TOWN OF BUFFALO, SOUTH DAKOTA

Financial Statements

December 31, 2025

CASEY • PETERSON

Town of Buffalo, South Dakota
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December 31, 2025

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Town Board of Trustees
Town of Buffalo, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Buffalo, South Dakota (the Town), as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 13, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Management's Response as 2025-001, 2025-002, and 2025-003, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Management's Response as item 2025-002.

Town of Buffalo, South Dakota's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Management's Response. The Town's response was not subjected to the 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 Town'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 Town'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.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota
July 13, 2026

Town of Buffalo, South Dakota
Schedule of Findings and Management's Response
December 31, 2025

Material Weakness
Internal Controls Related to Drafting Financial Statements

2025-001 *Condition:* As the auditor, we were requested to draft the financial statements and the related notes to the financial statements.

Criteria: Establishing internal controls over the preparation of the financial statements and the related notes is the responsibility of management.

Cause: Due to the limited number of employees, the Town does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited.

Effect: The Town engages its auditor to draft the financial statements and the related notes and to assist in the conversion to the modified cash basis of accounting for financial statement presentation.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to decide whether to accept the degree of risk associated with the Town's auditor drafting the financial statements and the related notes because of cost or other considerations. If the Town chooses not to accept this risk, training should be provided to those employees responsible for drafting the financial statements and related notes.

Management's Response: The Town accepts the risk related to hiring the auditor to prepare the financial statements and the related notes to the financial statements.

Responsible Party: Finance Officer

Time Frame: Ongoing

Material Weakness and Noncompliance
Internal Controls Related to Statutory Compliance

2025-002 *Condition:* As noted in the budgetary comparison schedules, the Town overspent the approved amount appropriated for certain departments for the year ended December 31, 2025. The Town did not present or publish annual reports as required.

Criteria: The Town's control structure should be designed to ensure compliance with South Dakota Codified Laws for municipal finances. The Town violated provisions of SDCL 9-21-9 and SDCL 9-22-21.

Cause: There is a lack of oversight in the control processes, limited staff size, and turnover among those charged with governance during the year.

Effect: The Town was not compliant with South Dakota Codified Law.

Auditor's Recommendation: We recommend that management and those charged with governance review the budget monthly with the financial statements. Should there be changes in expected spending for certain departments, the budget should be amended in accordance with state statutes.

Management's Response: Management will review statutes more frequently to identify all presentation and publication requirements. Management will obtain training to become more familiar with State statutes.

Responsible Party: Finance Officer

Time Frame: Ongoing

Material Weakness
Internal Controls Related to Account Reconciliations

2025-003 *Condition:* The cash account balances and revenue and expense activity were incorrect due to duplicate or partial postings. Material adjustments were necessary to correct balances and activities.

Criteria: Establishing internal controls over account reconciliations is the responsibility of management.

Cause: Errors within the accounting software prevented account reconciliations from being completed accurately and resulted in the inclusion of incorrect activity.

Effect: Failure to identify and correct errors can result in incomplete and erroneous accounting records and presents the potential for fraud to occur and not be identified.

Auditor's Recommendation: We recommend that management review the accounting software to ensure that balances are correct and include appropriate activity.

Management's Response: Management will evaluate the accounting software and perform regular verifications and reconciliations to ensure activity and balances appear correct.

CASEY • PETERSON
CPAs & FINANCIAL ADVISORS

Independent Auditor's Report

Town Board of Trustees
Town of Buffalo, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Buffalo, South Dakota (the Town), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the Town as of December 31, 2025, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal controls 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 Town's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS 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 GAS, 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 Town'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 Town'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 financial statements that collectively comprise the Town's basic financial statements. The Budgetary Comparison Schedule - Budgetary Basis - General Fund, Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, Notes to the Supplementary Information, and list of Town Officials are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The aforementioned supplementary 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. We have applied certain limited procedures to the Budgetary Comparison Schedule - Budgetary Basis - General Fund, Schedule of the Town's Proportionate Share of the Net Pension Liability (Asset), Schedule of Pension Contributions, and Notes to the Supplementary Information which consisted of inquiries of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The list of Town Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2026 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Town's internal control over financial reporting and compliance.

Casey Peterson, LTD

Casey Peterson, LTD

Rapid City, South Dakota
July 13, 2026

BASIC FINANCIAL STATEMENTS

Town of Buffalo, South Dakota
Statement of Net Position - Modified Cash Basis
December 31, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 1,498,205	$ 428,901	$ 1,927,106
TOTAL ASSETS	$ 1,498,205	$ 428,901	$ 1,927,106
NET POSITION			
Restricted for:			
Debt Service	$ -	$ 79,496	$ 79,496
Unrestricted	1,498,205	349,405	1,847,610
TOTAL NET POSITION	$ 1,498,205	$ 428,901	$ 1,927,106

The accompanying notes are an integral part of this statement.

Town of Buffalo, South Dakota
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2025

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Position		
				Primary Government		
Functions/Programs	Disbursements	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT						
Governmental Activities:						
General Government	$ 195,835	$ 26,010	$ -	$ (169,825)	$ -	$ (169,825)
Public Safety	70,274	168	-	(70,106)	-	(70,106)
Public Works	78,462	-	-	(78,462)	-	(78,462)
Health and Welfare	4,489	-	-	(4,489)	-	(4,489)
Culture and Recreation	111,086	-	850	(110,236)	-	(110,236)
Conservation and Development	716	-	-	(716)	-	(716)
Total Governmental Activities	460,862	26,178	850	(433,834)	-	(433,834)
Business-type Activities:						
Water	148,038	174,778	-	-	26,740	26,740
Sewer	51,488	57,594	-	-	6,106	6,106
Sanitation	79,169	113,727	-	-	34,558	34,558
Liquor	4,451	15,800	-	-	11,349	11,349
Total Business-type Activities	283,146	361,899	-	-	78,753	78,753
TOTAL PRIMARY GOVERNMENT	$ 744,008	$ 388,077	$ 850	(433,834)	78,753	(355,081)
	GENERAL RECEIPTS					
	Taxes:					
	Property Taxes			144,780	-	144,780
	Sales Taxes			273,263	-	273,263
	State Shared Receipts			53,590	-	53,590
	Unrestricted Investment Earnings			54,664	-	54,664
	Total General Receipts			526,297	-	526,297
	CHANGE IN NET POSITION			92,463	78,753	171,216
	NET POSITION - BEGINNING			1,405,742	350,148	1,755,890
	NET POSITION - ENDING			$ 1,498,205	$ 428,901	$ 1,927,106

The accompanying notes are an integral part of this statement.

Town of Buffalo, South Dakota
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2025

	General Fund
ASSETS	
Cash and Cash Equivalents	$ 1,498,205
TOTAL ASSETS	$ 1,498,205
FUND BALANCES	
Unassigned	$ 1,498,205
TOTAL FUND BALANCES	$ 1,498,205

The accompanying notes are an integral part of this statement.

Town of Buffalo, South Dakota
Statement of Receipts, Disbursements, and Changes in Fund Balances - Modified Cash Basis - Governmental Funds
For the Year Ended December 31, 2025

	General Fund
RECEIPTS	
Taxes:	
General Property Taxes	$ 144,780
General Sales and Use Taxes	273,263
Licenses and Permits	168
Intergovernmental Receipts:	
State Shared Receipts:	
Other	46,840
County Road Tax	6,750
Charges for Goods and Services	16,544
Miscellaneous Receipts:	
Investment Earnings	54,664
Operating Agreement	9,466
Donations	850
Total Receipts	553,325
DISBURSEMENTS	
General Government:	
Legislative	45,129
Financial Administration	150,706
Public Safety:	
Police	43,003
Fire	27,271
Public Works:	
Highways and Streets	78,462
Health and Welfare	4,489
Culture and Recreation:	
Recreation	102,739
Parks	6,954
Museum	1,393
Conservation and Development	716
Total Disbursements	460,862
NET CHANGE IN FUND BALANCE	92,463
FUND BALANCE - BEGINNING	1,405,742
FUND BALANCE - ENDING	$ 1,498,205

The accompanying notes are an integral part of this statement.

Town of Buffalo, South Dakota
Balance Sheet - Modified Cash Basis - Proprietary Funds
December 31, 2025

	Water Fund	Sewer Fund	Sanitation Fund	Liquor Fund	Total Proprietary Funds
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 234,851	$ 122,977	$ 15,169	$ 55,904	$ 428,901
TOTAL ASSETS	$ 234,851	$ 122,977	$ 15,169	$ 55,904	$ 428,901
NET POSITION					
Restricted for:					
Revenue Bond Debt Service	$ 79,496	$ -	$ -	$ -	$ 79,496
Unrestricted	155,355	122,977	15,169	55,904	349,405
TOTAL NET POSITION	$ 234,851	$ 122,977	$ 15,169	$ 55,904	$ 428,901

The accompanying notes are an integral part of this statement.

Town of Buffalo, South Dakota
Statement of Receipts, Disbursements, and Changes in Fund Net Position - Modified Cash Basis - Proprietary Funds
December 31, 2025

	Water Fund	Sewer Fund	Sanitation Fund	Liquor Fund	Total Proprietary Funds
OPERATING RECEIPTS					
Charges for Services	$ -	$ 57,594	$ 113,727	$ 15,800	$ 187,121
Receipts Dedicated to Servicing Debt	174,778	-	-	-	174,778
Total Operating Receipts	174,778	57,594	113,727	15,800	361,899
OPERATING DISBURSEMENTS					
Personnel	24,317	27,165	15,311	-	66,793
Materials	21,422	6,347	55,595	4,451	87,815
Other Operating Disbursements	13,675	17,976	8,263	-	39,914
Total Operating Disbursements	59,414	51,488	79,169	4,451	194,522
OPERATING INCOME	115,364	6,106	34,558	11,349	167,377
NONOPERATING DISBURSEMENTS					
Debt Service Payments	(71,297)	-	-	-	(71,297)
Interest	(17,327)	-	-	-	(17,327)
Total Nonoperating Disbursements	(88,624)	-	-	-	(88,624)
CHANGE IN NET POSITION	26,740	6,106	34,558	11,349	78,753
NET POSITION - BEGINNING	208,111	116,871	(19,389)	44,555	350,148
NET POSITION - ENDING	$ 234,851	$ 122,977	$ 15,169	$ 55,904	$ 428,901

The accompanying notes 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) as described within this note. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. REPORTING ENTITY

The reporting entity of the Town of Buffalo, South Dakota (the Town) consists of the primary government which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity; those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The reporting entity is comprised of the primary government, the Town of Buffalo.

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

Based on the application of these criteria, the Town does not have any component units.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position - Modified Cash Basis and the Statement of Activities - Modified Cash Basis display information about the Town as a whole. These statements include all funds of the overall government except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Town has no fiduciary funds.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, fund equity, receipts, and disbursements. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town, or if it meets the following criteria:

1. Total assets, liabilities, receipts, or disbursements of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, receipts, or disbursements of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year or because of public interest in the fund’s operations.

The funds of the Town are described below:

Governmental Funds:

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

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 one of the following criteria is met. Governments should apply each of these criteria in the context of the activity’s principal source of receipts;

a. The activity is financed with debt that is secured solely by a pledge of the net receipts from fees and charges of the activity. Debt that is secured by a pledge of net receipts 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.
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 receipts.
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 fund 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 fund is a major fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquor Fund - Financed primarily by rents from the municipal bar, this fund accounts for the construction and operation of the municipal bar and related equipment. This fund is a major fund.

Sanitation Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the municipal rubble site facilities, and the municipal garbage compaction/baling and disposal/hauling operations. This fund 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” receipts and disbursements are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The Town’s basis of accounting is the modified cash basis, which is a basis of accounting other than GAAP. Under GAAP, 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 - Modified Cash Basis and Statement of Activities - Modified Cash Basis, 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.

Fund Financial Statements:

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

Basis of Accounting

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

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipts and disbursement transactions. Under the modified cash basis of accounting, the balance sheet reports only cash and cash equivalents (those investments with terms to maturity of 90 days 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 Town presents negative cash balances rather than interfund loans.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipts for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows of resources that do not arise from a customer transaction or event that would be reported in GAAP basis financial statements (such as donated assets) are not reported in this modified cash basis presentation, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town applied accounting principles generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. CASH AND CASH EQUIVALENTS

The Town pools its cash resources for deposit purposes. The proprietary funds have access to their cash resources on demand.

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit. Certificates of deposit are carried at cost. Negative cash balances represent interfund borrowing of pooled cash.

E. CAPITAL ASSETS

Government-wide Financial Statements:

Under the modified cash basis of accounting, the Town’s capital assets are considered a cost of the program for which they were acquired, for the amount paid in cash. In the Statement of Activities, cash payments for capital assets are recorded in the program category for which they were acquired. Allocations between programs are made, where necessary, to match the cost with the program that benefits from the use of the capital assets.

Fund Financial Statements:

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as expenditures of the governmental fund when paid for in cash. Capital assets acquired for use in proprietary fund operations are accounted for in the same manner in the government-wide financial statements.

Under the modified cash basis of accounting, cash payments for lease activities are a cost of the function for which they benefit for the amount paid in cash in both the government-wide and fund financial statements. Lease assets and liabilities arising from leasing activities are not reported in the modified cash basis financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. LONG-TERM LIABILITIES

As discussed in Note 1.C. above, the government-wide Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis, and the fund financial statements, the governmental and business-type activities are presented using a modified cash basis of accounting. The Town has not elected to modify its 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 Town. The Town does report the principal and interest payments on long-term debt as debt service expenditures on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Modified Cash Basis. On the Statement of Activities - Modified Cash Basis, the principal and interest on these debt service payments are reported within the appropriate disbursement function.

Under the modified cash basis of accounting, cash payments for lease activities are recorded as expenditures in the function benefiting from the use of the leased asset. Allocations are made where appropriate. Liabilities arising from leasing activities are not reported as liabilities in the modified cash basis financial statements.

Long-term liabilities include, but are not limited to, a State Revolving Fund (SRF) Loan.

G. RECEIPTS RECEIVED IN ADVANCE

Under the modified cash basis of accounting, cash may have been received in advance of the Town's providing a good or service to a customer. These amounts are reported in the financial statements at the time of receipt, as applicable.

H. PROGRAM RECEIPTS

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

1. *Charges for Services* - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. *Program-specific Operating Grants and Contribution*s - 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 RECEIPTS AND DISBURSEMENTS CLASSIFICATION

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. EQUITY CLASSIFICATIONS

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in two components under the modified cash basis:

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

It is the Town's policy to first use restricted net position prior to the use of unrestricted net position when a disbursement is made for purposes for which both restricted and unrestricted net positions are available.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. In accordance with Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town classifies governmental fund balances as follows:

Nonspendable - Includes amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.

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

Committed - Includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the Board of Trustees and do not lapse at year-end.

Assigned - Includes amounts that are constrained by the Board of Trustees and are intended to be used for specific purposes but are neither restricted nor committed. The Board of Trustees has not given management the authority to create assignments of fund equity.

Unassigned - Includes positive amounts within the General Fund that have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

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

Proprietary fund equity is classified the same as in the government-wide financial statements.

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

The Town 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 as follows:

Deposits

The Town'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% of the public deposit accounts that 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 Town 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, SDCL4-5-9 requires investments to be in the physical custody of the political subdivision or deposited in a safekeeping account with any banker or trust company designated by the political subdivision as its fiscal agent. Investments classified in the financial statements consist entirely of certificates of deposit.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2025, the Town's bank balances above FDIC limits are insured and collateralized in compliance with the South Dakota Public Deposit Protection Collateral Program.

Concentration of Credit Risk - The Town places no limit on the amount that may be invested in one issuer.

Interest Rate Risk - The Town 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 Town, as discussed above. The Town has no investment policy that would further limit its investment choices. The Town has all of its deposits in demand deposits and certificates of deposit.

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

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

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 the following January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year. The Town is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation on taxable real property in the Town.

NOTE 4 - COMMITMENTS

The following is a summary of changes in long-term debt commitments for the year ended December 31, 2025:

	Beginning Balance 12/31/24	Additions	Payments	Ending Balance 12/31/25	Due in One Year
SRF Loan	$ 791,925	$ -	$ (71,297)	$ 720,628	$ 33,493

The Town has an SRF loan for water system infrastructure. The loan matures in 2043. Interest is accrued at a rate of 2.25%. Interest expense for the year ended December 31, 2025 was $17,327. This debt is paid by the Water Fund. This debt agreement requires the Town to assess a water surcharge for all customers and maintain a debt coverage ratio of 1:1. The Town complied with both provisions for the year ended December 31, 2025.

Pledged Receipts

The Town has pledged all customer receipts of the Water Fund for the retirement of its loan listed in the table above. The current principal balance plus interest at the stated applicable rate over the life of the debt represents the amount of future receipts pledged. Below is a comparison of principal and interest payments and total pledged receipts for the year ended December 31, 2025:

Current Year Required Principal and Interest	$ 50,293
Pledged Receipts:	
Water Fund Customer Receipts	$ 174,778

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

	Principal	Interest	Total
2026	$ 33,493	$ 16,800	$ 50,293
2027	34,253	16,040	50,293
2028	35,030	15,263	50,293
2029	35,825	14,468	50,293
2030	36,638	13,655	50,293
2031-2035	196,045	55,423	251,468
2036-2040	219,316	32,418	251,734
2041-2045	130,028	6,981	137,009
	$ 720,628	$ 171,048	$ 891,676

NOTE 5 - 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 is found in SDCL 3-12C. 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 classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant Retirement Fund members, and Class D Department of Labor and Regulation members.

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

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

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater than 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%

NOTE 5 - PENSION PLAN (CONTINUED)

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

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

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12C, 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 Town's share of contributions to the SDRS for the years ended December 31, 2025, 2024, and 2023 was $8,501, $7,075, and $6,610, respectively, and is equal to the required contributions each year.

Pension Liability (Asset) and Pension Expense

At June 30, 2025, SDRS was 100.06% funded and, accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System for the Town as of the measurement period ending June 30, 2025 as of December 31, 2025 is as follows:

Proportionate Share of Total Pension Liability	$ 707,593
Less: Proportionate Share of Net Position Restricted for Pension Benefits	707,987
Proportionate Share of Net Pension Liability (Asset)	$ (394)

At December 31, 2025, the Town reported a liability (asset) of $(394) for its proportionate share of the net pension liability (asset). This liability (asset) is not reflected in the financial statements due to the modified cash basis of reporting. The net pension liability (asset) was measured as of June 30, 2025 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025, the Town's proportion was 0.004636%, which is an increase of 0.000501% from its proportion measured as of June 30, 2024. Due to the limitations of the modified cash basis of accounting, the Town does not report pension (assets) liabilities or deferred amounts in its financial statements.

NOTE 5 - PENSION PLAN (CONTINUED)

Actuarial Assumptions

The total pension liability (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	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%
Future COLAs	1.56%

Mortality Rates

- All mortality rates are based on Pub-2010 amount-weighted mortality tables projected generationally with improvement scale MP-2020.
- Active and Terminated Vested Members:
  - Teachers, Certified Regents, and Judicial: PubT-2010
  - Other Class A Members: PubG-2010
  - Public Safety Members: PubS-2010
- Retired Members:
  - Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
  - Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
  - Public Safety Retirees: PubS-2010, 102% of rates at all ages
- Beneficiaries:
  - PubG-2010 contingent survivor mortality table
- Disabled Members:
  - Public Safety: PubS-2010 disabled member mortality table
  - Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

NOTE 5 - PENSION PLAN (CONTINUED)

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for the 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	Long-term Expected Real Rate of Return
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	2.3%
Real Estate	12.0%	4.0%
High Yield Debt	7.0%	2.9%
Cash	1.9%	0.8%
	100.0%	

Discount Rate

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
Town's Proportionate Share of Net Pension Liability (Asset)	$ 96,634	$ (394)	$ (79,884)

NOTE 5 - PENSION PLAN (CONTINUED)

Pension Plan Fiduciary Net Position

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

NOTE 6 - RISK ASSESSMENT

The Town 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 Town managed the risks as follows:

Unemployment Benefits

The Town has coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by State law and managed by the State of South Dakota. During the year ended December 31, 2025, no claims were paid for unemployment benefits. At December 31, 2025, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

Health Insurance

The Town does not provide a group health insurance plan for Town employees. Each employee is responsible for obtaining individual health insurance.

Liability Insurance

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

The SDPAA assumes responsibility for all reported claims of departing members pursuant to the revised IGC.

The Town carries a $2,500 deductible for Governmental General Liability and Automobile Damage coverage, a $0 deductible for Automobile Liability coverage, and a $500 deductible for Governmental Property coverage.

The Town 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.

NOTE 6 - RISK ASSESSMENT (CONTINUED)

Worker's Compensation

The Town joined the South Dakota Municipal League Worker's Compensation Fund (the 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 Town'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 Town pays an annual premium to provide worker's compensation coverage for its employees, under a self-funded program, and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first $650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability of $2,000,000 per incident.

The Town 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.

NOTE 7 - RESTRICTED NET POSITION

The following table shows restricted net position and the purpose for such restrictions as shown in the Statement of Net Position - Modified Cash Basis as of December 31, 2025.

Major Purpose	Restricted By	Amount
Debt Service	Debt Covenants	$ 79,496

NOTE 8 - RELATED-PARTY TRANSACTIONS

The Town does contract with Board members for services on occasion. The Town limits annual payments for services to Board members or their businesses to $5,000.

NOTE 9 - LANDFILL

The Town operates a municipal solid waste transfer station and a restricted-use solid waste facility. This facility accepts very specific waste from the public. The Town has a current permit for the limited waste facility. State and EPA regulations do not require the accumulation of assets for the remediation of this type of waste facility. Refuse collected at the transfer station is taken to the Northwest South Dakota Regional Landfill (NSDRL).

NOTE 10 - LEASES

The Town has a municipal bar that is leased to a third party to operate. The lease is paid in one annual lump sum. The current lessee has an agreement for the operation of the bar through December 31, 2026. The Town received lease payments in the amount of $7,800 and $8,000 during the year ended December 31, 2025 for the 2025 and 2026 leases, respectively, totaling $15,800. As the Town received full payment on the 2026 lease during 2025, no amount is expected to be paid for the lease during the year ended December 31, 2026.

NOTE 11 - VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS

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

Budget Function	Amount
General Government:	
Financial Administration	$ 29,006
Public Works:	
Highways and Streets	2,357
Culture and Recreation:	
Recreation	62,339
Conservation and Development	216

The Town Board will revise budgets as activities change during the year.

NOTE 12 - SUBSEQUENT EVENTS

The Town has considered subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Town of Buffalo, South Dakota
Budgetary Comparison Schedule - Budgetary Basis - General Fund
For the Year Ended December 31, 2025

	Budgeted Amounts		Budgetary Basis - Actual	Positive (Negative)
	Original	Final	Amounts	Variance
RECEIPTS				
Taxes:				
General Property Taxes	$ 122,400	$ 122,400	$ 144,780	$ 22,380
General Sales and Use Taxes	97,660	97,660	273,263	175,603
Licenses and Permits	34,600	34,600	168	(34,432)
Intergovernmental Receipts:				
State Shared Revenue	6,400	6,400	46,840	40,440
County Wheel Tax	-	-	6,750	6,750
Charges for Goods and Services:				
General Government	4,000	4,000	16,544	12,544
Miscellaneous Revenue:				
Investment Earnings	2,700	2,700	54,664	51,964
Operating Agreement	7,000	7,000	9,466	2,466
Other	-	-	850	850
Total Receipts	274,760	274,760	553,325	278,565
DISBURSEMENTS				
General Government:				
Legislative	49,700	49,700	45,129	4,571
Contingency	18,000	18,000	-	18,000
Financial Administration	121,700	121,700	150,706	(29,006)
Other General Government	28,800	28,800	-	28,800
Public Safety:				
Police	43,000	43,000	43,003	(3)
Protective Inspection	33,250	33,250	27,271	5,979
Public Works:				
Highways and Streets	76,105	76,105	78,462	(2,357)
Health and Welfare:				
Health	8,500	8,500	4,489	4,011
Culture and Recreation:				
Recreation	40,400	40,400	102,739	(62,339)
Parks	23,100	23,100	6,954	16,146
Museum	4,300	4,300	1,393	2,907
Conservation and Development	500	500	716	(216)
Total Disbursements	447,355	447,355	460,862	(13,507)
NET CHANGE IN FUND BALANCE	(172,595)	(172,595)	92,463	265,058
FUND BALANCE - BEGINNING	1,405,742	1,405,742	1,405,742	-
FUND BALANCE - ENDING	$ 1,233,147	$ 1,233,147	$ 1,498,205	$ 265,058

See independent auditor’s report and notes to the supplementary information.

Town of Buffalo, South Dakota
Schedule of the Town’s Proportionate Share of the Net Pension Liability (Asset)
South Dakota Retirement System

*Year	Town's Proportion of the Net Pension Liability/Asset	Town's Proportionate Share of the Net Pension Liability (Asset)	Town's Covered Payroll	Town's Proportionate Share of the Net Pension Liability/Asset as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/Asset
2025	0.0046360%	$ (394)	$ 120,686	0.33%	100.06%
2024	0.0041350%	(167)	112,724	0.15%	100.03%
2023	0.0041670%	(394)	106,611	0.37%	100.07%
2022	0.0042910%	(406)	101,979	0.40%	100.10%
2021	0.0044300%	(33,926)	100,534	33.75%	105.52%
2020	0.0047059%	(204)	101,650	0.20%	100.04%
2019	0.0051179%	(542)	108,817	0.50%	100.09%
2018	0.0050355%	(118)	154,194	0.08%	100.02%
2017	0.0052605%	(477)	114,550	0.42%	100.10%
2016	0.0066693%	22,528	151,383	14.88%	96.89%

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

Town of Buffalo, South Dakota
Schedule of Pension Contributions
For the Years Ended December 31

Year	Contractually-required Contribution	Contributions in Relation to the Contractually-required Contribution	Contribution Deficiency (Excess)	Town's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	$ 8,501	$ 8,501	$ -	$ 141,675	6.0%
2024	7,075	7,075	-	108,294	6.5%
2023	6,610	6,610	-	110,167	6.0%
2022	6,193	6,193	-	103,222	6.0%
2021	6,075	6,075	-	101,255	6.0%
2020	5,957	5,957	-	99,293	6.0%
2019	6,391	6,391	-	106,521	6.0%
2018	6,569	6,569	-	109,477	6.0%
2017	5,941	5,941	-	99,017	6.0%
2016	6,873	6,873	-	114,550	6.0%

See independent auditor’s report and notes to the supplementary information.

NOTE 1 - BASIS OF PRESENTATION

The Budgetary Comparison Schedule has been prepared on the modified cash basis of accounting and presents capital outlay and debt service expenditures within each department rather than as separate functions similar to the Statement of Activities - Modified Cash Basis.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

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

1. At the regular Board meeting in September each year, the Board of Trustees introduces the annual appropriations ordinance for the ensuing fiscal year.
2. After adoption by the Board of Trustees, the operating budget is legally binding, and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5% of the total Town budget and may be transferred by resolution of the Board of Trustees 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 Board of Trustees. The Town 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.

NOTE 3 - SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Method Changes

No changes in actuarial methods have been 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 an FVFR equal to or exceeding 100%.

NOTE 3 - SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) AND SCHEDULE OF PENSION CONTRIBUTIONS (CONTINUED)

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 reasonableness 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.

Town of Buffalo, South Dakota
Town Officials
December 31, 2025

BOARD OF TRUSTEES

John Klempel - President

Doris Dagman - Vice President

Brandon Schleuning

Tex Lermeny

Jason Lindholm

FINANCE OFFICER

Jaylene Stirling

See independent auditor’s report.