,783	-	-	-	-	-	178,783
391.04 Compensation for loss or damage to capital assets	81,576	-	-	-	-	-	81,576
391.02 Proceeds from long-term debt issued	-	-	-	-	19,230,000	-	19,230,000
512 Premium on bonds issued	-	-	-	-	1,033,654	-	1,033,654
Total other financing sources (uses)	2,073,187	-	240,000	(5,885,000)	20,133,654	3,809,461	20,371,302
Net Change in Fund Balances	(2,672,458)	-	(474,294)	411,850	19,091,544	2,577,388	18,934,030
Fund Balance - Beginning, previously reported	13,602,378	(266,155)	2,577,401	5,317,184	-	6,567,367	27,798,175
Adjustments - Note 20	(266,155)	266,155	-	-	-	-	-
Fund Balance - Beginning, as restated	13,336,223	-	2,577,401	5,317,184	-	6,567,367	27,798,175
Fund Balance - Ending	$10,663,765	$ -	$ 2,103,107	$ 5,729,034	$19,091,544	$ 9,144,755	$46,732,205

	Total
Net Change in Fund Balances - Total Governmental Funds	$ 18,934,030
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was exceeded by capital outlays in the current period.	10,062,814
The receipt of contributed capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.	1,115,161
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.	(60,371)
Proceeds from issuance of long-term debt is recorded as an other financing source in governmental funds.	(20,263,654)
Payment of principal on long-term debt and lease liabilities is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	2,285,920
Governmental funds do not reflect the change in accrued leave; but, the statement of activities reflects the change in accrued leave through expenditures.	(119,500)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	211,433
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	(6,722)
Governmental funds do not report a deferred outflow in connection with a refunding transaction; therefore, an adjustment is necessary to recognize the amortization of these costs in the government-wide financial statements.	(49,537)
Changes in pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.	1,241,257
Governmental funds report the effect of premiums and discounts when debt is first issued; whereas, these amounts are reported as part of debt and amortized in the statement of activities. This is the amount of the current-year amortization of the premium on debt.	26,501
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(491,384)
Change in Net Position of Governmental Activities	$ 12,885,948

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Current Assets					
Cash and cash equivalents	$ 4,866,765	$ 5,787,235	$ 531,957	$ 11,185,957	$ 592,290
115 Accounts receivable, net	83,496	236,289	-	319,785	-
117 Unbilled accounts receivable	641,907	423,616	-	1,065,523	-
121 Special assessments receivable, current	7,374	-	-	7,374	-
122 Special assessments receivable, delinquent	8,630	-	-	8,630	-
132 Due from other governments	651,029	4,072,710	-	4,723,739	-
141 Inventory of supplies	1,627,216	103,577	-	1,730,793	-
Total current assets	7,886,417	10,623,427	531,957	19,041,801	592,290
Noncurrent Assets					
189 Net pension asset	4,636	2,760	467	7,863	-
Capital assets					
160 Land	468,810	108,439	350,500	927,749	-
162 Buildings	28,066,777	35,123,015	2,653,522	65,843,314	-
164 Improvements other than buildings	24,631,435	16,839,464	2,140,765	43,611,664	-
166 Machinery and equipment	6,266,276	2,831,953	874,573	9,972,802	-
168 Construction work in progress	4,713,033	27,877,842	-	32,590,875	-
173 Right-to-use leased assets	-	-	145,690	145,690	-
Less accumulated depreciation	(33,098,782)	(27,289,723)	(2,053,147)	(62,441,652)	-
Less accumulated amortization	-	-	(36,423)	(36,423)	-
Total noncurrent assets	31,052,185	55,493,750	4,075,947	90,621,882	-
Deferred Outflows of Resources					
196 Pension related deferred outflows	302,979	261,289	42,157	606,425	-
Total deferred outflows of resources	302,979	261,289	42,157	606,425	-
	$ 39,241,581	$ 66,378,466	$ 4,650,061	$ 110,270,108	$ 592,290

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Current Liabilities					
201 Claims payable	$ 1,237	$ -	$ -	$ 1,237	$ 276,350
202 Accounts payable	1,330,639	1,224,928	66,046	2,621,613	14,920
207 Contracts payable, retained percentage	224,890	2,324,100	-	2,548,990	-
208 Due to General Fund	-	-	89,809	89,809	-
209 Due to state government	-	-	16,586	16,586	-
213 Incurred but not reported claims	-	-	-	-	28,336
215 Accrued interest payable	27,961	51,091	-	79,052	-
216 Accrued wages payable	49,675	65,664	20,073	135,412	-
219 Amounts held for others	-	-	15,664	15,664	-
223 Unearned revenue	38,212	97,278	10,055	145,545	-
226 Bonds and leases payable current					
226.02 Revenue	1,078,848	1,129,372	-	2,208,220	-
226.04 Leases	-	-	-	-	-
230 Compensated absences payable - current	39,136	78,646	11,798	129,580	-
Total current liabilities	2,790,598	4,971,079	230,031	7,991,708	319,606
Noncurrent Liabilities					
231 Bonds and leases payable					
231.02 Revenue	1,870,044	4,735,212	-	6,605,256	-
231.04 Leases	-	-	72,741	72,741	-
Total noncurrent liabilities	1,870,044	4,735,212	72,741	6,677,997	-
Deferred Inflows of Resources					
248 Pension related deferred inflows	160,320	151,926	18,544	330,790	-
Total deferred inflows of resources	160,320	151,926	18,544	330,790	-
Net Position					
253.10 Net investment in capital assets	28,098,657	49,626,406	4,002,739	81,727,802	-
253.20 Restricted net position, restricted for					
253.21 Revenue bond debt service	222,182	3,374,592	-	3,596,774	-
253.29 SDRS pension purposes	4,636	2,760	467	7,863	-
253.90 Unrestricted net position	6,095,144	3,516,491	325,539	9,937,174	272,684
Total net position	34,420,619	56,520,249	4,328,745	95,269,613	272,684
	$ 39,241,581	$ 66,378,466	$ 4,650,061	$ 110,270,108	$ 592,290

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Operating Revenue					
380 Charges for goods and services	$ 8,472,122	$ 2,772,503	$ 2,404,313	$ 13,648,938	$ 2,773,546
371 Debt service surcharge	228,239	3,155,913	-	3,384,152	-
369 Miscellaneous	94,217	43,203	6,368	143,788	-
Total operating revenue	8,794,578	5,971,619	2,410,681	17,176,878	2,773,546
Operating Expenses					
410 Personal services	1,350,752	1,170,661	838,131	3,359,544	-
420 Other current expenses	4,046,016	1,751,705	1,201,712	6,999,433	3,294,930
453 Amortization	-	-	36,423	36,423	-
457 Depreciation	1,261,759	1,140,097	191,522	2,593,378	-
Total operating expenses	6,658,527	4,062,463	2,267,788	12,988,778	3,294,930
Operating Income (Loss)	2,136,051	1,909,156	142,893	4,188,100	(521,384)
Nonoperating Revenue (Expense)					
330 Operating and capital grants	650,216	20,916,895	28,690	21,595,801	-
361 Investment earnings	201,350	257,502	8,507	467,359	-
366 Gain on termination of lease	-	-	62,668	62,668	-
442 Interest expense	(58,643)	(67,952)	(5,846)	(132,441)	-
Total nonoperating revenue (expense)	792,923	21,106,445	94,019	21,993,387	-
Income (Loss) Before Contributions and Transfers	2,928,974	23,015,601	236,912	26,181,487	(521,384)
391.07 Capital contributions	346,920	1,014,551	-	1,361,471	-
391.04 Compensation for loss or damage to capital assets	7,328	-	-	7,328	-
391.01 Transfers in	525,000	735,000	265,473	1,525,473	30,000
511 Transfers out	(680,000)	(460,000)	(262,762)	(1,402,762)	-
Change in Net Position	3,128,222	24,305,152	239,623	27,672,997	(491,384)
Net Position - Beginning	31,292,397	32,215,097	4,089,122	67,596,616	764,068
Net Position - Ending	$ 34,420,619	$ 56,520,249	$ 4,328,745	$ 95,269,613	$ 272,684

See Notes to Financial Statements

City of Aberdeen

Statement of Cash Flows–Proprietary Funds–Exhibit VII

Year Ended December 31, 2025

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Cash Flows from (used for) Operating Activities					
Receipts from customers	$ 8,406,259	$ 969,468	$ 2,415,157	$ 11,790,884	$ 2,773,546
Payments to suppliers	(4,925,759)	(1,802,664)	(1,053,006)	(7,781,429)	(3,173,393)
Payments to employees	(1,404,667)	(1,191,977)	(851,991)	(3,448,635)	-
Cash payments for interfund services used	-	(42,700)	(70,100)	(112,800)	-
Cash receipts from interfund services provided	338,325	-	-	338,325	-
Net Cash from (used for) Operating Activities	2,414,158	(2,067,873)	440,060	786,345	(399,847)
Cash Flows from (used for) Noncapital Financing Activities					
Transfers from other funds	525,000	735,000	265,473	1,525,473	30,000
Transfers to other funds	(680,000)	(460,000)	(262,762)	(1,402,762)	-
Operating grants	-	-	28,690	28,690	-
Net Cash from (used for) Noncapital Financing Activities	(155,000)	275,000	31,401	151,401	30,000
Cash Flows from (used for) Capital and Related Financing Activities					
Proceeds from capital debt	1,338,164	4,526,795	-	5,864,959	-
Purchase of capital assets	(4,094,820)	(20,642,858)	(326,454)	(25,064,132)	-
Principal paid on lease liabilities	-	-	(72,950)	(72,950)	-
Principal paid on capital debt	(1,085,853)	(1,110,110)	-	(2,195,963)	-
Interest paid on lease liabilities	-	-	(5,846)	(5,846)	-
Interest paid on capital debt	(35,515)	(36,445)	-	(71,960)	-
Capital grants	-	16,844,185	-	16,844,185	-
Other receipts	7,328	-	-	7,328	-
Net Cash used for Capital and Related Financing Activities	(3,870,696)	(418,433)	(405,250)	(4,694,379)	-
Cash Flows from Investing Activities					
Interest earnings	201,350	257,502	8,507	467,359	-
Net Cash from Investing Activities	201,350	257,502	8,507	467,359	-
Net Change in Cash and Cash Equivalents	(1,410,188)	(1,953,804)	74,718	(3,289,274)	(369,847)
Cash and Cash Equivalents, Beginning	6,276,953	7,741,039	457,239	14,475,231	962,137
Cash and Cash Equivalents, Ending	$ 4,866,765	$ 5,787,235	$ 531,957	$ 11,185,957	$ 592,290

See Notes to Financial Statements

	Water Fund	Sewer Fund	Nonmajor Proprietary Funds	Totals	Internal Service Funds
Cash and cash equivalents	$ 4,866,765	$ 5,787,235	$ 531,957	$ 11,185,957	$ 592,290
	$ 4,866,765	$ 5,787,235	$ 531,957	$ 11,185,957	$ 592,290
Cash from Operating Activities					
Operating income (loss)	$ 2,136,051	$ 1,909,156	$ 142,893	$ 4,188,100	$ (521,384)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities					
Depreciation and amortization expense	1,261,759	1,140,097	227,945	2,629,801	-
Change in assets and liabilities					
Receivables	(38,123)	10,735	6,749	(20,639)	-
Inventories	(570,517)	21,753	-	(548,764)	-
Pension related deferred outflows	(31,750)	(42,334)	(10,583)	(84,667)	-
Accounts and other payables	(309,226)	(115,412)	(11,203)	(435,841)	121,537
Due to General Fund	-	-	89,809	89,809	-
Accrued wages payable	(8,855)	23,194	5,448	19,787	-
Amounts held for others	-	-	(629)	(629)	-
Accrued leave payable	(4,585)	9,459	933	5,807	-
Pension asset	(1,024)	(1,366)	(342)	(2,732)	-
Pension related deferred inflows	(7,701)	(10,269)	(2,567)	(20,537)	-
Unearned revenue	(11,871)	(5,012,886)	(1,644)	(5,026,401)	-
Other deferred inflows	-	-	(6,749)	(6,749)	-
Net Cash from (used for) Operating Activities	$ 2,414,158	$ (2,067,873)	$ 440,060	$ 786,345	$ (399,847)
Noncash Investing, Capital and Financing Activities					
Capital assets received through capital contributions	$ 346,920	$ 1,014,551	$ -	$ 1,361,471	$ -
Purchases of capital assets in accounts payable	1,250,581	3,413,802	-	4,664,383	-
Lease liability for the acquisition of a right-to-use lease asset	-	-	145,690	145,690	-
Gain on termination of lease	-	-	62,668	62,668	-

	Custodial Fund
Assets	
Cash and cash equivalents	$ 62,436
Total assets	$ 62,436
Net Position	
Restricted for employees	$ 62,436
Total net position	$ 62,436

	Custodial Fund
Additions	
Employee contributions	$ 152,954
Total additions	152,954
Deductions	
Employee flex spending	144,443
Total deductions	144,443
Change in Net Position	8,511
Net Position - Beginning	53,925
Net Position - Ending	$ 62,436

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Aberdeen (the City) is a municipality chartered under the constitution of the State of South Dakota and is governed by a Council, including a part-time Mayor who is vested with the executive and administrative powers of the City, as well as eight part-time Council members who serve in a policymaking and legislative capacity.

The reporting entity consists of the City as the primary government and its discretely presented component unit. Discretely presented component units are entities that are legally separate from the City for which the City is considered to be financially accountable, or for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The City is financially accountable if its City Council appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The following table describes the City's component unit:

Component Unit	Criteria for Inclusion
Housing and Redevelopment Commission of the City of Aberdeen, South Dakota	City has legal authority to impose its will on the Commission. Commission members are appointed by the Mayor of the City of Aberdeen.

This discretely presented component unit is displayed in a separate column in the government-wide financial statements to emphasize its legal separateness from the City. Major component units are determined based on the component unit's significance relevant to the other component units and to the primary government. Based on evaluation of these criteria, The Housing and Redevelopment Commission of the City of Aberdeen, South Dakota (the Commission) is considered to be a major component unit.

The financial statements for the component unit are available upon request from the City or The Housing and Redevelopment Commission at 310 South Roosevelt, Aberdeen, SD 57401.

B. Basis of Presentation

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type funds 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 (as applicable). These statements distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component unit. Governmental activities, generally, are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1(A) above, and may be classified as either governmental or business-type activities.

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into 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 City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10% 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% 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 financial reporting entity are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund. As of January 1, 2025, the City subsumed all fund balance and continuing operations of the Parks and Recreation Fund into the General Fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Special Sales Tax Fund – To account for any revenue received under section 23-35 of the revised ordinance of the City in excess of the amount received if the rate of tax in such section were one percent. Funds may be used only for capital improvement, land acquisition, the funding of public ambulances and medical emergency response vehicles, public hospitals or nonprofit hospitals with fifty or fewer licensed beds, other public health care facilities or nonprofit health care facilities with fifty or fewer licensed beds, the transfer to the special 911 fund authorized by SDCL 34-45-12, the purchasing of firefighting vehicles and equipment, debt retirement, and the minor or major rehabilitation or reconstruction of streets as defined in the June 1994 State Department of Transportation Pavement Condition Survey Guide for city streets. These expenditures may be financed through a sale-leaseback agreement. The Council may, by resolution passed by at least a two-thirds majority, transfer amounts to other funds for projects specified in the resolution. This is a major fund.

Airport Fund – To account for the proceeds from airport revenue sources that are legally restricted to expenditures for airport purposes. This is a major fund.

The remaining special revenue funds are reported in the aggregate in the other governmental funds column on the fund financial statements: Promotion Fund, Park and Recreation Gift Fund, Business Improvement District Fund, Parking District Fund, Storm Water Maintenance Fund, and Library Fines Fund. These are not major funds.

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

Public Works Facility Project Fund – To account for the financial resources to be used for the construction of a new public works facility. This is a major fund.

The remaining capital project funds are reported in the aggregate in the other governmental funds column on the fund financial statements: Parks and Recreation Project Fund, Moccasin Creek Project Fund, TIF #32 Project Fund, and TIF #39 Project Fund. These are not major funds.

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. In addition, the City also uses these funds to account for the property taxes which may be used only for the payment of the applicable TIF bonds. The City has the following debt service funds which are reported in the aggregate in the other governmental funds column on the fund financial statements:

- Library Bonds Fund
- Parks and Rec Softball Bonds Fund
- City Hall Remodel Bonds Fund
- Public Works Facility Bonds Fund
- TIF District #2 Fund
- TIF District #8 Fund
- TIF District #17 Fund
- TIF District #19 Fund
- TIF District #20 Fund
- TIF District #21 Fund
- TIF District #23 Fund
- TIF District #24 Fund
- TIF District #25 Fund
- TIF District #26 Fund
- TIF District #27 Fund
- TIF District #29 Fund
- TIF District #30 Fund
- TIF District #31 Fund
- TIF District #32 Fund
- TIF District #33 Fund
- TIF District #35 Fund
- TIF District #37 Fund
- TIF District #38 Fund
- TIF District #39 Fund
- TIF District #40 Fund
- TIF District #41 Fund
- TIF District #42 Fund

These are not major funds.

Permanent Funds – Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs that are for the benefit of the City and its citizenry. The City has the following permanent fund which is reported in the aggregate in the other governmental funds column on the fund financial statements: Cemetery Perpetual Care Fund. This fund is to account for the payments received for perpetual care of cemeteries which is permanently set aside and for which only the income from the permanent fund investments is used for the care and maintenance of the cemetery (SDCL 9-32-18). This is not a major fund.

Proprietary Funds

Enterprise Funds – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expensed incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The primary purpose of the funds is to account for self-funded health and unemployment insurance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise Funds

The City reports the following major enterprise funds:

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

Sewer Fund – To account for the construction and operation of the municipal sewer system and related facilities (SDCL 9-48-2).

The remaining enterprise funds are reported in the aggregate in the other enterprise funds column on the fund financial statements: Park and Rec Enterprise Fund and Golf Fund. These are not major funds.

Fiduciary Funds

Custodial Funds – Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds are used to account for the accumulation and distribution of various pass-through funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses 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, governmental, business-type and component unit 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 and fiduciary funds.

Basis of Accounting

Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, governmental, business-type and component unit 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 funds 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 City considers significant revenues reported in the governmental funds to be available if the revenues are collected within twenty-five days after year-end. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

All proprietary funds and fiduciary 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 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.

In order to minimize the doubling up effect of internal service fund activity, certain "centralized expenses" are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged in this manner, expense reductions occur in the respective governmental or enterprise fund so that expenses are reported only by the function to which they relate.

E. Deposits and Investments

For the purpose of financial reporting on the statement of net position and fund balance sheet, cash and cash equivalents includes all demand and savings accounts, 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, and similar investments in external investment pools.

Investments classified in the financial statements consist, primarily, of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and those types of other investments authorized by South Dakota Codified Law (SDCL) 4-5-6.

F. Receivables

Receivables are composed of amounts owed to the City by municipal residents for water, sewer and other services rendered. All trade receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles on trade accounts receivables totaled $367,921 at December 31, 2025.

Lease receivables are recorded by the City as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the City charges the lessee.

G. Capital Assets

Primary Government

Capital assets include land, buildings, improvements other than buildings, machinery and equipment, infrastructure, 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, including roads and bridges, 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. General infrastructure assets consist of the road network assets, airport runways, storm sewer system, bridges, parking lots, and recreation trails and are reported at estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

All capital assets are valued at historical cost or estimated cost if actual historical cost could not be determined. Donated capital assets are valued at their estimated 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.

For governmental activities capital assets, construction period interest is not capitalized in accordance with U.S. GAAP. For capital assets used in business-type activities and proprietary fund operations, construction period interest is not capitalized in accordance with U.S. GAAP.

The total December 31, 2025, balance of governmental activities capital assets includes approximately 11.18% of capital assets that are valued at estimated historical cost. These estimated original costs were primarily established by deflated current replacement costs.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with net capital assets reflected in the statement of net position. Capitalization thresholds (the dollar values at which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	***	***	***
Buildings	$ 5,000	Straight-line	10 - 50 years
Improvements other than buildings	5,000	Straight-line	10 - 50 years
Machinery and equipment	5,000	Straight-line	5 - 20 years

****Land, an inexhaustible capital asset, is all capitalized and is not depreciated.*

The accounting treatment over capital assets depends on whether those assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the 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 statements.

Right-to-use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 10 years.

Component Unit

Capital assets, which include land, buildings and equipment, are reported in the basic financial statements. The Commission defines capital assets as assets with an initial individual cost of more than $500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Expenditures for renewals and improvements that will significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense currently. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is computed using the straight-line method over estimated useful lives ranges based on the major asset category as listed below:

Major Asset Category	Estimated Useful Life
Land	N/A
Land improvements	5 - 15 years
Buildings and improvements	5 - 50 years
Furniture, equipment, and machinery - dwelling	3 - 20 years
Furniture, equipment, and machinery - nondwelling	3 - 20 years

H. 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.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist, primarily, of sales tax revenue bonds payable, tax increment financing (TIF) bonds payable, direct borrowings and direct placements, lease liabilities, and compensated absences. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, debt and lease proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. In addition, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

Compensated absences represent the City's obligation for the accumulation of earned but unused paid time off benefits. The accumulation of this benefit is limited based upon employee classification. Upon separation, the City will reimburse the employee for accumulated paid time off not to exceed established maximums. All compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. Paid time off accruals are recognized as a long-term liability which will generally be liquidated from the General Fund or enterprise funds.

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the City.

I. Program Revenues

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

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

J. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has three items that qualify for reporting in this category reported in the government-wide statement of net position. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, changes in the net pension asset/liability not included in pension expense, and the deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of these items. The City's governmental funds report unavailable revenues from sales and use taxes, grants, delinquent property taxes, and delinquent special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is changes in the net pension asset/liability not included in pension expense reported in the government-wide statement of net position. The third item is deferred inflows related to leases where the City is the lessor and is reported in the governmental funds balance sheet and statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on a straight-line basis over the term of the lease.

K. Proprietary Funds Revenue and Expense Classifications

In the proprietary funds' statement of activities, 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.

L. Cash and Cash Equivalents

The City pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash and investment resources on demand. Accordingly, each proprietary fund's equity in the cash management pool of the City is considered to be cash equivalents for the purpose of the statement of cash flows. The cash management pool of the City includes checking, savings, money market funds, and certificates of deposit.

M. Equity Classifications

Government-Wide Statements

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

- 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.

- 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.

- 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.

N. Application of Net Position

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

O. Fund Balance Classification Policies and Procedures

The City follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. In addition, the component unit, Housing and Redevelopment Commission, has escrow deposits restricted by their mortgage lender and other cash deposits restricted by HUD.
- Committed Fund Balance – Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.
- Assigned Fund Balance – Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned Fund Balance – 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 City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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

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

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

Major Special Revenue Fund	Revenue Source
Special Sales Tax Fund	Sales taxes
Airport Fund	Passenger fees, grants

A schedule of fund balances reported on the balance sheet of the governmental funds is provided as follows:

	General Fund	Airport Fund	Special Sales Tax Fund	Public Works Facility Project Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances						
Nonspendable						
Inventory	$ 40,218	$ 130,595	$ -	$ -	$ 41,028	$ 211,841
Prepaid expenses	64,367	-	-	-	-	64,367
Cemetery perpetual care	-	-	-	-	50,200	50,200
Restricted for						
Promotion	-	-	-	-	688,045	688,045
Park and recreation gift fund	-	-	-	-	1,312,158	1,312,158
Business improvement district	-	-	-	-	10,545	10,545
Parking	-	-	-	-	156,289	156,289
Storm water maintenance	-	-	-	-	602,546	602,546
Library fines	-	-	-	-	29,384	29,384
Landmark commission	9,340	-	-	-	-	9,340
Debt service	-	-	-	-	3,075,804	3,075,804
Cemetery perpetual care	-	-	-	-	154,978	154,978
Capital projects	-	-	-	19,091,544	3,035,229	22,126,773
Airport	-	1,972,512	-	-	-	1,972,512
Committed to						
Special sales tax	-	-	5,729,034	-	-	5,729,034
COVID-19 expenses	830,197	-	-	-	-	830,197
Capital fleet purchases	2,866,845	-	-	-	-	2,866,845
Public safety personnel costs	500,000	-	-	-	-	500,000
Capital and economic development special projects	129,444	-	-	-	-	129,444
Assigned to						
Applied to next year's budget	514,850	-	-	-	-	514,850
Unassigned	5,708,504	-	-	-	(11,451)	5,697,053
Total fund balances	$10,663,765	$ 2,103,107	$ 5,729,034	$19,091,544	$ 9,144,755	$46,732,205

P. Pensions

For purposes of measuring the net pension asset, deferred outflows/inflows of resources, and pension expense/(revenue) information about the fiduciary net position of the South Dakota Retirement System (SDRS), additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Adoption of New Standard

As of January 1, 2025, the City adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was not a significant effect on the City's financial statements as result of the implementation of this standard.

Note 2 - Deposits and Investments: Fair Value Measurement, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk

The City 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.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investments. The City's policy is to credit all income from deposits and investments to the fund making the investment.

Deposits - Primary Government

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

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

Custodial Credit Risk-Deposits – The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City's deposit policy follows state statute which requires that deposits in excess of the depository insurance maximums must be collateralized 100%. The City's deposits and investments in financial institutions and the South Dakota Public Fund Investment Trust (SD FIT) were uninsured or exposed as being not subject to FDIC coverage or in excess of FDIC limits in the approximate amount of $59,050,000 as of December 31, 2025. The City's uninsured deposits with financial institutions were adequately collateralized with securities held by the pledging financial institutions. Amounts held with SD FIT and not subject to FDIC coverage were approximately $35,150,000 as of December 31, 2025.

Investments – Primary Government

In general, SDCL 4-5-6 permits municipal funds to be invested 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 (c) 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 that investments shall 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, 2025, the City's investments consisted solely of certificates of deposit held for investment purposes and money market account balances held with the South Dakota Public Fund Investment Trust (SD FIT). The money market accounts held with SD FIT are in the Government Cash Reserve Fund (SD FIT GCR) and are held at amortized cost and included within cash and cash equivalents on the financial statements as they are subject to daily redemption. The SD FIT GCR money market account is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SD FIT GCR money market account is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Fair Value Measurement – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

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

Custodial Credit Risk – The risk that, in the event of a counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City has no investments exposed to custodial credit risk.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer. The City's investments consist solely of certificates of deposit held with local banks and money market accounts held with the SD FIT GCR.

Deposits - Component Unit

The Commission's deposits are made and held in qualified public depositories. Qualified depositories are required by South Dakota Codified Law 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% 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. The Commission has entered into a general depository agreement in which deposits in excess of the amounts insured by the FDIC shall be fully and continually secured by the bank by the deposit or setting aside of collateral of the types and in the manner as is prescribed by state law for the security of public funds.

The Commission's policy is to credit all income from deposits to the fund which makes the deposits.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of a depository financial institution, the Commission's deposits may not be returned. The Commission does not have a formal investment policy in regard to custodial credit risk. All deposits are held in the Commission's or its component units' name by their financial institution.

At December 31, 2025, the actual bank balances were as follows:

	Bank Balance
Insured (FDIC)	$ 1,820,757
Uninsured	541,361
Uninsured, collateral held by the Commission or the Commission's agent in the Commission's name	1,405,410
Total deposits	$ 3,767,528
The Commission's carrying amount of deposits at December 31, 2025	$ 3,648,796

The Commission does not have a formal policy that addresses custodial credit risk, interest rate risk or credit risk.

Restricted deposits include amounts restricted by lenders or other agreements. The Commission's restricted deposits totaled $1,678,245 as of December 31, 2025.

Note 3 - Receivables and Payables

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

Note 4 - Inventory

Inventory in the General Fund and special revenue funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are off-set by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current position.

Inventory in the proprietary funds is recorded as an asset when acquired. The consumption of inventories is charged to expense as it is consumed. Inventories are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Note 5 - 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 the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

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

Note 6 - Due from Other Governments

- General Fund – $7,751 and $4,941 due from federal and state government, respectively, for grants; $1,426,917 due from state government for 1% city sales tax; $115,770 due from state government for local government highway/bridge funds; $52,540 due from state government for liquor tax reversion; and $97,906 due from county government for taxes and licenses.
- Promotion Fund – $166,228 due from state government for 1% city sales tax.
- Airport Fund – $1,831,097 due from federal government for grants, and $62,261 due from state government for grants.
- Special Sales Tax Fund – $1,426,977 due from state government for 1% city sales tax.
- Water Fund – $650,216 and $722 due from federal and state government, respectively, for grants; $91 due from county government for assessments.
- Sewer Fund – $4,072,710 due from federal government for grants.
- Business Improvement District Fund, TIF District #17 Bond Fund, TIF District #21 Bond Fund, TIF District #25 Bond Fund, TIF District #29 Bond Fund, TIF District #31 Bond Fund, TIF District #37 Bond Fund, TIF District #42 Bond Fund – A total of $6,524 due from county government for taxes and special assessments.

Note 7 - Changes in Capital Assets

A summary of changes in capital assets of the primary government for the year ended December 31, 2025, is as follows:

Primary Government	Balance 1/1/25	Increases	Decreases	Balance 12/31/25
Governmental Activities				
Capital assets, not being depreciated				
Land, not depreciated	$ 13,431,422	$ 1,029,844	$ (42,035)	$ 14,419,231
Construction work in progress	3,303,792	10,130,284	(4,387,324)	9,046,752
Total capital assets, not being depreciated	16,735,214	11,160,128	(4,429,359)	23,465,983
Capital assets, being depreciated				
Buildings	49,233,937	134,950	-	49,368,887
Improvements other than buildings	178,021,788	9,616,720	(561,359)	187,077,149
Machinery and equipment	32,906,247	2,744,943	(743,560)	34,907,630
Total	260,161,972	12,496,613	(1,304,919)	271,353,666
Less accumulated depreciation for				
Buildings	(18,972,407)	(1,047,373)	-	(20,019,780)
Improvements other than buildings	(78,865,801)	(4,727,574)	561,359	(83,032,016)
Machinery and equipment	(20,377,619)	(2,213,424)	725,224	(21,865,819)
Total accumulated depreciation	(118,215,827)	(7,988,371)	1,286,583	(124,917,615)
Total capital assets, being depreciated, net	141,946,145	4,508,242	(18,336)	146,436,051
Right-to-use leased assets being amortized				
Right-to-use lease equipment	892,166	-	-	892,166
Total	892,166	-	-	892,166
Less accumulated amortization for				
Right-to-use lease equipment	(309,211)	(103,071)	-	(412,282)
Total accumulated amortization	(309,211)	(103,071)	-	(412,282)
Total right-to-use lease assets, being amortized, net	582,955	(103,071)	-	479,884
Governmental activity capital assets, net	$ 159,264,314	$ 15,565,299	$ (4,447,695)	$ 170,381,918

Depreciation and amortization expense was charged to functions as follows:

Governmental Activities	
General government	$ 674,057
Public safety	869,274
Public works	4,737,202
Culture and recreation	1,810,909
Total depreciation and amortization expense - governmental activities	$ 8,091,442

Primary Government	Balance 1/1/25	Increases	Decreases	Balance 12/31/25
Business-Type Activities				
Capital assets, not being depreciated				
Land, not depreciated	$ 927,749	$ -	$ -	$ 927,749
Construction work in progress	5,571,029	29,360,186	(2,340,340)	32,590,875
Total capital assets, not being depreciated	6,498,778	29,360,186	(2,340,340)	33,518,624
Capital assets, being depreciated				
Buildings	65,533,197	310,117	-	65,843,314
Improvements other than buildings	40,172,634	3,439,030	-	43,611,664
Machinery and equipment	9,734,122	294,064	(55,384)	9,972,802
Total	115,439,953	4,043,211	(55,384)	119,427,780
Less accumulated depreciation for				
Buildings	(34,624,688)	(1,332,203)	-	(35,956,891)
Improvements other than buildings	(18,913,063)	(699,957)	-	(19,613,020)
Machinery and equipment	(6,365,907)	(561,218)	55,384	(6,871,741)
Total accumulated depreciation	(59,903,658)	(2,593,378)	55,384	(62,441,652)
Total capital assets, being depreciated, net	55,536,295	1,449,833	-	56,986,128
Right-to-use leased assets being amortized				
Right-to-use lease equipment	195,539	145,690	(195,539)	145,690
Total	195,539	145,690	(195,539)	145,690
Less accumulated amortization for				
Right-to-use lease equipment	(156,432)	(36,423)	156,432	(36,423)
Total accumulated amortization	(156,432)	(36,423)	156,432	(36,423)
Total right-to-use lease assets, being amortized, net	39,107	109,267	(39,107)	109,267
Business-type activity capital assets, net	$ 62,074,180	$ 30,919,286	$ (2,379,447)	$ 90,614,019

Depreciation and amortization expense was charged to functions as follows:

Business-type activities	
Water	$ 1,261,759
Sewer	1,140,097
Campground	109,526
Golf	118,419
Total depreciation and amortization expense - business-type activities	$ 2,629,801

The City has active construction projects as of December 31, 2025, related to a water reclamation facility expansion project, a watertower and transmission line project, a bridge improvement project, and airport improvement projects. At year-end, the City has remaining contractual commitments related to these projects of approximately $76,778,000.

A summary of changes in capital assets of the Component Unit for the year ended December 31, 2025, is as follows:

Component Unit	Balance 1/1/25	Additions	Deletions	Balance 12/31/25
Capital assets, not being depreciated				
Land	$ 1,070,165	$ 91,432	$ -	$ 1,161,597
Construction in progress	521,101	845,198	(917,971)	448,328
Total capital assets, not being depreciated	1,591,266	936,630	(917,971)	1,609,925
Capital assets, being depreciated				
Land improvements	185,839	-	-	185,839
Buildings and improvements	31,066,499	824,277	(4,650)	31,886,126
Furniture, equipment and machinery - dwelling	1,845,773	204,561	(134,973)	1,915,361
Furniture, equipment and machinery - nondwelling	420,823	-	-	420,823
Total capital assets, being depreciated	33,518,934	1,028,838	(139,623)	34,408,149
Less accumulated depreciation for				
Buildings, improvements and land improvements	(18,053,003)	(982,718)	1,899	(19,033,822)
Furniture, equipment and machinery - dwelling	(1,562,223)	(74,823)	133,421	(1,503,625)
Furniture, equipment and machinery - nondwelling	(312,937)	(25,130)	-	(338,067)
Total accumulated depreciation	(19,928,163)	(1,082,671)	135,320	(20,875,514)
Total capital assets being depreciated, net	13,590,771	(53,833)	(4,303)	13,532,635
Capital assets, net	$ 15,182,037	$ 882,797	$ (922,274)	$ 15,142,560

Note 8 - Long-Term Liabilities

A summary of the changes in long-term liabilities follows:

Primary Government	January 1, 2025	Increases	Decreases	December 31, 2025	Due Within One Year	Interest Paid
Governmental Activities						
Bonds payable						
Tax increment revenue bonds #2	$ 860,000	$ -	$ (180,000)	$ 680,000	$ 190,000	$ 47,300
Tax increment revenue bonds #8	272,589	-	(186,187)	86,402	86,402	13,584
Tax increment revenue bonds #17	915,000	-	(95,000)	820,000	100,000	52,363
Sales tax revenue bonds, City Hall Reno	2,481,285	-	(247,365)	2,233,920	245,000	53,988
Sales tax revenue bonds, Softball	3,581,397	-	(203,426)	3,377,971	205,000	84,113
Sales tax revenue bonds, Library	3,812,817	-	(295,711)	3,517,106	295,000	122,250
Sales tax revenue bonds, Public Works	-	20,263,654	-	20,263,654	655,000	-
Direct borrowings and direct placements						
Tax increment revenue bonds #19	723,586	-	(241,387)	482,199	107,964	31,713
Tax increment revenue bonds #26	499,138	-	(249,019)	250,119	94,840	16,068
Tax increment revenue bonds #27	779,019	-	(130,666)	648,353	64,227	35,538
Tax increment revenue bonds #29	2,368,969	-	(133,278)	2,235,691	137,513	83,397
Tax increment revenue bonds #32	2,275,293	-	(113,595)	2,161,698	117,406	74,583
Tax increment revenue bonds #39	5,166,176	-	(139,087)	5,027,089	147,557	307,915
Leases	599,547	-	(97,700)	501,847	102,105	25,562
Compensated absences*	1,341,164	119,500	-	1,460,664	1,460,664	-
Total government activities	25,675,980	20,383,154	(2,312,421)	43,746,713	4,008,678	948,374
Business-Type Activities						
Bonds payable						
Sewer revenue bonds	2,447,899	-	(1,110,110)	1,337,789	1,129,372	36,445
Direct borrowings and direct placements						
Water sales tax and revenue bonds	2,696,581	1,338,164	(1,085,853)	2,948,892	1,078,848	35,515
Sewer revenue bonds	-	4,526,795	-	4,526,795	-	-
Leases	99,342	145,690	(172,291)	72,741	-	5,846
Compensated absences*	123,773	5,807	-	129,580	129,580	-
Total business-type activities	5,367,595	6,016,456	(2,368,254)	9,015,797	2,337,800	77,806
Total primary government	$ 31,043,575	$ 26,399,610	$ (4,680,675)	$ 52,762,510	$ 6,346,478	$ 1,026,180
Component Unit						
Mortgages and other notes payable	$ 4,046,760	$ -	$ (127,227)	$ 3,919,533	$ 597,062	$ 114,257
Other long-term liabilities	47,987	-	(3,670)	44,317	-	-
Compensated absences*	61,363	34,478	-	95,841	95,841	-
	$ 4,156,110	$ 34,478	$ (130,897)	$ 4,059,691	$ 692,903	$ 114,257

*The roll-forward schedule only reports the net change in the compensated absences liability.

Long-term liabilities payable at December 31, 2025, is comprised of the following (excluding compensated absences and lease liabilities):

Primary Government

Tax Increment Revenue Bonds		
Tax Increment Revenue Bonds, District No. 2 totaling $3,195,000 were issued in 2003. Additional Tax Increment Revenue Bonds, District No. 2 totaling $510,000 were issued in 2006. The bonds require semi-annual payments of total principal and interest ranging from $225,450 to $359,790, interest ranging from 5.10% to 5.5% from the Debt Service Fund, final payment due December 2022. In 2011, the Series 2003B and 2006C bonds of $1,250,000 were refunded by Series 2011 Bonds of $1,250,000 to change the final payment to December 2029.	$	680,000
Tax Increment Revenue Bonds, District No. 8 totaling $3,800,000 were issued in 2008. The bonds require semi-annual principal and interest payments of $170,454 at 5.5% interest from the Debt Service Fund, maturity June 2026.		86,402
Tax Increment Revenue Bonds, District No. 17 totaling $1,695,000 were issued in 2013. The bonds require semi-annual payments of total principal and interest ranging from $144,925 to $148,400, interest ranging from 4.0% to 6.0% from the Debt Service Fund, final payment due December 2032.		820,000
Direct Placement Tax Increment Revenue Bonds		
Tax Increment Revenue Bonds, District No. 19 totaling $1,935,200 were issued in 2014. The bonds require semi-annual payments of total principal and interest of $71,934 at 4.0% interest from the Debt Service Fund, maturity June 2033.		482,199
Tax Increment Revenue Bonds, District No. 26 totaling $1,935,000 were issued in 2016. The bonds require semi-annual payments of total principal and interest of $67,671 at 4.0% interest from the Debt Service Fund, maturity June 2036.		250,119
Tax Increment Revenue Bonds, District No. 27 totaling $1,440,000 were issued in 2017. The bonds require semi-annual payments of total principal and interest of $53,615 at 4.25% interest from the Debt Service Fund, maturity June 2038.		648,353
Tax Increment Revenue Bonds, District No. 29 totaling $3,103,803 were issued in 2019. The bonds require semi-annual payments of total principal and interest of $108,338 at 3.55% interest from the Debt Service Fund, maturity December 2038.		2,235,691
Tax Increment Revenue Bonds, District No. 32 totaling $1,850,000 were issued in 2020. In 2021, $750,000 of additional bonds were issued. Bonds issued in 2020 require semi-annual payments of total principal and interest of $65,635 at 3.25% interest, maturity June 2040. Bonds issued in 2021 require quarterly payments of total principal and interest of $14,227, at 3.5% interest, maturity September 2040. Both issuances' payments are from the Debt Service Fund.		2,161,698
Tax Increment Revenue Bonds, District No. 39 totaling $5,297,279 were issued in 2024. The bonds require semi-annual payments of total principal and interest of $223,501 at 6.00% interest from the Debt Service Fund, maturity December 2044.		5,027,089

Sales Tax Revenue Bonds	
Sales Tax Revenue Bonds, City Hall Renovation, totaling $3,940,000, were issued in 2014. In 2020, $3,250,000 of bonds were issued along with existing funds to current refund these issued bonds, changing annual principal payments ranging from $220,000 to $285,000, plus interest ranging from 1.75% to 3.00% from the Debt Service Fund, final payment due December 2033. Balance includes unamortized premium of $98,920.	2,233,920
Sales Tax Revenue Bonds, New Library Project, Tax-Exempt Series 2015 totaling $6,045,000 were issued in 2016. The bonds require annual principal payments ranging from $260,000 to $395,000, plus interest ranging from 1.25% to 4.00% from the Debt Service Fund, final payment due December 2035. Balance includes unamortized premium of $107,107.	3,517,106
Sales Tax Revenue Bonds, Softball Project, Tax-Exempt Series 2020 totaling $4,275,000 were issued in 2020. The bonds require annual principal payments ranging from $185,000 to $275,000, plus interest ranging from 1.7% to 3.00% from the Debt Service Fund, final payment due December 2039. Balance includes unamortized premium of $47,971.	3,377,971
Sales Tax Revenue Bonds, Public Works Project, Tax-Exempt Series 2025 totaling $19,230,000 were issued in 2025. The bonds require annual principal payments ranging from $615,000 to $1,415,000, plus interest ranging from 4.0% to 5.0% from the Debt Service Fund, final payment due December 2045. Balance includes unamortized premium of $1,033,654.	20,263,654
Total Governmental Activities	$ 41,784,202
Business-Type Activities:	
Direct Placement Water Sales Tax Revenue Bonds	
The City passed Ordinance 21-0-03 in 2021 to issue refunding bonds of $5,120,000 to refund $5,065,000 of original issue bonds remaining from "Water Revenue Refunding Bonds Series 2012A." The 2021 bonds require annual payments of total principal and interest ranging from of $1,033,160 to $1,059,629, at 1.10% interest from the Water Fund, final payment due April 2026.	$ 1,026,451
The City passed Ordinance 12-10-05 to enter into a "Drinking Water State Revolving Fund" loan agreement for up to $1,040,000 in October 2013. The debt on the loan agreement totaling $1,040,000 requires annual payments of $69,340, which includes interest at 3.00% from the Water Fund, final payment due August 2035.	584,277
The City passed Ordinance 24-10-04 to enter into a "Drinking Water State Revolving Fund" loan agreement for up to $10,000,000 in November 2024. The debt on the loan agreement totaling $10,000,000 requires quarterly payments of $174,337, which includes interest at 3.50% from the Water Fund, final payment due August 2031.	1,338,164

Sewer Revenue Bonds	
The City passed Resolution 20-02-02 in 2020 to issue refunding bonds of $7,290,324 along with other City funds to refund $8,972,706 of original issue bonds remaining from CW#2, CW#1A, and CW#1NPS State Revolving Fund loans. The 2020 bonds require semi-annual payments of principal and interest ranging from $573,325 to $575,470, interest at 1.79% from the Sewer Fund, maturity January 2027.	1,337,789
Direct Placement Sewer Sales Tax Revenue Bonds	
The City passed Ordinance 24-10-02 to enter into a "Clean Water State Revolving Fund" loan agreement for up to $32,426,100 in November 2024. The debt on the loan agreement totaling $32,426,100 requires quarterly payments of $424,037, which includes interest at 3.25% from the Sewer Fund, final payment due August 2033.	4,526,795
Total Business-Type Activities:	$ 8,813,476
Component Unit	
Lawson View - 6.76% Mortgage note payable with Richman Mortgage Assets Company, due in monthly installments of $4,545, including interest, matures August 2026, secured by first position in substantially all Partnership assets net of unamortized debt issuance costs of $1,010 based upon effective interest rate of 7.30%.	$ 484,660
Lawson View - 5.15% Note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, interest and principal to be paid from net operating income, with the entire balance due December 2037, secured by third position in substantially all Partnership assets.	200,000
Sunshine Park - 0% Mortgage note payable to South Dakota Housing Development Authority, payable in varying monthly installments through March 2035, secured by a mortgage on all property and equipment.	110,000
Sunshine Park - 6% Mortgage note payable with Housing and Redevelopment Commission of the City of Aberdeen, South Dakota, annual payments based on available cash flow with entire balance due December 2039, secured by a mortgage and assignment of rents and leases.	180,186
Sunshine Park - 0% NSP loan from South Dakota Housing Development Authority, principal due July 2040, secured by a mortgage and assignment of rents and leases.	361,991
Sunshine Park - 0% TCAP mortgage note payable from South Dakota Housing Development Authority, principal due March 2050, secured by a mortgage and assignment of rents and leases, net of unamortized debt issuance costs of $8,600 based upon an effective interest rate of 0.11%.	323,241
Jackson Heights - 5.8% Mortgage note payable to First Dakota National Bank, due in varying monthly installments, including interest through February 2031, secured by a mortgage on all property and equipment, net of unamortized debt issuance costs of $3,614 based upon an effective interest rate of 6.53%.	326,825
Jackson Heights - 0% Note payable to South Dakota Housing Development Authority, due in varying annual installments through August 2038, secured by a mortgage on all property and equipment.	774,859

Central Villas - 6% Note payable to Horizon Bank through February 2036, due in varying monthly installments including interest, secured by a mortgage on all property and equipment, net of unamortized debt issuance costs of $4,246 based on an effective interest rate of 6.40%.	518,589
Central Villas - 0% Mortgage note payable with South Dakota Housing Development Authority with varying monthly payments through December 2042, secured by a mortgage on all property and equipment and an assignment of rents and leases.	639,182
Total Component Unit	$ 3,919,533

The debt instruments for the sales tax revenue bonds were issued for various projects, expansions or renovations and contain provisions which pledge future sales tax revenues as security for the principal and interest payments on the related debt. The amount of the revenue pledged approximates the remaining principal and interest payments on the sales tax revenue bonds, which will not be available for other purposes until varying dates through 2045 as the bonds mature. Approximately 30% of sales tax revenues are considered pledged. Total principal and interest remaining on the sales tax revenue bonds is $41,307,447, payable at varying dates through 2045. For the sales tax revenue bonds, principal and interest paid and sales tax revenues for 2025 were $1,006,853 and $11,331,246, respectively.

The debt instruments for both the Water Revenue Bonds and Sewer Revenue Bonds, which were issued for the purpose of improving each system, contain provisions which pledge the future revenues of the respective drinking water and wastewater systems as security for the principal and interest payments on the related debt. The amount of the revenue pledged approximates the remaining principal and interest payments on the Water Revenue and Sewer Revenue Bonds, which will not be available for other purposes until approximately 2035 and 2033, respectively. Approximately 100% of each system's usage and service revenues are considered pledged. Total principal and interest remaining on the Water and Sewer Revenue Bonds is $5,062,636 and $14,651,891, respectively, payable through varying dates through 2035. For the Water Revenue Bonds, principal and interest paid and total customer revenues for 2025 were $1,121,368 and $8,794,578, respectively. For the Sewer Revenue Bonds, principal and interest paid and total customer revenues for 2025 were $1,146,555 and $5,971,619, respectively.

The loan agreement for certain direct placement Water and Sewer Revenue Bonds contains requirements for the City to comply with certain covenants relating to net revenues available for debt service. As of December 31, 2025, the City was in compliance with the net revenues available for debt service on these related bonds.

Tax Incremental Revenue Bonds

In July 2002, the City passed a resolution creating Tax Increment District No. 2. In September 2003, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of $3,195,000. In June 2006, a resolution was passed authorizing an additional issuance of Tax Increment Revenue Bonds for District No. 2 in the amount of $510,000. Bonds in the amount $3,705,000 were issued with the proceeds used to liquidate liabilities arising from public improvements relating to the Tax Increment District No. 2. Incremental property taxes were projected to produce 106% of the debt service requirements over the life of the bonds. In 2011, the Series 2003B and 2006C bonds of $1,250,000 were refunded by Series 2011 Bonds of $1,250,000. Total principal and interest remaining on the bonds is $764,700, payable through December 2029. For 2025, principal and interest paid and total incremental property tax revenues were $227,300 and $115,039, respectively.

In November 2007, the City passed a resolution creating Tax Increment District No. 8. In December 2007, a resolution was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 8 in the amount of $3,500,000. In January 2008, a resolution was passed to amend the project plan and an ordinance was then passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 8 in the amount of $4,500,000. Bonds in the amount of $3,800,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 8. Incremental property taxes were projected to produce 105% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $86,402 payable through June 2026. For 2025, principal and interest paid and total incremental property tax revenues were $199,772 and $199,772, respectively.

In October 2012, the City passed a resolution creating Tax Incremental District No. 17. In January 2013, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 17 to provide funds not to exceed the amount of $1,500,000 for project costs. Bonds in the amount of $1,695,000 have been issued with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 17. Incremental property taxes were projected to produce 180% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $1,024,150, payable through December 2032. For 2025, principal and interest paid and total incremental property tax revenues were $147,363 and $50,574, respectively.

In August 2013, the City passed a resolution creating Tax Incremental District No. 19. In September 2013, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 19 to provide funds not to exceed the amount of $2,500,000 for project costs. Bonds in the amount of $1,935,200 have been issued in January 2014, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 19. Incremental property taxes were projected to produce at least 105% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $608,238, payable through June 2031. For 2025, principal and interest paid and total incremental property tax revenues were $273,100 and $267,534, respectively.

In April 2016, the City passed a resolution creating Tax Incremental District No. 26. In May 2016, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 26 to provide funds not to exceed the amount of $2,000,000 for project costs. Bonds in the amount of $1,935,000 have been issued in July 2016, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 26. Incremental property taxes were projected to produce at least 101% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $361,460, payable through June 2030. For 2025, principal and interest paid and total incremental property tax revenues were $265,087 and $266,711, respectively.

In June 2017, the City passed a resolution creating Tax Incremental District No. 27. In August 2017, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 27 to provide funds not to exceed the amount of $1,773,184 for project costs. Bonds in the amount of $1,440,000 have been issued in December 2017, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 27. Incremental property taxes were projected to produce at least 147% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $923,954, payable through June 2035. For 2025, principal and interest paid and total incremental property tax revenues were $166,205 and $213,294, respectively.

In June 2018, the City passed a resolution creating Tax Incremental District No. 29. In January 2019, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 29 to provide funds not to exceed the amount of $3,103,803 for project costs. Bonds in the amount of $3,103,803 were issued in March 2019, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 29. Incremental property taxes were projected to produce at least 163% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $2,818,872, payable through December 2038. For 2025, principal and interest paid and total incremental property tax revenues were $216,675 and $341,147, respectively.

In September 2020, the City passed a resolution creating Tax Incremental District No. 32. In October 2020, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 32 to provide funds not to exceed the amount of $4,333,678 for project costs. Bonds in the amount of $1,850,000 and $750,000 were issued in December 2020 and September 2021, respectively, with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 32. Incremental property taxes were projected to produce at least 227% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $2,742,802, payable through September 2040. For 2025, principal and interest paid and total incremental property tax revenues were $188,178 and $182,581, respectively.

In May 2023, the City passed a resolution creating Tax Incremental District No. 39. In January 2024, an ordinance was passed authorizing the issuance of Tax Increment Revenue Bonds for District No. 39 to provide funds not to exceed the amount of $5,297,279 for project costs. Bonds in the amount of $5,297,279 were issued in February 2024 with the proceeds used to liquidate liabilities arising from public improvements and infrastructure relating to the Tax Increment District No. 39. Incremental property taxes were projected to produce at least 141% of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $8,493,041, payable through December 2044. For 2025, principal and interest paid and total incremental property tax revenues were $447,002 and $38,703, respectively.

The Tax Increment Revenue Bonds, District Nos. 2, 8, 17, 19, 26, 27, 29, 32, and 39 do not pledge the general credit or taxing powers of the City of Aberdeen. The bonds are payable solely from the tax increment payments received and other revenues derived by the City from the Tax Increment Revenue Bonds, District Nos. 2, 8, 17, 19, 26, 27, 29, 32, and 39.

Maturities

The annual requirements to maturity for all debt outstanding as of December 31, 2025, are as follows:

Year Ending December 31	TIF Revenue Bonds		TIF Direct Placement Revenue Bonds		Sales Tax Revenue Bonds		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 376,402	$ 84,775	$ 669,507	$ 568,785	$ 1,400,000	$ 1,063,722	$ 597,062	$ 92,015
2027	305,000	69,075	697,936	540,358	1,380,000	1,080,900	116,538	64,746
2028	320,000	52,300	682,773	510,955	1,440,000	1,029,930	122,529	58,755
2029	195,000	34,700	653,428	449,524	1,490,000	979,018	128,712	53,011
2030	120,000	23,400	579,118	412,737	1,545,000	925,898	152,419	46,041
2031-2035	270,000	24,600	3,041,954	1,605,125	8,010,000	3,740,183	963,627	163,776
2036-2040	-	-	2,911,523	836,634	6,330,000	2,205,364	1,360,293	63,912
2041-2045	-	-	1,568,910	219,101	6,510,000	889,781	163,982	-
2046-2050	-	-	-	-	-	-	331,841	-
Premium/(Discount)	-	-	-	-	1,287,651	-	(17,470)	-
	$ 1,586,402	$ 288,850	$ 10,805,149	$ 5,143,219	$ 29,392,651	$ 11,914,796	$ 3,919,533	$ 542,256

Year Ending December 31	Water Direct Placement Revenue Bonds		Sewer Revenue Bonds		Sewer Direct Placement Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 1,078,848	$ 28,597	$ 1,129,372	$ 17,771	$ -	$ -	$ 5,251,191	1,855,665
2027	53,987	796,047	208,417	1,277	485,649	3,157,620	3,247,527	5,710,023
2028	407,560	359,129	-	-	666,147	1,030,001	3,639,009	3,041,070
2029	421,728	344,961	-	-	688,062	1,008,086	3,576,930	2,869,300
2030	436,390	330,300	-	-	710,698	985,450	3,543,625	2,723,826
2031-2035	550,379	254,710	-	-	1,976,239	2,587,102	14,812,199	8,375,496
2036-2040	-	-	-	-	-	-	10,601,816	3,105,910
2041-2045	-	-	-	-	-	-	8,242,892	1,108,882
2046-2050	-	-	-	-	-	-	331,841	-
Premium/(Discount)	-	-	-	-	-	-	1,270,181	-
	$ 2,948,892	$ 2,113,744	$ 1,337,789	$ 19,048	$ 4,526,795	$ 8,768,259	$ 54,517,211	$ 28,790,172

The remaining principal and interest payments on lease liabilities are as follows:

Years Ending December 31,	Principal	Interest
2026	$ 102,105	$ 21,157
2027	108,978	16,549
2028	113,934	13,540
2029	79,798	10,332
2030	83,101	7,029
2031	86,672	3,456
	$ 574,588	$ 72,063

Note 9 - Interfund Balances and Activity

Transfers to/from other funds during the year ended December 31, 2025, consist of the following:

	Transfers To:			
Transfers From:	General Fund	Airport Fund	Water Fund	Sewer Fund
Major Funds				
General Fund	$ -	$ -	$ -	$ -
Special Sales Tax Fund	670,000	240,000	500,000	710,000
Water Fund	380,000	-	-	-
Sewer Fund	210,000	-	-	-
Public Works Facility Project Fund	-	-	-	-
Other Governmental Funds	1,030,676	-	25,000	25,000
Other Business-Type Funds	262,762	-	-	-
	$ 2,553,438	$ 240,000	$ 525,000	$ 735,000

	Transfers To:			
Transfers From:	Public Works Facility Project Fund	Other Governmental Funds	Other Business-Type Funds	Total
Major Funds				
General Fund	$ -	$ 546,110	$ 194,500	$ 740,610
Special Sales Tax Fund	370,000	3,295,000	100,000	5,885,000
Water Fund	-	300,000	-	680,000
Sewer Fund	-	250,000	-	460,000
Public Works Facility Project Fund	-	500,000	-	500,000
Other Governmental Funds	-	612,700	973	1,694,349
Other Business-Type Funds	-	-	-	262,762
	$ 370,000	$ 5,503,810	$ 295,473	$ 10,222,721

Interfund transfers were made for the purpose of supplementing other fund sources to conduct the indispensable functions of the City.

Note 10 - Restricted Net Position

The following table summarizes the restricted net position for other purposes as shown on the government-wide statement of net position as of December 31, 2025:

Fund	Restricted By	Amount
Other purposes		
Business Improvement District Fund	State Law	$ 15,034
Storm Water Maintenance Fund	State Law	743,610
Library Fines Fund	State Law	29,384
General Fund	State Law	9,340
Airport Fund	Contractual Agreement	3,053,953
Promotion Fund	State Law	833,419
Park and Recreation Gift Fund	State Law	1,312,158
Parking District Fund	State Law	156,289
Total restricted net position for other purposes		$ 6,153,187

Note 11 - Risk Management

Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2025, the City managed its risks as follows:

Employee Health Insurance

The City has established a Self-Funded Insurance Fund (an Internal Service Fund) to account for and finance its risks related to:

a. Life Insurance – Maximum $20,000
b. Accidental Death and Dismemberment – Maximum $20,000
c. Prescription Drug – Insured co-payment per prescription: 20% generic and 30% non-generic
d. Major Medical – Unlimited Maximum

Various rates of benefit coverages, deductibles, etc., are included in the insurance package provided for the covered employees and dependents. The City provides a preventative exam benefit of $50 for employees and spouses who are enrolled in the City's health plan an complete an annual physical exam.

The City purchases commercial insurance for the life insurance and accidental death and dismemberment coverages provided. The City purchases stop loss insurance on their health insurance coverage which limits their risk to $90,000 per individual with an aggregate of approximately $2.209 million.

All funds of the City that pay employee wages participate in the program and make payments to the Self-Funded Insurance Fund. The Self-Funded Insurance Fund makes payments to Wellmark based on actual expenses needed to pay current claims and to purchase stop loss insurance coverage of $90,000 per individual. Net position of $248,348 is available as of December 31, 2025, for future claims and premium increases. The amount of claim liabilities as of December 31, 2025, 2024 and 2023, were $304,686, $186,986 and $241,931, respectively.

Changes in the amount of claims liabilities in the last three years were as follows:

	Balance at January 1	Claims and Changes in Estimates	Claim Payments	Balance at December 31
2025	$ 186,986	$ 3,363,030	$ 3,245,330	$ 304,686
2024	241,931	2,737,737	2,792,682	186,986
2023	460,748	2,260,411	2,479,228	241,931

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

The City carries the following deductibles for the coverages listed below:

Coverage	Deductible
General liability (including public officials)	$ 250
Automobile liability	-
Law enforcement liability	3,000

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

Workers' Compensation

The City participates in the South Dakota Municipal League Workers' Compensation 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 workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to, and cooperate with, the fund to resolve any workers' compensation claims. The City pays an annual premium to provide workers' compensation coverage for its employees under a self-funded program, and the premiums are accrued based on the ultimate costs of the experience-to-date of the fund members. Coverage limits are set by state statute. The pool pays for the first $650,000 of any claim per individual. The pool has reinsurance that covers up to statutory limits in addition to a separate combined employer liability limit of $2,000,000 per incident.

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

Unemployment Benefits

The City has elected to be self-insured and retains all risk for liabilities resulting from claims for unemployment benefits.

The City has net position in the Unemployment Compensation Fund in the amount of $24,336 as of December 31, 2025, for the payment of future unemployment benefits.

During the year ended December 31, 2025, $8,788 for unemployment benefits were paid. At December 31, 2025, one claim had been filed and was outstanding. It is estimated that this claim will result in the future payment of unemployment benefits in the amount of approximately $2,182.

Component Unit

The Commission 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 year ended December 31, 2025, the Commission managed its risks by purchasing liability insurance from a commercial carrier for risks related to torts, theft or damage of property, and errors and omissions, and liability insurance for workers' compensation. The Commission provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 12 - Retirement Plan

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

Benefits Provided

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85, or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation 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 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% joint and survivor benefit, or a 100% 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% of compensation funded by part of the employer contribution. The 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% to 0.0%.

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% of salary; Class B judicial members, 9% of salary; and, Class B public safety members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions made to the SDRS for the years ended December 31, 2025, 2024 and 2023, were $1,413,313, $1,236,551 and $1,164,030, respectively, equal to the required contributions each year.

The Component Unit's share of contributions made to the SDRS for the years ended December 31, 2025, 2024 and 2023, were $59,880, $60,218 and $54,836, respectively, equal to the required contributions each year.

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

At June 30, 2025, SDRS is 100.10% funded and, accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of SDRS for the City as of this measurement period and reported by the City as of December 31, 2025, are as follows:

Proportionate share of pension liability	$ 112,903,098
Less proportionate share of net pension restricted for pension benefits	112,966,012
Proportionate share of net pension liability (asset)	$ (62,914)

At December 31, 2025, the City reported an asset of $62,914 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2025, and the total pension liability used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025, the City's proportion was 0.739717%, which was a increase of 0.028904% from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025, the City recognized a reduction of pension expense of $1,349,193. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,153,998	$ -
Changes in assumption	-	3,339,543
Net difference between projected and actual earnings on pension plan investments	3,065,359	-
Changes in proportion and difference between County/Municipal contributions and proportionate share of contributions	51,497	19,814
Municipality contributions subsequent to the measurement date	711,992	-
	$ 5,982,846	$ 3,359,357

At December 31, 2025, there was $711,992 reported as deferred outflow of resources related to pensions resulting from the City's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability (or increase in the net pension asset) in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of expense) as follows:

Year Ended December 31:	Amount
2026	$ 1,476,654
2027	170,155
2028	98,422
2029	166,266
Total	$ 1,911,497

The proportionate share of the components of the net pension asset of SDRS for the Component Unit as of this measurement period and reported by the Component Unit as of December 31, 2025, are as follows:

Proportionate share of pension liability	$ 4,858,827
Less proportionate share of net pension restricted for pension benefits	4,861,535
Proportionate share of net pension liability (asset)	$ (2,708)

At December 31, 2025, the Component Unit reported an asset of $2,708 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2025, and the total pension liability used to calculate the net pension asset was based on a projection of the Component Unit's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025, the Component Unit's proportion was 0.031834%, which was a decrease of 0.004749% from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025, the Component Unit recognized a reduction of pension expense of $60,025. At December 31, 2025, the Component Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 92,698	$ -
Changes in assumption	-	143,718
Net difference between projected and actual earnings on pension plan investments	131,919	-
Changes in proportion and difference between the contributions and proportionate share of contributions	3,255	6,069
Contributions subsequent to the measurement date	32,441	-
	$ 260,313	$ 149,787

At December 31, 2025, there is $32,441 reported as deferred outflow of resources related to pensions resulting from Component Unit contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability (or increase in the net pension asset) in the year ending December 31, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of December 31, 2025, will be recognized in pension expense (reduction of expense) as follows:

Year Ended December 31:	Amount
2026	$ 60,772
2027	5,184
2028	4,612
2029	7,517
	$ 78,085

Actuarial Assumptions

The total pension liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.56%

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 Members: PubS-2010, 102% of rates at all ages
- Beneficiaries:
  - Pub G-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, 2025, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3 %	3.8 %
Investment Grade Debt	22.8	2.3
High Yield Debt	7.0	2.9
Real Estate	12.0	4.0
Cash	1.9	0.8
	100.0 %	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

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

	1% Decrease	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	$ 15,418,894	$ (62,914)	$ (12,746,215)

	1% Decrease	Current Discount Rate	1% Increase
Component Unit's proportionate share of the net pension liability (asset)	$ 663,558	$ (2,708)	$ (548,538)

Pension Plan Fiduciary Net Position

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

Note 13 - Contingencies

The City is party to numerous legal proceedings, many of which occur in the normal course of governmental operations. There is no outstanding legal litigation as of December 31, 2025.

Note 14 - Leases

Lessee Activities

The City has entered into three lease agreements for ambulance equipment and golf carts. The City is required to make principal and interest payments through March 2031. The lease liability was valued using discount rates between 2.67% and 5.50% based on the City's incremental borrowing rate at the inception of the leases or the rate implicit in the lease, if available.

Lessor Activities

The City has accrued a receivable for various land, airport hangar, building, and storage leases. The remaining receivable for these leases was $815,380 for the year ended December 31, 2025. Deferred inflows related to these leases were $748,530 as of December 31, 2025. Interest revenue recognized on these leases was $37,412 for the year ended December 31, 2025. Principal receipts of $153,263 were recognized during the fiscal year. The interest rate on these leases range between 4.00% and 5.02%. Final receipt is expected in fiscal year 2043.

Note 15 - Tax Abatements

The City has eleven active Tax Increment Financing (TIF) districts in which the City has entered into an agreement with the developer (sponsor) of the TIF district. Under each agreement, property tax increments received by the City are paid to the project sponsor as a grant to cover eligible project expenses approved by resolution by the Planning Commission and the City Council, as allowed by South Dakota Codified Law Section 11-9. The project sponsor bears the risk that increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall. When all approved project costs are paid, or the TIF is dissolved in accordance with state statutes, all property tax revenue will be distributed to the appropriate taxing entities. Increments totaling approximately $1,305,000 were received by the City and paid to project sponsors during 2025.

Note 16 - Deficit Fund Balance

As of December 31, 2025, the TIF District #32 Bond Fund and TIF District #35 Bond Fund had a deficit fund balance in the amount of $11,448 and $3, respectively. The City Council and City management plan to address the deficit fund balances by closely monitoring departmental activity and fund balances throughout the year and allocating additional General Fund dollars to those funds with a deficit fund balance, as necessary.

Note 17 - Related Party Transactions

The City holds long-term debt at local financial institutions in which City Council members or their spouses are also shareholders, on the board of directors, or executive management. Total long-term debt outstanding to these financial institutions as of December 31, 2025, was approximately $6,882,000, and total principal and interest paid during the year ended December 31, 2025, was approximately $1,029,000. The City also holds approximately $15,384,000 of money market deposits and approximately $287,000 of certificates of deposit at these same local financial institutions.

Note 18 - Violations of Finance-Related Legal and Contractual Provisions

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The City, within the police function and parks function, did not appropriate sufficient amounts for police expenditures and parks expenditures and, thus, overspent appropriations by $410,595 and $17,280, respectively. The City plans to exercise greater oversight during the budgeting process and to appropriate necessary amounts for expenditures.

Note 19 - Subsequent Events

In the normal course of the City's operations, the City approves bids and enters into contracts for the improvement, acquisition, or construction of capital assets and other infrastructure. Significant subsequent events are as follows:

- Approved the creation of Tax Increment Finance District #45 providing for TIF assistance for eligible project costs in the amount of $4,137,000, plus interest computed at 6.5% per year.
- Approved a bid for construction of a public works facility in the amount of $20,634,500.

Note 20 - Change Within Financial Reporting Entity

As of January 1, 2025, there was a change within the financial reporting entity to which the Parks and Recreation Fund, which was previously reported as a major fund by the City, was subsumed into the General Fund through Council resolution. As a result, all beginning fund balance of the Parks and Recreation Fund was subsumed into the General Fund. This resulted in adjustments to restate beginning fund balance of the related funds as follows:

	January 1, 2025 As Previously Reported	Change To or Within the Financial Reporting Entity	January 1, 2025 As Restated
Governmental Funds			
General Fund	$ 13,602,378	$ (266,155)	$ 13,336,223
Parks and Recreation Fund	(266,155)	266,155	-

Required Supplementary Information
December 31, 2025

City of Aberdeen

City of Aberdeen

Schedule of Proportionate Share of Net Pension Liability (Asset)

Year Ended December 31, 2025

Pension Plan	Fiscal Year Ending *	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	City's Covered Payroll (b)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Asset
SDRS	6/30/2025	0.7397%	$ (62,914)	$ 19,230,723	0.33%	100.10%
SDRS	6/30/2024	0.7108%	(28,773)	17,424,433	0.17%	100.00%
SDRS	6/30/2023	0.7409%	(72,316)	16,797,580	0.43%	100.10%
SDRS	6/30/2022	0.7661%	(72,398)	16,098,680	0.45%	100.10%
SDRS	6/30/2021	0.7735%	(5,923,970)	15,478,024	38.27%	105.52%
SDRS	6/30/2020	0.7722%	(33,535)	14,955,414	0.22%	100.04%
SDRS	6/30/2019	0.7733%	(81,950)	14,598,105	0.56%	100.09%
SDRS	6/30/2018	0.7438%	(17,346)	13,771,154	0.13%	100.02%
SDRS	6/30/2017	0.7585%	(68,833)	13,741,281	0.50%	100.10%
SDRS	6/30/2016	0.7450%	2,516,685	12,616,837	19.95%	96.89%

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

City of Aberdeen
Schedule of Pension Contributions
Year Ended December 31, 2025

Pension Plan	Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	12/31/2025	$ 1,413,313	$ 1,413,313	$ -	$ 20,551,024	6.9%
SDRS	12/31/2024	1,236,551	1,236,551	-	18,028,673	6.9%
SDRS	12/31/2023	1,164,030	1,164,030	-	16,997,898	6.8%
SDRS	12/31/2022	1,115,332	1,115,332	-	16,366,495	6.8%
SDRS	12/31/2021	1,080,773	1,080,773	-	15,846,495	6.8%
SDRS	12/31/2020	1,036,153	1,036,153	-	15,232,218	6.8%
SDRS	12/31/2019	999,441	999,441	-	14,801,338	6.8%
SDRS	12/31/2018	954,750	954,750	-	14,233,926	6.7%
SDRS	12/31/2017	908,311	908,311	-	13,481,723	6.7%
SDRS	12/31/2016	869,768	869,768	-	12,891,308	6.7%

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	$ 12,075,000	$ 12,075,000	$ 11,914,193	$ (160,807)
313 General sales and use taxes	11,460,000	11,460,000	11,711,613	251,613
314 Gross receipts business taxes	110,000	110,000	128,934	18,934
318 Tax deed revenue	5,000	5,000	-	(5,000)
319 Penalties and interest on delinquent taxes	30,000	30,000	27,583	(2,417)
320 Licenses and permits	558,800	558,800	669,351	110,551
330 Intergovernmental revenue				
331 Federal grants	580,000	580,000	1,097,848	517,848
334 State grants	125,000	125,000	72,214	(52,786)
335 State shared revenue				
335.01 Bank franchise tax	175,000	175,000	146,344	(28,656)
335.02 Motor vehicle commercial prorate	32,000	32,000	31,910	(90)
335.03 Liquor tax reversion	200,000	200,000	193,580	(6,420)
335.04 Motor vehicle licenses (5%)	205,000	205,000	207,502	2,502
335.06 Fire insurance premiums reversion	120,000	120,000	158,720	38,720
335.08 Local government highway and bridge fund	575,000	575,000	591,800	16,800
335.20 Other	-	-	66,710	66,710
336 State payments in lieu of taxes	10,500	10,500	10,785	285
338 County shared revenue				
338.03 County wheel tax	230,500	230,500	242,108	11,608
340 Charge for goods and services				
341 General government	60,500	60,500	53,279	(7,221)
342 Public safety	159,000	159,000	167,369	8,369
343 Highways and streets	170,000	170,000	92,224	(77,776)
344 Sanitation	1,730,000	1,730,000	1,773,835	43,835
345 Health	88,000	88,000	92,018	4,018
346 Culture and recreation	710,600	710,600	775,232	64,632
347 Ambulance	1,155,000	1,155,000	1,085,527	(69,473)
348 Cemetery	51,900	51,900	74,490	22,590
349 Other	195,000	195,000	220,424	25,424
350 Fines and forfeits				
351 Court fines and costs	10,000	10,000	5,831	(4,169)
360 Miscellaneous revenue				
361 Investment earnings	550,000	550,000	491,792	(58,208)
362 Rentals/Franchises	93,000	93,000	41,455	(51,545)
367 Contributions and donations from private sources	108,000	108,000	52,336	(55,664)
369 Other	597,900	597,900	439,298	(158,602)
Total revenues	32,170,700	32,170,700	32,636,305	465,605

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
410 General government				
411 Legislative	177,800	177,800	170,161	7,639
411.5 Contingency	450,000	450,000		
Amount transferred	-	(200,000)	-	250,000
412 Executive	344,450	400,950	383,971	16,979
414 Financial administration	1,508,350	1,550,850	1,492,458	58,392
419 Other	2,269,550	2,444,250	2,242,991	201,259
Total general government	4,750,150	4,823,850	4,289,581	534,269
420 Public safety				
421 Police	6,849,800	7,129,700	7,540,295	(410,595)
422 Fire	7,336,050	7,391,950	6,430,915	961,035
423 Protective inspection	283,500	283,500	262,198	21,302
Total public safety	14,469,350	14,805,150	14,233,408	571,742
430 Public works				
431 Highways and streets	4,309,300	5,156,300	4,344,673	811,627
432 Sanitation	1,695,200	1,765,200	1,676,432	88,768
437 Cemeteries	268,350	296,150	291,518	4,632
439 Transit	1,508,400	2,189,400	1,968,166	221,234
Total public works	7,781,250	9,407,050	8,280,789	1,126,261
440 Health and welfare				
441 Health	386,850	414,350	363,570	50,780
449 Other	111,850	111,850	91,626	20,224
Total health and welfare	498,700	526,200	455,196	71,004
450 Culture and recreation				
451 Recreation	3,613,055	3,973,605	3,910,981	62,624
452 Parks	3,127,095	3,623,495	3,641,315	(17,820)
455 Libraries	1,458,500	1,518,600	1,486,306	32,294
456 Auditorium	-	351,000	331,642	19,358
Total culture and recreation	8,198,650	9,466,700	9,370,244	96,456
460 Conservation and development				
465 Economic development	577,600	698,200	629,470	68,730
Total conservation and development	577,600	698,200	629,470	68,730
Total expenditures	36,275,700	39,727,150	37,381,950	2,345,200
Excess of Revenue over Expenditures	(4,105,000)	(7,556,450)	(4,745,645)	2,810,805
Other Financing Sources (Uses)				
391.01 Transfers in	2,143,000	2,143,000	2,553,438	410,438
511 Transfers out	-	(798,705)	(740,610)	58,095
391.03 Sale of municipal property	50,000	50,000	178,783	128,783
391.04 Compensation for loss or damage to capital assets	25,000	25,000	81,576	56,576
Total other financing sources (uses)	2,218,000	1,419,295	2,073,187	653,892
Net Change in Fund Balances	(1,887,000)	(6,137,155)	(2,672,458)	3,464,697
Fund Balance - Beginning, previously reported	13,602,378	13,602,378	13,602,378	-
Adjustments - Note 20	-	-	(266,155)	(266,155)
Fund Balance - Beginning, as restated	13,602,378	13,602,378	13,336,223	(266,155)
Fund Balance - Ending	$ 11,715,378	$ 7,465,223	$ 10,663,765	$ 3,198,542

	Budgetary Amounts		Actual Amounts	Variance with Final Budget Positive
	Original	Final	(Budgetary Basis)	(Negative)
Revenues				
310 Taxes				
312 Airflight property tax	$ 30,000	$ 30,000	$ 37,272	$ 7,272
330 Intergovernmental revenue				
331 Federal grants	5,630,500	5,630,500	6,525,839	895,339
334 State grants	649,000	649,000	316,721	(332,279)
340 Charge for goods and services				
349 Other	558,000	558,000	652,288	94,288
360 Miscellaneous revenue				
361 Investment earnings	40,000	40,000	93,048	53,048
369 Other	2,000	2,000	4,673	2,673
Total revenues	6,909,500	6,909,500	7,629,841	720,341
Expenditures				
430 Public works				
435 Airport	9,285,300	9,285,300	8,344,135	941,165
Total public works	9,285,300	9,285,300	8,344,135	941,165
Total expenditures	9,285,300	9,285,300	8,344,135	941,165
Excess of Revenue under Expenditures	(2,375,800)	(2,375,800)	(714,294)	1,661,506
Other Financing Sources				
391.01 Transfers in	240,000	240,000	240,000	-
Total other financing sources	240,000	240,000	240,000	-
Net Change in Fund Balances	(2,135,800)	(2,135,800)	(474,294)	1,661,506
Fund Balance - Beginning	2,577,401	2,577,401	2,577,401	-
Fund Balance (Deficit) - Ending	$ 441,601	$ 441,601	$ 2,103,107	$ 1,661,506

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
313 General sales and use taxes	$ 11,100,000	$ 11,100,000	$ 11,331,246	$ 231,246
330 Intergovernmental revenue				
334 State grants	4,200,000	4,200,000	3,035,021	(1,164,979)
360 Miscellaneous revenue				
361 Investment earnings	400,000	400,000	262,975	(137,025)
Total revenues	15,700,000	15,700,000	14,629,242	(1,070,758)
Expenditures				
410 General government:				
419 Other	25,000	25,000	-	25,000
Total general government	25,000	25,000	-	25,000
420 Public safety				
429 Other protection	500,000	500,000	500,000	-
Total public safety	500,000	500,000	500,000	-
430 Public works				
431 Highways and streets	10,370,000	10,370,000	7,517,392	2,852,608
Total public works	10,370,000	10,370,000	7,517,392	2,852,608
460 Conservation and development				
466 Economic opportunity	315,000	315,000	315,000	-
Total conservation and development	315,000	315,000	315,000	-
Total expenditures	11,210,000	11,210,000	8,332,392	2,877,608
Excess of Revenue over Expenditures	4,490,000	4,490,000	6,296,850	1,806,850
Other Financing Sources (Uses)				
511 Transfers out	(4,490,000)	(5,885,000)	(5,885,000)	-
Total other financing sources (uses)	(4,490,000)	(5,885,000)	(5,885,000)	-
Net Change in Fund Balances	-	(1,395,000)	411,850	1,806,850
Fund Balance - Beginning	5,317,184	5,317,184	5,317,184	-
Fund Balance - Ending	$ 5,317,184	$ 3,922,184	$ 5,729,034	$ 1,806,850

Note 1 - Budgets and Budgetary Accounting

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

1. At the first regular City Council meeting in September of each year, or within ten days thereafter, the City Council introduces the annual appropriation ordinance for the ensuing fiscal year.

2. After adoption by the City Council, 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% of the total municipal budget and may be transferred by resolution of the City Council to any other budget category that is deemed insufficient during the year.

4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the City Council.

   Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue funds and capital projects funds.

   The City did not encumber any amounts at December 31, 2025.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Note 2 - Budget Reconciliation

The City is reporting financial position, results of operations and changes in fund balances in conformity with GAAP, while the statements of revenues, expenditures and changes in fund balance – budget and actual are presented on the budgetary basis to provide meaningful comparison of actual results with the budget. There are no major differences between the budgetary basis and the GAAP basis presented.

Note 3 - Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions

Changes from Prior Valuation:

The June 30, 2025, actuarial valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2024, actuarial valuation.

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

Benefit Provision Changes:

During the 2025 legislative session, no significant SDRS benefit changes were made.

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, 2024, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2025 SDRS COLA was limited to a restricted maximum of 1.71%. For the June 30, 2024, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.71%.

As of June 30, 2025, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2026 SDRS COLA is limited to a restricted maximum of 1.56%. The July 2026 SDRS COLA will equal inflation, no less than 0% and no greater than 1.56%. For this June 30, 2025, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.56%.

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.

Actuarial Method Changes:

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

Supplementary Information
December 31, 2025

City of Aberdeen

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2025

	Promotion Fund	Park and Recreation Gift Fund	Business Improvement District Fund	Parking District Fund	Storm Water Maintenance Fund	Library Fines Fund
Assets						
Cash and cash equivalents	$ 667,191	$ 1,312,158	$ 9,693	$ 156,289	$ 665,065	$ 30,307
110 Taxes receivable, delinquent	-	-	4,489	-	-	-
115 Accounts receivable, net	-	-	-	-	97,251	-
131 Due from other funds	-	-	-	-	-	-
132 Due from state government	166,228	-	-	-	-	-
132 Due from county government	-	-	852	-	-	-
142 Inventory of stores purchased for resale	-	-	-	-	41,028	-
Total assets	833,419	1,312,158	15,034	156,289	803,344	30,307
	$ 833,419	$ 1,312,158	$ 15,034	$ 156,289	$ 803,344	$ 30,307
Liabilities						
202 Accounts payable	$ -	$ -	$ -	$ -	$ 5,912	$ 923
208 Due to General Fund	-	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	53,822	-
Total liabilities	-	-	-	-	59,734	923
Deferred Inflows of Resources						
244 - Unavailable revenue - sales and use taxes	145,374	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	4,489	-	-	-
247 - Other deferred inflows of resources	-	-	-	-	100,036	-
Total deferred inflows of resources	145,374	-	4,489	-	100,036	-
Fund Balance (Deficit)						
263 Nonspendable	-	-	-	-	41,028	-
264 Restricted	688,045	1,312,158	10,545	156,289	602,546	29,384
267 Unassigned	-	-	-	-	-	-
Total fund balance (deficit)	688,045	1,312,158	10,545	156,289	643,574	29,384
	$ 833,419	$ 1,312,158	$ 15,034	$ 156,289	$ 803,344	$ 30,307

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2025

	Tax Increment Financing District No. 2 Bonds Fund	Park and Rec Softball Bonds Fund	Library Bonds Fund	Tax Increment Financing District No. 8 Bonds Fund	Tax Increment Financing District No. 17 Bonds Fund	City Hall Remodel Bonds Fund
Assets						
Cash and cash equivalents	$ 3,327	$ 509	$ 1,030,578	$ -	$ 236,658	$ 139,682
110 Taxes receivable, delinquent	-	-	-	-	275	-
115 Accounts receivable, net	-	-	-	-	-	-
131 Due from other funds	-	-	-	-	-	-
132 Due from state government	-	-	-	-	-	-
132 Due from county government	-	-	-	-	779	-
142 Inventory of stores purchased for resale	-	-	-	-	-	-
Total assets	3,327	509	1,030,578	-	237,712	139,682
	$ 3,327	$ 509	$ 1,030,578	$ -	$ 237,712	$ 139,682
Liabilities						
202 Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -
208 Due to General Fund	-	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Deferred Inflows of Resources						
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	-	-	275	-
247 - Other deferred inflows of resources	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	275	-
Fund Balance (Deficit)						
263 Nonspendable	-	-	-	-	-	-
264 Restricted	3,327	509	1,030,578	-	237,437	139,682
267 Unassigned	-	-	-	-	-	-
Total fund balance (deficit)	3,327	509	1,030,578	-	237,437	139,682
	$ 3,327	$ 509	$ 1,030,578	$ -	$ 237,712	$ 139,682

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2025

	Tax Increment Financing District No. 19 Bonds Fund	Public Works Facility Bonds Fund	Tax Increment Financing District No. 20 Bonds Fund	Tax Increment Financing District No. 21 Bonds Fund	Tax Increment Financing District No. 23 Bonds Fund	Tax Increment Financing District No. 24 Bonds Fund
Assets						
Cash and cash equivalents	$ 2,558	$ 1,500,000	$ 3,931	$ -	$ -	$ 533
110 Taxes receivable, delinquent	-	-	-	-	-	6,509
115 Accounts receivable, net	-	-	-	-	-	-
131 Due from other funds	-	-	-	-	-	-
132 Due from state government	-	-	-	-	-	-
132 Due from county government	-	-	-	383	-	-
142 Inventory of stores purchased for resale	-	-	-	-	-	-
Total assets	2,558	1,500,000	3,931	383	-	7,042
	$ 2,558	$ 1,500,000	$ 3,931	$ 383	$ -	$ 7,042
Liabilities						
202 Accounts payable	$ -	$ 34,200	$ -	$ -	$ -	$ -
208 Due to General Fund	-	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	-	-
Total liabilities	-	34,200	-	-	-	-
Deferred Inflows of Resources						
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	-	-	-	6,509
247 - Other deferred inflows of resources	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-	6,509
Fund Balance (Deficit)						
263 Nonspendable	-	-	-	-	-	-
264 Restricted	2,558	1,465,800	3,931	383	-	533
267 Unassigned	-	-	-	-	-	-
Total fund balance (deficit)	2,558	1,465,800	3,931	383	-	533
	$ 2,558	$ 1,500,000	$ 3,931	$ 383	$ -	$ 7,042

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2025

	Tax Increment Financing District No. 25 Bonds Fund	Tax Increment Financing District No. 26 Bonds Fund	Tax Increment Financing District No. 27 Bonds Fund	Tax Increment Financing District No. 29 Bonds Fund	Tax Increment Financing District No. 30 Bonds Fund	Tax Increment Financing District No. 31 Bonds Fund
Assets						
Cash and cash equivalents	$ 2,427	$ 5,257	$ 55,889	$ 2,841	$ 17,089	$ 364
110 Taxes receivable, delinquent	1,397	6,119	-	-	-	-
115 Accounts receivable, net	-	-	-	-	-	-
131 Due from other funds	-	-	-	-	-	-
132 Due from state government	-	-	-	-	-	-
132 Due from county government	598	-	-	2,803	-	255
142 Inventory of stores purchased for resale	-	-	-	-	-	-
Total assets	4,422	11,376	55,889	5,644	17,089	619
	$ 4,422	$ 11,376	$ 55,889	$ 5,644	$ 17,089	$ 619
Liabilities						
202 Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -
208 Due to General Fund	-	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-
Deferred Inflows of Resources						
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	1,397	6,119	-	-	-	-
247 - Other deferred inflows of resouces	-	-	-	-	-	-
Total deferred inflows of resources	1,397	6,119	-	-	-	-
Fund Balance (Deficit)						
263 Nonspendable	-	-	-	-	-	-
264 Restricted	3,025	5,257	55,889	5,644	17,089	619
267 Unassigned	-	-	-	-	-	-
Total fund balance (deficit)	3,025	5,257	55,889	5,644	17,089	619
	$ 4,422	$ 11,376	$ 55,889	$ 5,644	$ 17,089	$ 619

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2025

	Tax Increment Financing District No. 32 Bonds Fund	Tax Increment Financing District No. 33 Bonds Fund	Tax Increment Financing District No. 35 Bonds Funds	Tax Increment Financing District No. 37 Bonds Funds	Tax Increment Financing District No. 38 Bonds Funds	Tax Increment Financing District No. 39 Bonds Funds
Assets						
Cash and cash equivalents	$ 50	$ 58	$ -	$ 632	$ 13,242	$ 47,676
110 Taxes receivable, delinquent	-	-	-	1,795	-	-
115 Accounts receivable, net	-	-	-	-	-	-
131 Due from other funds	-	-	-	-	-	-
132 Due from state government	-	-	-	-	-	-
132 Due from county government	-	-	-	353	-	-
142 Inventory of stores purchased for resale	-	-	-	-	-	-
Total assets	50	58	-	2,780	13,242	47,676
	$ 50	$ 58	$ -	$ 2,780	$ 13,242	$ 47,676
Liabilities						
202 Accounts payable	$ -	$ -	$ -	$ 632	$ -	$ -
208 Due to General Fund	11,498	-	3	-	-	-
216 Accrued wages payable	-	-	-	-	-	-
Total liabilities	11,498	-	3	632	-	-
Deferred Inflows of Resources						
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	-	1,795	-	-
247 - Other deferred inflows of resouces	-	-	-	-	-	-
Total deferred inflows of resources	-	-	-	1,795	-	-
Fund Balance (Deficit)						
263 Nonspendable	-	-	-	-	-	-
264 Restricted	-	58	-	353	13,242	47,676
267 Unassigned	(11,448)	-	(3)	-	-	-
Total fund balance (deficit)	(11,448)	58	(3)	353	13,242	47,676
	$ 50	$ 58	$ -	$ 2,780	$ 13,242	$ 47,676

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2025

	Tax Increment Financing District No. 40 Bonds Funds	Tax Increment Financing District No. 41 Bonds Funds	Tax Increment Financing District No. 42 Bonds Funds	Cemetery Perpetual Care Fund	Moccasin Creek Project Fund	Parks and Recreation Project Fund
Assets						
Cash and cash equivalents	$ 14,665	$ 27,048	$ 9,214	$ 205,178	$ 2,316,218	$ 81,106
110 Taxes receivable, delinquent	-	-	323	-	-	-
115 Accounts receivable, net	-	-	-	-	-	-
131 Due from other funds	-	-	-	-	-	-
132 Due from state government	-	-	-	-	-	-
132 Due from county government	-	-	501	-	-	-
142 Inventory of stores purchased for resale	-	-	-	-	-	-
Total assets	14,665	27,048	10,038	205,178	2,316,218	81,106
	$ 14,665	$ 27,048	$ 10,038	$ 205,178	$ 2,316,218	$ 81,106
Liabilities						
202 Accounts payable	$ -	$ -	$ 9,214	$ -	$ -	$ -
208 Due to General Fund	-	-	-	-	-	-
216 Accrued wages payable	-	-	-	-	-	-
Total liabilities	-	-	9,214	-	-	-
Deferred Inflows of Resources						
244 - Unavailable revenue - sales and use taxes	-	-	-	-	-	-
245 - Unavailable revenue - property taxes	-	-	323	-	-	-
247 - Other deferred inflows of resouces	-	-	-	-	-	-
Total deferred inflows of resources	-	-	323	-	-	-
Fund Balance (Deficit)						
263 Nonspendable	-	-	-	50,200	-	-
264 Restricted	14,665	27,048	501	154,978	2,316,218	81,106
267 Unassigned	-	-	-	-	-	-
Total fund balance (deficit)	14,665	27,048	501	205,178	2,316,218	81,106
	$ 14,665	$ 27,048	$ 10,038	$ 205,178	$ 2,316,218	$ 81,106

City of Aberdeen
Combining Balance Sheet–Nonmajor Governmental Funds
December 31, 2025

	Tax Increment Financing District No. 32 Project Fund	Tax Increment Financing District No. 39 Project Fund	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	$ -	$ 626,407	$ 9,183,840
110 Taxes receivable, delinquent	-	-	20,907
115 Accounts receivable, net	-	-	97,251
131 Due from other funds	11,498	-	11,498
132 Due from state government	-	-	166,228
132 Due from county government	-	-	6,524
142 Inventory of stores purchased for resale	-	-	41,028
Total assets	11,498	626,407	9,527,276
	$ 11,498	$ 626,407	$ 9,527,276
Liabilities			
202 Accounts payable	$ -	$ -	$ 50,881
208 Due to General Fund	-	-	11,501
216 Accrued wages payable	-	-	53,822
Total liabilities	-	-	116,204
Deferred Inflows of Resources			
244 - Unavailable revenue - sales and use taxes	-	-	145,374
245 - Unavailable revenue - property taxes	-	-	20,907
247 - Other deferred inflows of resouces	-	-	100,036
Total deferred inflows of resources	-	-	266,317
Fund Balance (Deficit)			
263 Nonspendable	-	-	91,228
264 Restricted	11,498	626,407	9,064,978
267 Unassigned	-	-	(11,451)
Total fund balance (deficit)	11,498	626,407	9,144,755
	$ 11,498	$ 626,407	$ 9,527,276

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds

Year Ended December 31, 2025

	Promotion Fund	Park and Recreation Gift Fund	Business Improvement District Fund	Parking District Fund	Storm Water Maintenance Fund	Library Fines Fund
Revenues						
310 Taxes						
311 General property taxes	$ -	$ -	$ 94,850	$ -	$ -	$ -
313 General sales and use taxes	1,532,265	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	332	-	-	-
340 Charges for goods and services						
344 Sanitation	-	-	-	-	838,182	-
346 Culture and recreation	-	34,107	-	-	-	-
350 Fines and forfeits						
354 Fines	-	-	-	-	-	2,284
360 Miscellaneous revenue						
361 Investment earnings	23,590	50,488	-	7,735	-	1,273
367 Contributions and donations from private sources	-	570,723	-	-	-	-
369 Other	-	-	-	-	2,000	-
Total revenues	1,555,855	655,318	95,182	7,735	840,182	3,557
Expenditures						
430 Public works						
431 Highways and streets	-	-	-	-	44,031	-
432 Sanitation	-	-	-	-	890,790	-
Total public works	-	-	-	-	934,821	-
450 Culture and recreation						
452 Parks	-	667	-	-	-	-
455 Libraries	-	-	-	-	-	10,333
Total culture and recreation	-	667	-	-	-	10,333
460 Conservation and development						
465 Economic development	1,185,000	-	86,504	-	-	-
Total conservation and development	1,185,000	-	86,504	-	-	-
470 Debt service	-	-	-	-	-	-
492 Other expenditures	-	-	-	-	-	-
Total debt service	-	-	-	-	-	-
Total expenditures	1,185,000	667	86,504	-	934,821	10,333
Excess of Revenue Over (Under) Expenditures	370,855	654,651	8,678	7,735	(94,639)	(6,776)
Other Financing Sources (Uses)						
391.01 Transfers in	-	272,810	-	-	875,000	-
511 Transfers out	(331,000)	(421,997)	-	(160,000)	-	-
Total other financing sources (uses)	(331,000)	(149,187)	-	(160,000)	875,000	-
Net Change in Fund Balances	39,855	505,464	8,678	(152,265)	780,361	(6,776)
Fund Balance (Deficit) - Beginning	648,190	806,694	1,867	308,554	(136,787)	36,160
Fund Balance (Deficit) - Ending	$ 688,045	$ 1,312,158	$ 10,545	$ 156,289	$ 643,574	$ 29,384

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds

Year Ended December 31, 2025

	Tax Increment Financing District No. 2 Bonds Fund	Park and Rec Softball Bonds Fund	Library Bonds Fund	Tax Increment Financing District No. 8 Bonds Fund	Tax Increment Financing District No. 17 Bonds Fund	City Hall Remodel Bonds Fund
Revenues						
310 Taxes						
311 General property taxes	$ 115,039	$ -	$ -	$ 199,772	$ 50,574	$ -
313 General sales and use taxes	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	16	-	-	-	52	-
340 Charges for goods and services						
344 Sanitation	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-
350 Fines and forfeits						
354 Fines	-	-	-	-	-	-
360 Miscellaneous revenue						
361 Investment earnings	-	-	40,425	-	-	10,187
367 Contributions and donations from private sources	-	-	-	-	-	-
369 Other	-	-	-	-	-	-
Total revenues	115,055	-	40,425	199,772	50,626	10,187
Expenditures						
430 Public works						
431 Highways and streets	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-
Total public works	-	-	-	-	-	-
450 Culture and recreation						
452 Parks	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-
Total culture and recreation	-	-	-	-	-	-
460 Conservation and development:						
465 Economic development	-	-	-	-	-	-
Total conservation and development	-	-	-	-	-	-
470 Debt service	227,300	284,112	407,250	199,772	147,363	288,988
492 Other expenditures	750	700	700	-	700	650
Total debt service	228,050	284,812	407,950	199,772	148,063	289,638
Total expenditures	228,050	284,812	407,950	199,772	148,063	289,638
Excess of Revenue Over (Under) Expenditures	(112,995)	(284,812)	(367,525)	-	(97,437)	(279,451)
Other Financing Sources (Uses)						
391.01 Transfers in	62,000	285,000	410,000	-	120,000	290,000
511 Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	62,000	285,000	410,000	-	120,000	290,000
Net Change in Fund Balances	(50,995)	188	42,475	-	22,563	10,549
Fund Balance (Deficit) - Beginning	54,322	321	988,103	-	214,874	129,133
Fund Balance (Deficit) - Ending	$ 3,327	$ 509	$ 1,030,578	$ -	$ 237,437	$ 139,682

	Tax Increment Financing District No. 19 Bonds Fund	Public Works Facility Bonds Fund	Tax Increment Financing District No. 20 Bonds Fund	Tax Increment Financing District No. 21 Bonds Fund	Tax Increment Financing District No. 23 Bonds Fund	Tax Increment Financing District No. 24 Bonds Fund
Revenues						
310 Taxes						
311 General property taxes	$ 267,534	$ -	$ 87,864	$ 181,137	$ 93,012	$ 232,393
313 General sales and use taxes	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	52	6	307	3,119
340 Charges for goods and services						
344 Sanitation	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-
350 Fines and forfeits						
354 Fines	-	-	-	-	-	-
360 Miscellaneous revenue						
361 Investment earnings	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	-
369 Other	-	-	-	-	-	-
Total revenues	267,534	-	87,916	181,143	93,319	235,512
Expenditures						
430 Public works						
431 Highways and streets	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-
Total public works	-	-	-	-	-	-
450 Culture and recreation						
452 Parks	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-
Total culture and recreation	-	-	-	-	-	-
460 Conservation and development						
465 Economic development	-	-	-	-	-	-
Total conservation and development	-	-	-	-	-	-
470 Debt service	273,100	34,200	83,985	195,553	93,319	238,439
492 Other expenditures	-	-	-	-	-	-
Total debt service	273,100	34,200	83,985	195,553	93,319	238,439
Total expenditures	273,100	34,200	83,985	195,553	93,319	238,439
Excess of Revenue Over (Under) Expenditures	(5,566)	(34,200)	3,931	(14,410)	-	(2,927)
Other Financing Sources (Uses)						
391.01 Transfers in	-	1,500,000	-	-	-	-
511 Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	1,500,000	-	-	-	-
Net Change in Fund Balances	(5,566)	1,465,800	3,931	(14,410)	-	(2,927)
Fund Balance (Deficit) - Beginning	8,124	-	-	14,793	-	3,460
Fund Balance (Deficit) - Ending	$ 2,558	$ 1,465,800	$ 3,931	$ 383	$ -	$ 533

	Tax Increment Financing District No. 25 Bonds Fund	Tax Increment Financing District No. 26 Bonds Fund	Tax Increment Financing District No. 27 Bonds Fund	Tax Increment Financing District No. 29 Bonds Fund	Tax Increment Financing District No. 30 Bonds Fund	Tax Increment Financing District No. 31 Bonds Fund
Revenues						
310 Taxes						
311 General property taxes	$ 69,713	$ 266,711	$ 213,294	$ 341,147	$ 290,960	$ 36,229
313 General sales and use taxes	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	84	888	-	463	261	13
340 Charges for goods and services						
344 Sanitation	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-
350 Fines and forfeits						
354 Fines	-	-	-	-	-	-
360 Miscellaneous revenue						
361 Investment earnings	-	-	-	-	-	-
367 Contributions and donations from private sources	-	-	-	-	-	-
369 Other	-	-	-	-	-	-
Total revenues	69,797	267,599	213,294	341,610	291,221	36,242
Expenditures						
430 Public works						
431 Highways and streets	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-
Total public works	-	-	-	-	-	-
450 Culture and recreation						
452 Parks	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-
Total culture and recreation	-	-	-	-	-	-
460 Conservation and development						
465 Economic development	-	-	-	-	-	-
Total conservation and development	-	-	-	-	-	-
470 Debt service	67,002	265,087	166,205	216,675	284,341	35,883
492 Other expenditures	-	-	-	-	-	-
Total debt service	67,002	265,087	166,205	216,675	284,341	35,883
Total expenditures	67,002	265,087	166,205	216,675	284,341	35,883
Excess of Revenue Over (Under) Expenditures	2,795	2,512	47,089	124,935	6,880	359
Other Financing Sources (Uses)						
391.01 Transfers in	-	-	8,800	-	200	-
511 Transfers out	-	-	-	(123,000)	-	-
Total other financing sources (uses)	-	-	8,800	(123,000)	200	-
Net Change in Fund Balances	2,795	2,512	55,889	1,935	7,080	359
Fund Balance (Deficit) - Beginning	230	2,745	-	3,709	10,009	260
Fund Balance (Deficit) - Ending	$ 3,025	$ 5,257	$ 55,889	$ 5,644	$ 17,089	$ 619

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds

Year Ended December 31, 2025

	Tax Increment Financing District No. 32 Bonds Fund	Tax Increment Financing District No. 33 Bonds Fund	Tax Increment Financing District No. 35 Bonds Fund	Tax Increment Financing District No. 37 Bonds Fund	Tax Increment Financing District No. 38 Bonds Fund	Tax Increment Financing District No. 39 Bonds Fund
Revenues						
310 Taxes						
311 General property taxes	$ 182,582	$ 33,677	$ 204,262	$ 15,423	$ 6,530	$ 38,703
313 General sales and use taxes	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	-	142	-	4
340 Charges for goods and services						
344 Sanitation	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-
350 Fines and forfeits						
354 Fines	-	-	-	-	-	-
360 Miscellaneous revenue						
361 Investment earnings	-	-	-	-	-	-
367 Contributions and donations from private sources	5,600	-	-	-	-	-
369 Other	-	-	-	-	-	-
Total revenues	188,182	33,677	204,262	15,565	6,530	38,707
Expenditures						
430 Public works						
431 Highways and streets	-	-	-	-	-	-
432 Sanitation	-	-	-	-	-	-
Total public works	-	-	-	-	-	-
450 Culture and recreation						
452 Parks	-	-	-	-	-	-
455 Libraries	-	-	-	-	-	-
Total culture and recreation	-	-	-	-	-	-
460 Conservation and development						
465 Economic development	-	-	-	-	-	-
Total conservation and development	-	-	-	-	-	-
470 Debt service	188,178	72,156	204,265	21,257	-	447,002
492 Other expenditures	-	-	-	-	-	-
Total debt service	188,178	72,156	204,265	21,257	-	447,002
Total expenditures	188,178	72,156	204,265	21,257	-	447,002
Excess of Revenue Over (Under) Expenditures	4	(38,479)	(3)	(5,692)	6,530	(408,295)
Other Financing Sources (Uses)						
391.01 Transfers in	-	-	-	-	-	450,000
511 Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	450,000
Net Change in Fund Balances	4	(38,479)	(3)	(5,692)	6,530	41,705
Fund Balance (Deficit) - Beginning	(11,452)	38,537	-	6,045	6,712	5,971
Fund Balance (Deficit) - Ending	$ (11,448)	$ 58	$ (3)	$ 353	$ 13,242	$ 47,676

City of Aberdeen

Combining Statement of Revenues, Expenditures and Changes in Fund Balances–Nonmajor Governmental Funds

Year Ended December 31, 2025

	Tax Increment Financing District No.40 Bonds Fund	Tax Increment Financing District No.41 Bonds Fund	Tax Increment Financing District No.42 Bonds Fund	Cemetery Perpetual Care Fund	Moccasin Creek Project Fund	Parks and Recreation Project Fund
Revenues						
310 Taxes						
311 General property taxes	$ 14,665	$ 27,048	$ 9,699	$ -	$ -	$ -
313 General sales and use taxes	-	-	-	-	-	-
319 Penalties and interest on delinquent taxes	-	-	16	-	-	-
340 Charges for goods and services						
344 Sanitation	-	-	-	-	-	-
346 Culture and recreation	-	-	-	-	-	-
350 Fines and forfeits						
354 Fines	-	-	-	-	-	-
360 Miscellaneous revenue						
361 Investment earnings	-	-	-	-	79,647	-
367 Contributions and donations from private sources	-	-	-	3,754	-	-
369 Other	-	-	-	-	-	-
Total revenues	14,665	27,048	9,715	3,754	79,647	-
Expenditures						
430 Public works						
431 Highways and streets	-	-	-	-	122,392	-
432 Sanitation	-	-	-	-	-	-
Total public works	-	-	-	-	122,392	-
450 Culture and recreation						
452 Parks	-	-	-	-	-	658,527
455 Libraries	-	-	-	-	-	-
Total culture and recreation	-	-	-	-	-	658,527
460 Conservation and development						
465 Economic development	-	-	-	-	-	-
Total conservation and development	-	-	-	-	-	-
470 Debt service	-	-	9,214	-	-	-
492 Other expenditures	-	-	-	-	-	-
Total debt service	-	-	9,214	-	-	-
Total expenditures	-	-	9,214	-	122,392	658,527
Excess of Revenue Over (Under) Expenditures	14,665	27,048	501	3,754	(42,745)	(658,527)
Other Financing Sources (Uses)						
391.01 Transfers in	-	-	-	-	515,000	715,000
511 Transfers out	-	-	-	(32,972)	(150,000)	(25,380)
Total other financing sources (uses)	-	-	-	(32,972)	365,000	689,620
Net Change in Fund Balances	14,665	27,048	501	(29,218)	322,255	31,093
Fund Balance (Deficit) - Beginning	-	-	-	234,396	1,993,963	50,013
Fund Balance (Deficit) - Ending	$ 14,665	$ 27,048	$ 501	$ 205,178	$ 2,316,218	$ 81,106

	Tax Increment Financing District No. 32 Project Fund	Tax Increment Financing District No. 39 Project Fund	Total Nonmajor Governmental Funds
Revenues			
310 Taxes			
311 General property taxes	$ -	$ -	$ 3,072,818
313 General sales and use taxes	-	-	1,532,265
319 Penalties and interest on delinquent taxes	-	-	5,755
340 Charges for goods and services			
344 Sanitation	-	-	838,182
346 Culture and recreation	-	-	34,107
350 Fines and forfeits			
354 Fines	-	-	2,284
360 Miscellaneous revenue			
361 Investment earnings	-	-	213,345
367 Contributions and donations from private sources	-	-	580,077
369 Other	-	-	2,000
Total revenues	-	-	6,280,833
Expenditures			
430 Public works			
431 Highways and streets	-	60,516	226,939
432 Sanitation	-	-	890,790
Total public works	-	60,516	1,117,729
450 Culture and recreation			
452 Parks	-	-	659,194
455 Libraries	-	-	10,333
Total culture and recreation	-	-	669,527
460 Conservation and development			
465 Economic development	-	-	1,271,504
Total conservation and development	-	-	1,271,504
470 Debt service	-	-	4,450,646
492 Other expenditures	-	-	3,500
Total debt service	-	-	4,454,146
Total expenditures	-	60,516	7,512,906
Excess of Revenue Over (Under) Expenditures	-	(60,516)	(1,232,073)
Other Financing Sources (Uses)			
391.01 Transfers in	-	-	5,503,810
511 Transfers out	-	(450,000)	(1,694,349)
Total other financing sources (uses)	-	(450,000)	3,809,461
Net Change in Fund Balances	-	(510,516)	2,577,388
Fund Balance (Deficit) - Beginning	11,498	1,136,923	6,567,367
Fund Balance (Deficit) - Ending	$ 11,498	$ 626,407	$ 9,144,755

City of Aberdeen
Combining Statement of Net Position–Nonmajor Proprietary Funds
December 31, 2025

	Park and Rec Enterprise Fund	Golf Fund	Total Nonmajor Proprietary Funds
Current Assets			
Cash and cash equivalents	$ 531,957	$ -	$ 531,957
Total current assets	531,957	-	531,957
Noncurrent Assets			
189 Net pension asset	-	467	467
Capital assets			
160 Land	-	350,500	350,500
162 Buildings	2,440,674	212,848	2,653,522
164 Improvements other than buildings	1,219,824	920,941	2,140,765
166 Machinery and equipment	45,362	829,211	874,573
173 Right-to-use leased assets	-	145,690	145,690
Less accumulated depreciation	(984,951)	(1,068,196)	(2,053,147)
Less accumulated amortization	-	(36,423)	(36,423)
Total noncurrent assets	2,720,909	1,355,038	4,075,947
Total Assets	3,252,866	1,355,038	4,607,904
Deferred Outflows of Resources			
196 Pension related deferred outflows	-	42,157	42,157
Total deferred outflows of resources	-	42,157	42,157
	$ 3,252,866	$ 1,397,195	$ 4,650,061
Current Liabilities			
202 Accounts payable	$ 61,308	$ 4,738	$ 66,046
208 Due to General Fund	-	89,809	89,809
209 Due to state government	16,586	-	16,586
216 Accrued wages payable	8,573	11,500	20,073
219 Amounts held for others	15,664	-	15,664
223 Unearned revenue	10,055	-	10,055
230 Compensated absences payable - current	-	11,798	11,798
Total current liabilities	112,186	117,845	230,031
Noncurrent Liabilities			
234 Lease liabilities	-	72,741	72,741
Total noncurrent liabilities	-	72,741	72,741
Total Liabilities	112,186	190,586	302,772
Deferred Inflows of Resources			
248 Pension related deferred inflows	-	18,544	18,544
Total deferred inflows of resources	-	18,544	18,544
Net Position			
253.10 Net investment in capital assets	2,720,909	1,281,830	4,002,739
253.20 Restricted for			
253.29 SDRS pension purposes	-	467	467
253.90 Unrestricted net position	419,771	(94,232)	325,539
Total net position	3,140,680	1,188,065	4,328,745
	$ 3,252,866	$ 1,397,195	$ 4,650,061

	Park and Rec Enterprise Fund	Golf Fund	Total Nonmajor Proprietary Funds
Operating Revenue			
370/380 Charges for goods and services	$ 1,876,147	$ 528,166	$ 2,404,313
369 Miscellaneous	6,368	-	6,368
Total operating revenue	1,882,515	528,166	2,410,681
Operating Expenses			
410 Personal services	554,855	283,276	838,131
420 Other current expenses	799,654	402,058	1,201,712
453 Amortization	-	36,423	36,423
457 Depreciation	109,526	81,996	191,522
Total operating expenses	1,464,035	803,753	2,267,788
Operating Income (Loss)	418,480	(275,587)	142,893
Nonoperating Revenue (Expense)			
330 Operating grants	28,690	-	28,690
361 Investment earnings	8,507	-	8,507
366 Gain on termination of lease	-	62,668	62,668
442 Interest expense	-	(5,846)	(5,846)
Total nonoperating revenue (expense)	37,197	56,822	94,019
Income (Loss) Before Contributions and Transfers	455,677	(218,765)	236,912
391.1 Transfers in	65,473	200,000	265,473
511 Transfers out	(262,762)	-	(262,762)
Change in Net Position	258,388	(18,765)	239,623
Net Position - Beginning	2,882,292	1,206,830	4,089,122
Net Position - Ending	$ 3,140,680	$ 1,188,065	$ 4,328,745

	Park and Rec Enterprise Fund	Golf Fund	Total Nonmajor Proprietary Funds
Cash Flows from (used for) Operating Activities			
Receipt from customers	$ 1,880,242	$ 534,915	$ 2,415,157
Payments to suppliers	(789,802)	(263,204)	(1,053,006)
Payments to employees	(552,665)	(299,326)	(851,991)
Cash payments for interfund services used	-	(70,100)	(70,100)
Net Cash from (used for) Operating Activities	537,775	(97,715)	440,060
Cash Flows from (used for) Noncapital Financing Activities			
Transfers from other funds	65,473	200,000	265,473
Transfers to other funds	(262,762)	-	(262,762)
Operating grants	28,690	-	28,690
Net Cash from (used for) Noncapital Financing Activities	(168,599)	200,000	31,401
Cash Flows used for Capital and Related Financing Activities			
Purchase of capital assets	(274,299)	(52,155)	(326,454)
Principal paid on lease liabilities	-	(72,950)	(72,950)
Interest paid on lease liabilities	-	(5,846)	(5,846)
Net Cash used for Capital and Related Financing Activities	(274,299)	(130,951)	(405,250)
Cash Flows from Investing Activities			
Interest earnings	8,507	-	8,507
Net Cash from Investing Activities	8,507	-	8,507
Net Change in Cash and Cash Equivalents	103,384	(28,666)	74,718
Cash and Cash Equivalents, Beginning	428,573	28,666	457,239
Cash and Cash Equivalents, Ending	$ 531,957	$ -	$ 531,957
Reconciliation of Operating Income (Loss) to Net Cash from (used for) Operating Activities			
Operating income (loss)	$ 418,480	$ (275,587)	$ 142,893
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities			
Depreciation and amortization expense	109,526	118,419	227,945
Changes in assets and liabilities			
Receivables	-	6,749	6,749
Accounts payable	9,852	(21,055)	(11,203)
Due to General Fund	-	89,809	89,809
Accrued wages payable	2,190	3,258	5,448
Amounts held for others	(629)	-	(629)
Unearned revenue	(1,644)	-	(1,644)
Accrued leave payable	-	933	933
Pension related deferred outflows	-	(10,583)	(10,583)
Pension asset	-	(342)	(342)
Pension related deferred inflows	-	(2,567)	(2,567)
Other deferred inflows	-	(6,749)	(6,749)
Net Cash from (used for) Operating Activities	$ 537,775	$ (97,715)	$ 440,060
Noncash Investing, Capital and Financing Activities			
Lease liability for the acquisition of a right-to-use lease asset	$ -	$ 145,690	$ 145,690
Gain on termination of lease	-	62,668	62,668

	Housing and Redevelopment Commission
Operating Activities	
Receipts from tenant payments	$ 2,364,861
Receipts for management fees and other	273,248
Receipts from HUD subsidies	3,536,830
Payments to employees	(1,071,497)
Housing assistance payments	(2,750,454)
Payments to suppliers and others	(2,162,467)
Net Cash from Operating Activities	190,521
Noncapital Financing Activities	
HUD capital contributions	310,868
Net Cash from Noncapital Financing Activities	310,868
Capital and Related Financing Activities	
Purchase of property and equipment	(1,047,496)
Payment on other liabilities	(3,670)
Payments for interest	(110,803)
Principal payments on long-term debt	(130,681)
Net advances from construction note	834,755
Equity distributions	(32,431)
Net Cash used for Capital and Related Financing Activities	(490,326)
Investing Activities	
Advance to another entity	(834,755)
Interest received	36,311
Net Cash used for Investing Activities	(798,444)
Net Change in Cash	(787,381)
Cash, Beginning of Year	4,436,177
Cash, End of Year	$ 3,648,796
Cash Consists of:	
Cash	$ 1,828,624
Funded security deposits	141,927
Restricted deposits	1,678,245
	$ 3,648,796

	Housing and Redevelopment Commission
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	$ (883,794)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation and amortization	1,094,533
Change in assets and liabilities	
Rental accounts receivable	(9,464)
Other receivables	(113,211)
Prepaid expenses	(22,588)
Accounts payable and other accrued liabilities	182,358
Tenant security deposits	3,696
Pension asset/liability, deferred inflows and outflows	(60,025)
Unearned revenues	(984)
Net Cash from Operating Activities	$ 190,521

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*

The City Council
City of Aberdeen
Aberdeen, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Aberdeen, South Dakota (the City) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 22, 2026.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002, 2025-003, and 2025-004, that we consider to be material weaknesses.

eidebailly.com
24 2nd Ave. S.W. • P.O. Box 430 • Aberdeen, SD 57402-0430 • **T** 605.225.8783 • **F** 605.225.0508 • EOE

Report Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Eide Bailly LLP

Aberdeen, South Dakota
September 22, 2026

Independent Auditor's Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance Required by the Uniform Guidance

To the City Council
City of Aberdeen
Aberdeen, South Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Aberdeen's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2025. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2025.

Basis for Opinion on the 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 City 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 the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

eidebailly.com
24 2nd Ave. S.W. • P.O. Box 430 • Aberdeen, SD 57402-0430 • **T** 605.225.8783 • **F** 605.225.0508 • EOE

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 the City'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 City'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 City's compliance with the requirements of the 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 City'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 the City'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 City'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 a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 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. 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-005 to be a material weakness.

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 City's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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.

Eide Bailly LLP

Aberdeen, South Dakota
September 22, 2026

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures	Amounts Passed-Through to Subrecipients
Department of Commerce				
Economic Adjustment Assistance	11.307		$ 650,213	$ -
Total Department of Commerce			650,213	-
Department of Justice				
Bulletproof Vest Partnership Program	16.607		5,548	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		9,112	9,112
Total Department of Justice			14,660	9,112
Department of Transportation				
Airport Improvement Program	20.106		6,016,339	-
COVID 19 - Airport Improvement Program	20.106		78,145	-
Total Airport Improvement Program			6,094,484	-
Passed through SD Department of Transportation				
Federal Transit Cluster				
Bus and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	812160/812161	628,386	-
Total Federal Transit Cluster			628,386	-
Formula Grants for Rural Areas and Tribal Transit Program	20.509	UM182501	345,305	-
Total Formula Grants for Rural Areas			345,305	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HMEP23	13,550	-
Total Department of Transportation			7,081,725	-
Department of Treasury				
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		5,012,886	-
Passed through SD Department of Agriculture and Natural Resources				
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	2022G-ARP-100	15,904,010	-
Passed through SD Department of Health				
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	25SC096202	13,710	-
Total Department of Treasury			20,930,606	-

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures	Amounts Passed-Through to Subrecipients
National Endowment for the Arts				
Passed through SD Arts Council				
Promotion of the Arts - Partnership Agreements	45.025	24-PG-008 24 AC-011	33,690	-
Total National Endowment for the Arts			33,690	-
Department of Homeland Security				
Passed through SD Department of Public Safety				
Homeland Security Grant Program	97.067	SHSP GY22, SHSP GY23	23,700	-
Total Department of Homeland Security			23,700	-
Total Federal Financial Assistance			$ 28,734,594	$ 9,112

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Aberdeen (the City) under programs of the federal government for the year ended December 31, 2025. The information 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 City, it is not intended to, and does not, present the financial position, changes in net position and fund balance, or cash flows of the City.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, 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.

Note 3 — Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the de minimus cost rate of up to 15%.

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for the major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

Identification of the major program:

Name of Federal Program	Federal Financial Assistance Listing
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between type A and type B programs:	$ 1,000,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Finding 2025-001 – Auditor Assistance in Preparation of Financial Statements and Schedule of Expenditures of Federal Awards

Material Weakness

Criteria: An organization's internal control structure should provide for the preparation of financial statements and schedule of expenditures of federal awards in accordance with generally accepted accounting principles and Uniform Guidance.

Condition: During the course of our engagement, we assisted with drafting the financial statements and made certain corrections to the schedule of expenditures of federal awards.

Cause: The City does not have an internal control system adequately designed to provide for the complete and accurate preparation of the financial statements without auditor-provided assistance, and existing internal controls did not provide for the accurate preparation of the schedule of expenditures of federal awards.

Effect: The assistance with the preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by City personnel. Additionally, errors and misstatements in the schedule of expenditures of federal awards can impact major program determination and lead to the identification and testing of a federal program in error or inaccurate federal expenditures reported for the City's respective federal programs.

Recommendation: We recommend continued training specific to governmental accounting principles so that applicable staff are able to ensure financial statements and the schedule of expenditures of federal awards are materially correct. In addition, a thorough review of the transactions and balances in each fund should take place prior to the beginning of the audit to ensure that generally accepted accounting principles have been followed for each fund type, especially for transaction types that are infrequent in occurrence. However, ultimately, it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: Management agrees with the finding.

Finding 2025-002 – Audit Adjustments and Passed Audit Adjustments

Material Weakness

Criteria: An organization's internal control structure should provide for the complete and accurate recording of all necessary material and immaterial adjustments.

Condition: During the course of our engagement, we proposed audit adjustments, both material and non-material, to the City's recorded account balances which, if not recorded, would have resulted in misstatements of the City's financial statements. There were also certain misstatements identified, not material but more than trivial in amount, that were not corrected within the financial statements by the election of management as they were deemed immaterial to the financial statements as a whole and each individual opinion unit.

Cause: The City's internal control system is not adequately designed or operating effectively to provide for the complete and accurate recording of all transactions in certain account areas which resulted in management not identifying the identified misstatements. In certain areas, the current account reconciliation control system in place did not operating effectively to identify errors and thus contributed to the fact that not all relevant and material adjustments necessary to ensure that financial information is properly recorded in accordance with generally accepted accounting principles were recorded by management as evidenced by identified and proposed audit adjustments.

Effect: The need for numerous proposed audit adjustments, material or immaterial, indicates that the City's interim financial information is not materially correct, which may affect management decisions made during the course of the year. Additionally, these potential misstatements can impact amounts on the schedule of expenditures of federal awards, which impacts major program determination and can lead to the identification and testing of a federal program in error or inaccurate federal expenditures reported for the City's respective federal programs.

Recommendation: We recommend continued training specific to governmental accounting principles so that applicable staff are able to ensure financial statements and the schedule of expenditures of federal awards are materially correct. In addition, a thorough review of the transactions and balances in each fund should take place prior to the beginning of the audit to ensure that generally accepted accounting principles have been followed for each fund type, especially for transaction types that are infrequent in occurrence. However, ultimately, it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials: Management agrees with the finding.

Finding 2025-003 – Capital Assets

Material Weakness

Criteria: An organization's internal control structure should provide for the complete and accurate recording of all capital asset transactions and should provide for adequate controls to ensure capital assets are properly reconciled to the general ledger and supporting listings and schedules.

Condition: During the course of our engagement, numerous issues and errors related to the recording of construction in progress were identified which resulted in corrections and material audit adjustments. Additionally, there were errors related to valuation of certain assets as well as assets that were missed from being properly capitalized.

Cause: An overall lack of experience in accounting and reconciliation of capital assets and use of the accounting system in that process, combined with the lack of adequate training and lack of a review/oversight control over the accounting and reconciliation of capital assets, resulted in numerous errors being left undetected and, ultimately, discovered by audit procedures.

Effect: The identification of numerous adjustments and the need for correction of capital asset reconciliations and schedules that are management's responsibility increases the risk that additional misstatements within capital asset accounts are present and remain undetected within the financial statements.

Recommendation: We recommend that the City provide continued training to accounting personnel regarding the accounting and reconciliation of capital assets and a review control be implemented to review construction in progress schedules and reconciliations for accuracy and completeness prior to the audit.

Views of Responsible Officials: Management agrees with the finding.

Finding 2025-004 – Long-Term Debt

Material Weakness

Criteria: An organization's internal control structure should provide for the complete and accurate recording of all long-term debt transactions and should provide for adequate controls to ensure long-term debt is properly recorded.

Condition: During the course of our engagement, we identified that new debt issued by proprietary funds in 2025 was not originally recorded as liabilities and, thus, material audit adjustments were required to properly report the existence of these material liabilities within the proprietary fund financial statements.

Cause: An overall lack of experience in accounting for new proprietary fund debt from debt drawdowns during the construction phase of projects resulted in the inaccurate original accounting for these debt transactions that was not identified until our audit procedures identified such and were corrected through audit adjustment.

Effect: The noted inaccurate accounting for debt drawdowns within the proprietary funds contributes to inaccurate fund financial reporting during the year that is being used by management and increases the risk of potential further unidentified misstatements within the financial statements that are not identified and corrected from audit procedures.

Recommendation: We recommend that the City revise controls and procedures as it relates to accounting for debt issuances and drawdowns within proprietary funds to ensure the liabilities are property reflected within the fund statements in accordance with U.S. GAAP.

Views of Responsible Officials: Management agrees with the finding.

Section III – Federal Award Findings and Questioned Costs

2025-005

Department of Treasury
Federal Financial Assistance Listing 21.027
2022G-ARP-100, 2021
Coronavirus State and Local Fiscal Recovery Funds

Reporting
Material Weakness in Internal Controls over Compliance

Criteria: 2 CFR 200.328 provides the authoritative requirements for reporting grant program performance and the Department of Treasury has published compliance and reporting guidance for the program available online. Controls should be in place for the review of the information required to be reported under the requirements of federal regulations and the specific program to ensure that information is accurate and complete prior before submission to ensure compliance with all applicable requirements.

Condition: There was no review performed of the required annual report prior to its submission to ensure the accuracy and completeness of the reported information.

Cause: A properly designed control procedure was not established and in place to ensure a review of the required report prior to submission for accuracy and completeness.

Effect: While no material errors were noted in the accuracy and completeness of the information ultimately submitted and reported, the lack of a review control procedure by an individual separate from the preparer of the required report increases the risk that incomplete or inaccurate information is reported.

Questioned Costs: None reported.

Context/Sampling: No sampling was used.

Repeat Finding from Prior Year(s): No.

Recommendation: We recommend management design and implement a review control to ensure an individual separate from the preparer of the report, with sufficient knowledge and expertise, reviews the report for accuracy and completeness prior to submission.

Views of Responsible Officials: Management agrees with the finding.

City of Aberdeen
Finance Office
123 Lincoln Street South
Aberdeen, South Dakota 57401
(605)626-7026

Management's Response to Auditor's Findings: Summary Schedule of Prior Audit Findings and Corrective Action Plan
December 31, 2025

Prepared by Management of
City of Aberdeen

2024-001 – Auditor Assistance in Preparation of Financial Statements and Schedule of Expenditures of Federal Awards

Finding Summary: Eide Bailly LLP assisted in preparing financial statements and accompanying footnotes, as well as assisted with and identified corrections to the schedule of expenditures of federal awards.

Status: This finding has not been resolved as of December 31, 2025. Due to cost considerations and the City's staffing model, the City will continue to utilize Eide Bailly LLP for preparation of the audited financial statements and accompanying notes. Management will continue to review the financial statements, accompanying notes, proposed financial statement adjustments, and corrections prior to issuance. Additional review of the Schedule of Expenditures of Federal Awards will be incorporated into the year-end process, including comparison of federal expenditures to the general ledger and applicable grant records prior to submission for audit.

2024-002 – Audit Adjustments and Passed Audit Adjustments

Finding Summary: Eide Bailly LLP identified and proposed audit adjustments during the course of the audit that would not have been identified because of existing controls and, therefore, could have resulted in a material misstatement of the City's financial statements. Certain misstatements, not material but more than trivial in amount, were not corrected within the financial statements because they were deemed immaterial to the financial statements as a whole and each individual opinion unit.

Status: This finding has not been resolved as of December 31, 2025. The City will continue its review of financial reporting and reconciliation procedures and adjust where appropriate. Additional emphasis will be placed on the review and documentation of year-end account reconciliations and significant or unusual transactions prior to the annual audit. The City will also continue to provide training and guidance to staff involved in governmental accounting and financial reporting.

2024-003 – Capital Assets

Finding Summary: Eide Bailly LLP identified issues and errors related to the recording of capital assets, particularly construction in progress, which required auditor correction and adjustment. Capital asset schedules related to construction in progress were not prepared correctly. The auditors also identified errors in the valuation of capital assets and assets that were not properly capitalized.

Status: Improvements have been made, but this finding has not been resolved as of December 31, 2025. The City will continue to refine its capital asset accounting and reconciliation procedures. Additional review will be performed for construction in progress, capital asset additions and disposals, and reconciliation of capital asset records to the general ledger. The City will also continue to provide training to staff involved in capital asset accounting and year-end reporting.

Corrective Action Plan

Finding 2025-001

Finding Summary:	Eide Bailly LLP assisted with drafting the financial statements and made certain corrections to the Schedule of Expenditures of Federal Awards.
Responsible Individuals:	Jordan McQuillen, Finance Officer
Corrective Action Plan:	Due to cost considerations and the City's staffing model, the City will continue to utilize Eide Bailly LLP for preparation of the audited financial statements and accompanying notes. Management will continue to review the financial statements, accompanying notes, proposed financial statement adjustments, and corrections prior to issuance. Additional review of the Schedule of Expenditures of Federal Awards will be incorporated into the year-end process, including comparison of federal expenditures to the general ledger and applicable grant records prior to submission for audit.
Anticipated Completion Date:	Ongoing

Finding 2025-002

Finding Summary:	Eide Bailly LLP identified and proposed material and non-material audit adjustments and identified certain immaterial misstatements that were not corrected. The audit also identified areas in which the reconciliation of balance sheet accounts did not identify errors which led to needed audit adjustments.
Responsible Individuals:	Jordan McQuillen, Finance Officer
Corrective Action Plan:	The City will continue its review of financial reporting and reconciliation procedures and make adjustments where appropriate. Additional emphasis will be placed on the review and documentation of year-end account reconciliations and significant or unusual transactions prior to the annual audit. The City will also continue to provide training and guidance to staff involved in governmental accounting and financial reporting.
Anticipated Completion Date:	December 2026

Finding 2025-003

Finding Summary:	Eide Bailly LLP identified errors involving construction in progress, capital asset valuation, and assets that were not properly capitalized. These issues resulted in corrections and material audit adjustments.
Responsible Individuals:	Jordan McQuillen, Finance Officer
Corrective Action Plan:	The City will continue to refine its capital asset accounting and reconciliation procedures. Additional review will be performed for construction in progress, capital asset additions and disposals, and reconciliation of capital asset records to the general ledger. The City will also continue to provide training to staff involved in capital asset accounting and year-end reporting.

Anticipated Completion Date: December 2026

Finding 2025-004

Finding Summary: Eide Bailly LLP identified that new debt issued by proprietary funds in 2025 was not originally recorded as liabilities, requiring material audit adjustments to properly report the liabilities within the proprietary fund financial statements.

Responsible Individuals: Jordan McQuillen, Finance Officer

Corrective Action Plan: The City will review its accounting procedures for debt issuances and construction-related loan drawdowns, particularly within proprietary funds. Procedures will be updated as appropriate to provide for timely recognition and reconciliation of debt activity. Additional review will be performed for new or unusual financing transactions as part of the year-end reporting process.

Anticipated Completion Date: December 2026

Finding 2025-005

Federal Agency Name: Department of Treasury

Pass-Through Entity: South Dakota Department of Agriculture and Natural Resources

Assistance Listing Number: 21.027

Program Name: Coronavirus State and Local Fiscal Recovery Funds

Finding Summary: There was no review performed of the required annual report prior to its submission to ensure the accuracy and completeness of the reported information.

Corrective Action Plan: The City will revise its reporting procedures to provide for a separate preparer and reviewer of required federal program reports. The reviewer will review the report for accuracy and completeness prior to submission, and completion of the review will be documented.

Responsible Individual(s): Jordan McQuillen, Finance Officer

Anticipated Completion Date: December 2026