CITY OF BOWDLE
BOWDLE, SOUTH DAKOTA
AUDIT REPORT
FOR THE YEAR THEN ENDED
DECEMBER 31, 2025

CITY OF BOWDLE
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CAHILL BAUER & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Bowdle
Bowdle, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund (except as described below) of the City of Bowdle, South Dakota (City), as of December 31, 2025, and for the the year then ended, 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 24, 2026. In our report, we issued an adverse opinion on the Bowdle Healthcare Center Fund and discretely presented component unit, and a qualified opinion on the business-type activities because the financial statements of the primary government excluded the Bowdle Healthcare Center Fund and the City's legally separate component unit.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings and Questioned Costs, as items 2025-001 through 2025-006 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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. The City's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Cahill Bown

Mobridge, South Dakota

September 24, 2026

CAHILL BAUER & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Bowdle
Bowdle, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Bowdle, South Dakota (City), compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the 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 for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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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 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 each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, ar 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 City's internal control over compliance relevant to the audit in ord 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such 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 deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2025-005 and 2025-006 to be material weaknesses.

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

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

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

Purpose of this Report

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

Cahill Bauer

Mobridge, South Dakota
September 24, 2026

CITY OF BOWDLE
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2025

PRIOR OTHER AUDIT FINDINGS

Finding 2024-001:

A lack of proper segregation of duties existed for the duties for cash, equity, revenue, expenditures and the payroll functions resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This lack of segregation of duties has a direct effect on the cash management of the City.

Current Status:

Ongoing: Condition still exists, see current audit finding number 2025-001. The reason for recurrence is due to cost considerations, the City has determined it is not practical to employ additional staff to adequately segregate duties. The City will implement compensating controls where practical.

Finding 2024-002:

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

Current Status:

Ongoing: Condition still exists, see current audit finding number 2025-005. The reason for recurrence is due to cost considerations, the City accepts the risks associates with the auditors preparing the financial statements. The City will implement compensating controls where practical.

Finding 2024-003:

The City does not have an internal control system designed to ensure that necessary adjusting entries have been made in accordance with other comprehensive basis of accounting - modified cash basis.

Current Status:

Ongoing: Condition still exists, see current audit finding number 2025-002. The City will implement compensating controls where practical.

Finding 2024-004:

The City does not have an internal control system designed to ensure that minutes are timely published in accordance with SDCL 9-18-1.

(Continued on next page)

CITY OF BOWDLE
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2025

Current Status:

This condition has been corrected.

Finding 2024-005:

The City does not have an internal control structure to ensure that the audit report made publically available on its website in accordance with SDCL 4-11-12.

Current Status:

This condition has been corrected.

Finding 2024-006:

The City does not have an internal control structure in place to properly monitor the budget. Several departments overspent the amounts appropriated.

Current Status:

Ongoing: Condition still exists, see current audit finding number 2025-003.

(Continued on next page)

CITY OF BOWDLE
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2025

SECTION I - SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS

Financial Statements

a. An unmodified opinion was issued on the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information. A qualified opinion was issued on the respective financial position of the business type activities. An adverse opinion was issued on the aggregate discretely presented component units because of the omission of financial data.

b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings number 2025-001 through 2025-006.

c. Our audit did not report any significant deficiencies not considered to be material weaknesses.

d. Our audit did not disclose any noncompliance which was material to the financial statements.

Federal Awards

e. An unmodified opinion was issued on compliance with the requirements applicable to major programs.

f. Our audit disclosed audit findings that are required to be reported in accordance with 2 CFR 200.516(a). See finding number 2025-005 and 2025-006.

g. The federal awards tested as a major program were:
Assistance Listing Number 10.760 - Water and Waste Disposal Systems for Rural Committees
Assistance Listing Number 10.766 - Community Facilities Loans and Grants

h. The dollar threshold used to distinguish between Type A and Type B federal award programs was $1,000,000.

i. City of Bowdle did not qualify as a low-risk auditee.

SECTION II - FINANCIAL SATEMENT FINDINGS

Internal Control-Related Findings - Material Weaknesses:

Finding 2025-001

Criteria

To obtain adequate internal control over cash management, the duties of collecting and handling of cash must be segregated from the recording of cash transactions. The duties of preparing, mailing or otherwise distributing checks should be segregated from the recording process.

(Continued on next page)

Condition Found

A lack of proper segregation of duties existed for the duties for cash, equity, revenue, expenditures and the payroll functions resulting in decreased reliability of reported financial data and increased potential for the loss of public assets. This lack of segregation of duties has a direct effect on the cash management of the City.

Cause/Effect

The City of Bowdle, has a limited number of employees who prepare all records for cash, revenues, equity, expenditures and payroll. This lack of segregation of duties could result in inaccurate financial statement and/or misappropriations of funds.

Recommendation

We recommend that City officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever and wherever possible and practical.

Identification of Repeat Finding

This is the eighth consecutive audit report in which this finding has appeared.

Views of Responsible Officials

See the City's corrective action plan.

Finding 2025-002

Criteria

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

Condition Found

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

Cause/Effect

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

(Continued on next page)

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.

Identification of Repeat Finding

This is the eighth consecutive audit report in which this finding has appeared.

Views of Responsible Officials

See the City's corrective action plan.

Finding 2025-003

Criteria

The City shall refrain from spending in excess of the amount appropriated for any purpose or any department each year except as otherwise specially provided for by statute.

Condition Found

The City overspent amounts appropriated for several departments in the General Fund in 2025.

Cause/Effect

This condition resulted in spending of unappropriated funds in the General Fund for 2025.

Recommendation

The City's finance officer, Cory Kappenman, is the contact person responsible for the corrective action plan for this comment. The City of Bowdle is continuing its work in correcting this deficiency.

Identification of Repeat Finding

This is the sixth consecutive audit report in which this finding has appeared.

Views of Responsible Officials

See the City's corrective action plan.

(Continued on next page)

Finding 2025-004

Criteria

An organization's internal control structure should ensure that an itemized invoice accompanied by a voucher verified by the Finance Officer is present before any claim against the City is allowed in accordance with SDCL 9-23-1.

Condition Found

While conducting our audit, we identified three payments the City made for which no supporting invoice accompanied by a voucher was present.

Cause/Effect

This condition resulted in spending of unappropriated and unapproved funds of the City.

Recommendation

We recommend management and the City Council implement controls and procedures that ensure that before an claim of the City is allowed, there is an itemized invoiced accompanied by a voucher.

Views of Responsible Officials

See the City's corrective action plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Internal Control-Related Findings - Material Weaknesses:

Finding 2025-005

Department of Agriculture
Federal Financial Assistance Listing Number 10.760 and 10.766

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with other comprehensive basis of accounting - modified cash basis including the Schedule of Expenditures of Federal Awards.

(Continued on next page)

Condition Found

As a matter of practicality and efficiency, we have assisted in drafting the financial statements and Schedule of Expenditures of Federal Awards, in both form and content, based on information provided by management during the audit.

Cause/Effect

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

Questioned Costs

None were reported.

Recommendation

Management should review the financial statements and Schedule of Expenditures of Federal Awards for accuracy of account balances and context of note disclosures. Management should inquire of the auditors about balances or disclosures which management does not understand or cannot reconcile to internal records prior to signing the management representation letter.

Identification of Repeat Finding

This is the eighth consecutive audit report in which this finding has appeared for the financial statement audit. However, this is the initial year as a federal finding due to the inability prepare the Schedule of Expenditures of Federal Awards with material accuracy.

Views of Responsible Officials

See the City's corrective action plan.

Finding 2025-006

Department of Agriculture
Federal Financial Assistance Listing Numbers 10.760 and 10.766
Procurement, Suspension, and Debarment

(Continued on next page)

Criteria

Uniform Guidance and 2 CFR sections 200.318 through 200.326 set forth the procurement standards non-federal entities other than states must follow when operating federal programs and the procurement procedures required.

Condition Found

In our testing of procurement, suspension, and debarment it was identified that the City did not have a written policy on procurement that satisfied the requirements of 2 CFR sections 200.318 through 200.326.

Cause/Effect

Lack of oversight, awareness, or understanding of all of the specific requirements under the Uniform Guidance and applicable CFR sections and controls were not adequately designed to ensure compliance with all of these requirements. A lack of documented policies increase the risk that employees are not aware of the specific requirements with contracting and awarding contracts to lower tier entities.

Questioned Costs

None were reported.

Recommendation

Management should establish a written policy that addresses all of the procurement requirements for federal programs as identified in 2 CFR sections 200.318 through 200.326 and maintain adequate supporting documentation and records to document history and methods of procurement and the procedures performed to comply with these CFR sections.

Views of Responsible Officials

See the City's corrective action plan.

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CITY OF BOWDLE
OFFICE OF THE FINANCE OFFICER

INCORPORATED 1911

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BOWDLE, SOUTH DAKOTA 57428

CORRECTIVE ACTION PLAN (Unaudited)

Finding Number 2025-001

Internal control over financial reporting and compliance is not adequate.

Views of responsible officials and planned corrective actions:

The Finance Officer, Cory Kappenman, is the contact at this entity responsible for the corrective action plan for this comment. Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result.

Finding Number 2025-002

The City does not have an internal control system designed to provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with the modified cash basis of accounting.

Views of responsible officials and planned corrective actions:

The Finance Officer, Cory Kappenman, is the contact at this entity responsible for the corrective action plan for this comment. Management is aware of their overall responsibility for the completeness of the City's financial statements and the necessity for those to be complete with all material adjustments reflected and will attempt to compete all material adjustments for future financial statements.

Finding Number 2025-003

The City does not have an internal control system designed to refrain from spending in excess of the amount appropriated for any purpose or any department each year except as otherwise specifically provided for by statute.

Views of responsible officials and planned corrective actions:

The Finance Officer, Cory Kappenman, is the contact at this entity responsible for the corrective action plan for this comment. Both the City Council and management are aware of this process and have expressed their confidence that this will be addressed in the future.

Finding Number 2025-004

The City does not have an internal control structure designed to ensure that an itemized invoice accompanied by a voucher verified by the Finance Officer is present before any claim against the City is allowed.

Views of responsible officials and planned corrective actions:

The Finance Officer, Cory Kappenman, is the contact at this entity responsible for the corrective action plan for this comment. Both the City Council and management are aware of this process and have expressed their confidence that this will be addressed in the future.

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Finding Number 2025-005

The City does not have an internal control system designed to provide for the preparation of the financial statements including required footnotes and disclosures and the Schedule of Expenditures of Federal Awards, in accordance with the modified cash basis of accounting.

Views of responsible officials and planned corrective actions:

The Finance Officer, Cory Kappenman, is the contact at this entity responsible for the corrective action plan for this comment. The City is aware of our overall responsibility for the preparation of the City's financial statements and footnotes including the Schedule of Expenditures of Federal Awards and plans to attempt to set aside time to complete these statements and required footnotes including the Schedule of Expenditures of Federal Awards. This is an ongoing process, requiring continual analysis of processes and procedures in order to minimize the risk to the City.

Finding Number 2025-006

The City does not have a written policy on procurement that satisfied the requirements of 2 CFR sections 200.318 through 200.326.

Views of responsible officials and planned corrective actions:

The Finance Officer, Cory Kappenman, is the contact person at this entity responsible for the corrective action plan for this finding. The City will establish controls to follow all applicable procurement requirements under Uniform Guidance and applicable CFR sections.

Finance Officer

Mayor

CAHILL BAUER & ASSOCIATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Governing Board
City of Bowdle
Bowdle, South Dakota

Report on the Audit of the Financial Statements

Adverse, Qualified, and Unmodified Opinions

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, and each major fund (except as described below) of the City of Bowdle, South Dakota, as of December 31, 2025, and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Summary of Opinions	Type of Opinion
Governmental Activities	Unmodified
Business-type Activities	Qualified
General Fund	Unmodified
Bowdle Economic Development Corporation	Unmodified
Water Fund	Unmodified
Sewer Fund	Unmodified
Bowdle Healthcare Center Fund	Adverse
Discretely Presented Component Unit	Adverse

Adverse Opinion on the Bowdle Healthcare Center Fund

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the modified cash basis financial statements referred to above do not present fairly the financial position of the Bowdle Healthcare Center Fund of the City of Bowdle as of December 31, 2025, or the changes in financial position for the year then ended in accordance with the modified cash basis of accounting.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the modified cash basis financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Bowdle as of December 31, 2025 or changes in financial position for the year then ended in accordance with the modified cash basis of accounting.

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Qualified Opinions on Business-Type Activities

In our opinion, except for the matters described in the Basis for Adverse, Qualified, and Unmodified Opinions section of our report, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the City of Bowdle as of December 31, 2025, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting.

Unmodified Opinions on Governmental Activities, General Fund, Bowdle Economic Development Corporation, Water Fund, and Sewer Fund

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the Bowdle Healthcare Center Fund of the City of Bowdle as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting.

Basis for Adverse, Qualified, and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. 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 adverse, qualified, and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Bowdle Healthcare Center Fund and Aggregate Discretely Presented Component Unit and Qualified Opinion on Business-Type Activities

Management has not included the Bowdle Healthcare Center Fund in the City of Bowdle's financial statements. Accounting principles generally accepted in the United States of America require the Bowdle Healthcare Center Fund to be presented as a major enterprise fund and financial information about the Bowdle Healthcare Center Fund to be part of the business-type activities, thus increasing that activity's assets, revenues, expenses, and changing its net position. The amount by which this departure would affect the assets, net position, revenues and expenses of the business-type activities and the omitted major fund has not been determined.

The financial statements do not include financial data for the City of Bowdle's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City of Bowdle also issues financial statements for the financial reporting entity that include financial data for its component units. The City of Bowdle has not issued such reporting entity financial statements. The effects of not including the City of Bowdle's legally separate component unit on the aggregate discretely component unit and the aggregate remaining fund information have not been determined.

Responsiblities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the modified cash basis of accounting financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules, Schedule of Changes in Long-Term Debt, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset), and the Schedule of Expenditures of 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 Budgetary Comparison Schedules, Schedule of Changes in Long-Term Debt, and the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2026 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is 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 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

Mobridge, South Dakota
September 24, 2026

CITY OF BOWDLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 946,825	$ 180,816	$ 1,127,641
Investments	60,527	54,127	114,654
TOTAL ASSETS	1,007,352	234,943	1,242,295
NET POSITION			
Unrestricted	1,007,352	234,943	1,242,295
TOTAL NET POSITION	$ 1,007,352	$ 234,943	$ 1,242,295

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

CITY OF BOWDLE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expenses) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expenses) Revenue and Changes in Net Position: Primary Government: Total
Primary government							
Governmental activities							
General government	$ 95,719	$ 40,744	$ -	$ -	$ (54,975)	$ -	$ (54,975)
Public safety	28,772	-	-	-	(28,772)	-	(28,772)
Public works	122,001	17,369	461,785	-	357,153	-	357,153
Health and welfare	706	-	-	-	(706)	-	(706)
Culture and recreation	49,288	-	24,756	-	(24,532)	-	(24,532)
Total governmental activities	296,486	58,113	486,541	-	248,168	-	248,168
Business-type activities							
Water	1,039,201	266,145	-	-	-	(773,056)	(773,056)
Sewer	3,466,224	233,214	762,176	-	-	(2,470,834)	(2,470,834)
Total business-type activities	4,505,425	499,359	762,176	-	-	(3,243,890)	(3,243,890)
Total primary government	$ 4,801,911	$ 557,472	$ 1,248,717	$ -	248,168	(3,243,890)	(2,995,722)
General Revenues							
Taxes							
Property taxes					126,901	-	126,901
Sales tax					205,266	-	205,266
State shared revenue					4,277	-	4,277
Unrestricted investment earnings					17,693	2,102	19,795
Miscellaneous revenue					35,559	-	35,559
Debt issued					-	3,133,606	3,133,606
Total general revenues					389,696	3,135,708	3,525,404
Change in net position					637,864	(108,182)	529,682
Net position - beginning					369,488	343,125	712,613
Net position - ending					$ 1,007,352	$ 234,943	$ 1,242,295

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

CITY OF BOWDLE
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	$ 946,825	$ 946,825
Investments	60,527	60,527
TOTAL ASSETS	1,007,352	1,007,352
FUND BALANCES		
Unassigned	1,007,352	1,007,352
TOTAL FUND BALANCES	$ 1,007,352	$ 1,007,352

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

CITY OF BOWDLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Primary Government		
	General Fund	Bowdle Economic Development Corp	Total Governmental Funds
REVENUES			
Taxes			
General property taxes	$ 126,438	$ -	$ 126,438
General sales and use taxes	205,266	-	205,266
Penalties and interest on delinquent taxes	463	-	463
Licenses and permits	5,004	-	5,004
Intergovernmental revenue			
State grants	418,163	-	418,163
State shared revenue			
Bank franchise tax	1,138	-	1,138
Prorate license fees	3,316	-	3,316
Liquor tax reversion	3,139	-	3,139
Motor vehicle licenses (5%)	14,242	-	14,242
Local government highway and bridge fund	23,724	-	23,724
County shared revenue			
County road tax (25%)	768	-	768
County wheel tax	1,572	-	1,572
Charges for goods and services			
Sanitation	17,369	-	17,369
Miscellaneous revenue			
Investment earnings	17,693	-	17,693
Rentals	35,740	-	35,740
Contributions and donations from private sources	24,756	-	24,756
Other	23,859	-	23,859
Total revenues	$ 922,650	$ -	$ 922,650

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CITY OF BOWDLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Primary Government		
	General Fund	Bowdle Economic Development Corp	Total Governmental Funds
EXPENDITURES			
General government			
Legislative	$ 31,032	$ -	$ 31,032
Elections	149	-	149
Financial administration	61,438	-	61,438
Other	3,100	-	3,100
Public safety			
Fire	28,772	-	28,772
Public works			
Highways and streets	117,848	-	117,848
Sanitation	1,673	-	1,673
Airport	2,480	-	2,480
Health and welfare			
Health	706	-	706
Culture and recreation			
Parks	10,674	-	10,674
Libraries	38,614	-	38,614
Total expenditures	296,486	-	296,486
Excess of revenue over (under) expenditures	626,164	-	626,164
Other financing sources (uses)			
Transfer in	6,143	-	6,143
Transfer out	-	(6,143)	(6,143)
Sale of municipal property	11,700	-	11,700
Total other financing sources	17,843	-	17,843
Net change in fund balances	644,007	(6,143)	637,864
Fund balance - beginning	363,345	6,143	369,488
Fund Balance - Ending	$ 1,007,352	$ -	$ 1,007,352

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

CITY OF BOWDLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2025

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current assets			
Cash and cash equivalents	$ 112,898	$ 67,918	$ 180,816
Investments	-	54,127	54,127
TOTAL ASSETS	112,898	122,045	234,943
NET POSITION			
Unrestricted	112,898	122,045	234,943
TOTAL NET POSITION	$ 112,898	$ 122,045	$ 234,943

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

CITY OF BOWDLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
OPERATING REVENUE			
Surcharge as a security for debt	$ 49,437	$ 138,986	$ 188,423
Charges for goods and services	209,548	94,228	303,776
Miscellaneous	7,160	-	7,160
Total operating revenue	266,145	233,214	499,359
OPERATING EXPENSES			
Personal services	47,292	47,292	94,584
Other current expense	25,795	18,386	44,181
Materials	116,497	-	116,497
Total operating expenses	189,584	65,678	255,262
Operating income	76,561	167,536	244,097
NONOPERATING REVENUES (EXPENSES)			
Operating grants	-	762,176	762,176
Investment earnings	-	2,102	2,102
Capital assets	(793,336)	(3,344,265)	(4,137,601)
Debt service (principal)	(8,717)	(8,717)	(17,434)
Interest expense and fiscal charges	(47,564)	(47,564)	(95,128)
Long-term debt issued	963,193	2,170,413	3,133,606
Total nonoperating revenues (expenses)	113,576	(465,855)	(352,279)
CHANGE IN NET POSITION	190,137	(298,319)	(108,182)
NET POSITION - BEGINNING	(77,239)	420,364	343,125
NET POSITION - ENDING	$ 112,898	$ 122,045	$ 234,943

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Financial Reporting Entity

The reporting entity of the City of Bowdle (the City), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity except for the Bowdle Healthcare Center Fund as described in the Independent Auditors' Report Basis for Adverse Opinion on the Bowdle Healthcare Center Fund and Qualified Opinion on Business-Type Activities paragraph, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The reporting entity is comprised of the primary government, City of Bowdle, and two component units, the Bowdle Economic Development Corporation and the City of Bowdle Housing and Redevelopment Commission.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Bowdle Economic Development Corporation (Development Corporation) is a governemental fund-type, blended component unit. The Development Corporation's board and all vacancies to the board are appointed by the Mayor with the approval of the City Council. The Director of the Development Corporation is the City Finance Officer for which a portion of the Finance Officer's salary is for this responsibility. The Mayor and City Council, through its ability to fill and approve vacancies of the Development Corporation's Board and Director being the City Finance Officer, gives the City the ability to impose its will on the Development Corporation. The Development Corporation exclusively, or almost exclusively, benefits the primary government and, therefore, meets the criteria as a blended component unit.

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The City has elected not to present the financial information of the City of Bowdle Housing and Redevelopment Commission and, therefore, it has not been included in the financial statements of the City.

The City has elected not to present the primary government's activities of the Bowdle Healthcare Center Fund; thus, the financial information of the Bowdle Healthcare Center Fund has not been included in the financial statements of the City.

b. Basis of Presentation

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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.

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

Governmental Funds

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

Bowdle Economic Development Corporation Fund - To account for the ongoing operations of the Bowdle Economic Development Corporation which strives to promote the local economy by developing programs to increase retail businesses and services in the community. This is not a major fund.

Proprietary Funds

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

a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit-even if that government is not expected to make any payments-is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from revenues of the activity.)

b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.

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

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

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

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.

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

Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Basis of Accounting

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

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

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

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

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

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d. Deposits and Investments

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

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

e. Interfund Eliminations and Reclassifications

Government-Wide Financial Statements

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

a. The City presents the net residual amounts due between governmental and business-type activities, which are presented as amounts due to or due from other funds.

b. The City did not have internal service fund activity which required elimination as of December 31, 2025.

f. Capital Assets

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

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

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g. Long-Term Liabilities

Long-term liabilities include, but are not limited to Revenue Bonds and Revolving Funding loans.

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

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

h. Program Revenues

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

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

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

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

i. Proprietary Funds Revenue and Expense Classifications

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

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j. Cash and Cash Equivalents

The City pools the cash resources of its funds for cash management purposes. The Bowdle Economic Development Corp Fund and proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each fund's equity in the cash management pool is considered to be cash and cash equivalents.

k. Equity Classifications

Government-wide Financial Statements

Equity is classified as Net Position and is displayed in two component:

a: Restricted Net Position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

b: Unrestricted Net Position - All other net assets that do not meet the definition of Restricted Net Position.

Fund Financial Statements

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

l. Application of Net Positions

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.

m. Fund Balance Classification and Policies and Procedures

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

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

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Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Council or Finance Officer.

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

The 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 Government 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.

NOTE 2 - DEPOSITS AND INVESTMENTS 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:

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

Investments - In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in 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 of only certificates of deposits.

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. The City has no investment policy that would further limit its investment choices.

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Custodial Credit Risk - The risk that, in the even of a depository failure, the City's deposits may not be returned to it. The City does not a have deposit policy for custodial credit risk. As of December 31, 2025, none of the City's deposits were exposed to custodial credit risk.

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

NOTE 3 - PROPERTY TAXES

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

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

NOTE 4- PENSION PLAN

Plan Information:

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

Benefits Provided:

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

(Continued on next page)

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

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

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

Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.

If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%

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

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

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

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Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the years ended December 31, 2025, 2024, and 2023 were $272,432, $257,023, and $256,022, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Revenue, and 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 South Dakota Retirement System, for the City as of this measurement period ending June 30, 2025 and reported by the City as of December 31, 2025 (including the Bowdle Healthcare Center) are as follows:

Proportionate share of total pension liability	$ 22,872,540
Less proportionate share of net position restricted for pension benefits	22,885,285
Proportionate share of net pension asset	$ (12,745)

The net pension asset was measured as of June 30, 2025 and the total pension asset used to calculate the net pension liability was based on a projection of the City's (including the Bowdle Healthcare Center) share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025, the City's proportion was 0.149856%, which is an increase of 0.002156% from its proportion measured as of June 30, 2024.

Actuarial Assumptions:

The total pension asset 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	6.5% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.56%

(Continued on next page)

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

Beneficiaries:
PubG-2010 contingent survivor mortality table

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

The actuarial assumptions used in the June 30, 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	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%
Total	100.0%	

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Discount Rate:

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset)	$ 3,123,646	$ (12,745)	$ (2,582,199)

Pension Plan Fiduciary Net Position:

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

NOTE 5 - RISK MANAGEMENT

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

Employee Health Insurance

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

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Liability Insurance

The City purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation

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

Unemployment Benefits

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

NOTE 6 - LITIGATION

At December 31, 2025 the City was not involved in any litigation.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the report, which is the date the financial statements were available to be issued.

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NOTE 8 - 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 following represents the significant overdrafts of the expenditures compared to appropriations:

General Government - Legislative	$	432
General Government - Financial Administration		2,338
General Government - Other		3,100
Public Safety - Fire		1,472
Culture and Recreation - Health		606
Culture and Recreation - Library		14,489

The City plans to exercise more stringent budgetary controls to ensure expenditures in excess of appropriations at the department level will not occur.

NOTE 19 - INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2025, were as follows:

	Transfers In	Transfers Out	Total
General Fund	$ 6,143	$ -	$ 6,143
Bowdle Economic Development Corp	-	(6,143)	(6,143)
	$ 6,143	$ (6,143)	$ -

The purpose of the interfund transfer from Bowdle Economic Development Corp Fund to the General Fund was due to the closing of the Bowdle Economic Development Corp Fund.

SUPPLEMENTARY INFORMATION

CITY OF BOWDLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes				
General property tax	$ 126,500	$ 126,500	$ 126,438	$ (62)
General sales and use tax	165,000	165,000	205,266	40,266
Penalties and interest on delinquent taxes	300	300	463	163
Licenses and permits	2,600	2,600	5,004	2,404
Intergovernmental revenue				
State grants	-	-	418,163	418,163
State shared revenue				
Bank franchise tax	800	800	1,138	338
Motor vehicle commercial prorate	-	-	3,316	3,316
Liquor tax reversion	3,000	3,000	3,139	139
Motor vehicle licenses (5%)	15,000	15,000	14,242	(758)
Local government highway and bridge fund	22,000	22,000	23,724	1,724
County shared revenue				
County road tax (25%)	-	-	768	768
County wheel tax	1,700	1,700	1,572	(128)
Charges for goods and services				
Sanitation	8,500	8,500	17,369	8,869
Miscellaneous revenue				
Investment earnings	3,000	3,000	17,693	14,693
Rentals	17,000	17,000	35,740	18,740
Contributions and donations	-	-	24,756	24,756
Other	7,700	7,700	23,859	16,159
Total revenue	$ 373,100	$ 373,100	$ 922,650	$ 549,550

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CITY OF BOWDLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
EXPENDITURES				
General government				
Legislative	$ 30,600	$ 30,600	$ 31,032	$ (432)
Contingency	10,000	10,000	-	-
Amount transferred	-	-	-	10,000
Elections	600	600	149	451
Financial administration	57,100	59,100	61,438	(2,338)
Other	-	-	3,100	(3,100)
Public safety				
Fire	15,700	27,300	28,772	(1,472)
Public works				
Highways and streets	125,150	125,150	117,848	7,302
Sanitation	3,475	3,475	1,673	1,802
Airport	-	2,600	2,480	120
Cemetary	3,400	3,400	-	3,400
Health and welfare				
Health	100	100	706	(606)
Culture and recreation				
Parks	10,350	10,850	10,674	176
Libraries	24,125	24,125	38,614	(14,489)
Other miscellaneous	6,000	6,000	-	6,000
Total Expenditures	286,600	303,300	296,486	6,814
Excess revenue over/under expenditures	86,500	69,800	626,164	556,364
Other financing sources/(uses)				
Transfers in	-	-	6,143	(6,143)
Transfers out	(82,500)	(82,500)	-	(82,500)
Sale of municipal property	-	-	11,700	11,700
Total other financing sources (uses)	(82,500)	(82,500)	17,843	(76,943)
Net change in fund balances	4,000	(12,700)	644,007	656,707
Fund balance - beginning	363,345	363,345	363,345	-
Fund balance - ending	$ 367,345	$ 350,645	$ 1,007,352	$ 656,707

CITY OF BOWDLE
NOTES TO SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND AND FOR EACH MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

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

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

2. After adoption by the Governing Board/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 percent of the total municipal budget and may be transferred by resolution of the Governing Board/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 Governing Board/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 major special revenue funds.

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NOTE 2 - OTHER COMPREHENSIVE BASIS OF ACCOUNTING MODIFIED CASH BASIS/BUDGETARY ACCOUNTING BASIS DIFFERENCES

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

CITY OF BOWDLE
SCHEDULE OF CHANGES IN LONG-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2025

Indebtedness	Long-Term Debt 01/01/2025	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/2025
USDA Rural Development Loan 1	$ 561,239	$ -	$ 15,019	$ 546,220
USDA Rural Development Loan 2	126,692	-	2,415	124,277
SD Housing Development	375,330	-	-	375,330
CorTrust Bank Interim Loan	652,195	1,926,385	-	2,578,580
Clean Water Project Revenue Bond	261,001	1,207,221	-	1,468,222
	$ 1,976,457	$ 3,133,606	$ 17,434	$ 5,092,629

CITY OF BOWDLE
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM

Pension Plan	Fiscal Year Ending	Employer's Percentage of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll (b)	Employer'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	0.1499%	$ (12,745)	$ 4,458,649	-0.29%	100.10%
SDRS	6/30/2024	0.1477%	(5,979)	4,143,721	-0.14%	100.03%
SDRS	6/30/2023	0.1830%	(17,860)	4,719,784	-0.38%	100.10%
SDRS	6/30/2022	0.1916%	(18,103)	4,574,062	-0.40%	100.10%
SDRS	6/30/2021	0.2058%	(1,576,076)	4,670,493	-33.75%	105.52%
SDRS	6/30/2020	0.1830%	(7,948)	4,096,390	-0.19%	100.04%
SDRS	6/30/2019	0.1868%	(19,799)	3,883,498	-0.50%	100.09%
SDRS	6/30/2018	0.1893%	(4,416)	3,733,310	-0.10%	100.02%
SDRS	6/30/2017	0.1793%	(16,272)	3,413,782	-0.50%	100.10%
SDRS	6/30/2016	0.1677%	566,379	3,188,269	17.80%	96.89%

CITY OF BOWDLE
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

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 Method Changes:

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

Actuarial Assumption Changes:

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

As of June 30, 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 assumption 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.

CITY OF BOWDLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Agency or Pass-Through Entity Identifying Number	Expenditures 2025
US Department of Agriculture:			
Waste and Water Disposal Systems for Rural Communities (Note 3)	10.760	N/A	$1,063,776
Community Facilities Loans and Grants (Note 3)	10.766	N/A	862,608
Total US Department of Agriculture			1,926,384
US Department of Tresuary:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	762,176
Total US Department of Tresuary			762,176
GRAND TOTAL			$2,688,560

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. For grant awards issued prior to October 1, 2024 the de minimis indirect cost rate is 10% and for those grant awards issued after October 1, 2024 the de minimis indirect cost rate is 15%

Note 3: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.