

Financial Statements

December 31, 2024

City of Dell Rapids, South Dakota

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City of Dell Rapids, South Dakota
Elected and Appointed Officials (unaudited)
December 31, 2024

<u>Elected</u>	<u>Term Position</u>	<u>Term Expires December 31,</u>
Tom Earley	Mayor	2025
Denise Hanzlik	Council Member	2027
Barry Berg (Appointed)	Council Member	2025
Gary Haak	Council Member	2025
Wendy Nelson	Council Member	2025
Chad Ronshaugen	Council Member	2027
Chuck Jones	Council Member	2025
Denise Caviegeli	Council Member	2027
Bob Mier	Council Member	2025
<u>Hired</u>		
Steve McFarland	City Administrator	
<u>Appointed</u>		
Claire Baartman	Finance Officer	



Independent Auditor's Report

To the City Council
City of Dell Rapids
City of Dell Rapids, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dell Rapids (the City), as of and for the year ended December 31, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dell Rapids, as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 12 to the financial statements, the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended December 31, 2024. Accordingly, a restatement has been made to the Water, Wastewater, Governmental Activities and Business-Type Activities Funds net position as of January 1, 2024, to restate beginning net position. 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of employer's proportionate share of net pension liability (asset) and schedule of employer's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2025 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sallie LLP".

Fargo, North Dakota
August 26, 2025

This section of City of Dell Rapids (City) financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2024. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the City's revenues generated from charges for services, taxes and other revenues of the governmental programs were \$4,532,674 and \$3,799,639 of governmental expenditures. This is a decrease from the prior year when revenue exceeded expenditures by \$957,386.
- In the City's business-type activities, revenues were \$5,774,902 and \$4,159,415 business-type expenditures. This is a decrease from the prior year when revenue exceeded expenditures by \$1,999,093.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities that the Municipality operates like businesses. The City has three proprietary funds – the Water Fund, the Wastewater Fund, and the Liquor Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the Municipal government they cover and the types of information they contain. The remainder of the overview section of the management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Major Features of Municipality of Dell Rapids's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire municipal government	The activities of the municipality that are not proprietary, such as finance office, street department and parks	Activities the Municipality operates similar to private businesses, the water and sewer systems and Liquor Fund
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City’s net position and how they have changed. Net position – the difference between the City’s assets and liabilities – is one way to measure the City’s financial health or position.

- Increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City’s property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the City are reported in two categories:

- **Governmental Activities** -- This category includes most of the City's basic services, such as finance office, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.
- **Business-type Activities** -- The City charges a fee to customers to help cover the costs of certain services it provides. The City's water and wastewater systems are included here as well as the City's Liquor Fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- **Governmental Funds** – Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

The City's combined net position increased by 6.20% between fiscal year 2023 and 2024 – for an increase of \$2,304,153 (See Table A-1).

Table A-1
City of Dell Rapids
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Total % Changed
	2023	2024	2023	2024	2023	2024	
Current and Other Assets	\$ 6,942,485	4,474,972	\$ 5,214,677	\$ 5,499,061	\$ 12,157,162	\$ 9,974,033	-17.96%
Capital Assets	16,625,371	19,717,869	24,794,275	27,366,153	41,419,646	47,084,022	13.68%
Total Assets	<u>\$ 23,567,856</u>	<u>24,192,841</u>	<u>\$ 30,008,952</u>	<u>\$ 32,865,214</u>	<u>\$ 53,576,808</u>	<u>\$ 57,058,055</u>	<u>6.50%</u>
Deferred Outflows of Resources	\$ 145,999	135,079	\$ 86,810	\$ 82,554	\$ 232,809	\$ 217,633	-6.52%
AP and Other Current Liabilities	\$ 626,856	543,337	\$ 1,129,016	\$ 910,437	\$ 1,755,872	\$ 1,453,774	-17.21%
Noncurrent Liabilities	2,112,348	2,061,226	12,490,033	13,922,725	14,602,381	15,983,951	9.46%
Total Liabilities	<u>\$ 2,739,204</u>	<u>2,604,563</u>	<u>\$ 13,619,049</u>	<u>\$ 14,833,162</u>	<u>\$ 16,358,253</u>	<u>\$ 17,437,725</u>	<u>6.60%</u>
Deferred Inflows of Resources	\$ 86,473	93,203	\$ 230,086	\$ 305,802	\$ 316,559	\$ 399,005	26.04%
Net Position							
Net Investment in Capital Assets	\$ 14,372,980	17,638,981	\$ 11,517,907	\$ 12,916,757	\$ 25,890,887	\$ 30,555,738	18.02%
Restricted	590,929	594,992	970,494	965,236	1,561,423	1,560,228	-0.08%
Unrestricted	5,924,269	3,396,181	3,758,226	3,926,811	9,682,495	7,322,992	-24.37%
Total Net Position	<u>20,888,178</u>	<u>21,630,154</u>	<u>\$ 16,246,627</u>	<u>\$ 17,808,804</u>	<u>\$ 37,134,805</u>	<u>\$ 39,438,958</u>	<u>6.20%</u>

Effective January 1, 2024, the City adopted provisions of GASB Statement No. 101 *Compensated Absences*. As a result of this change in accounting principle, it was not appropriate for the City to restate prior-period information for earlier periods than those presented in the basic financial statements. Therefore, information for the year ended December 31, 2023 was not restated. See Note 12 to the financial statements for further information on the change in accounting principle.

The Statement of Net Position presents the assets and liabilities in order of relative liquidity. Liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. Long-term liabilities of the City, consisting of compensated absences payable, sales tax revenue bonds payable and water revenue bonds payable, have been reported in this manner on the Statement of Net Position. The difference between the City's assets and liabilities is its net position.

The City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The increase in net position invested in capital assets, net of related debt relates to the City's purchase of multiple improvement projects, library furniture and equipment, library books, and new street department equipment for use by the appropriate City Departments.

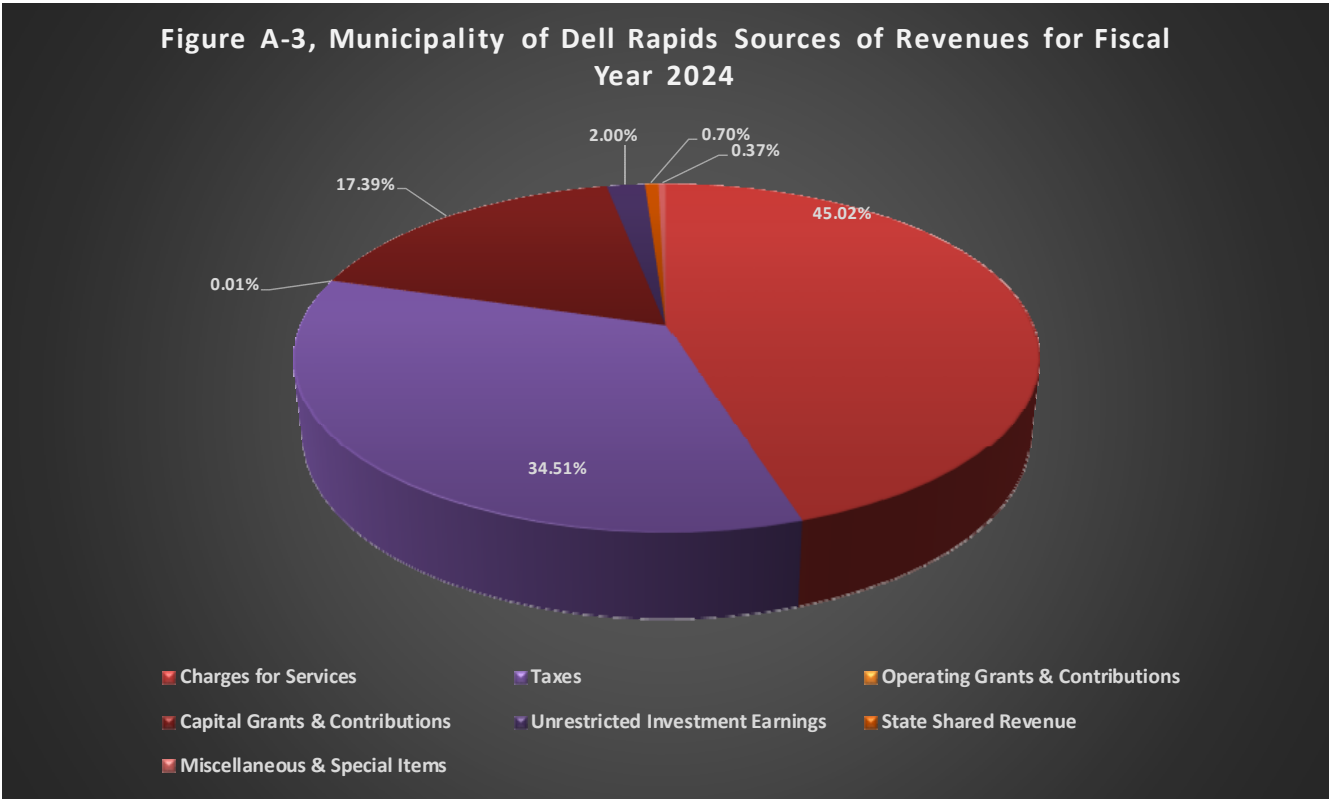
The City’s restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants. There was an increase in restricted net position due to additional debt service and new GASB 68 standards of reporting SDRS Pension on the face of the financial statements.

The remaining balance of net position are unrestricted and may be used to meet the City’s ongoing obligations to citizens and creditors.

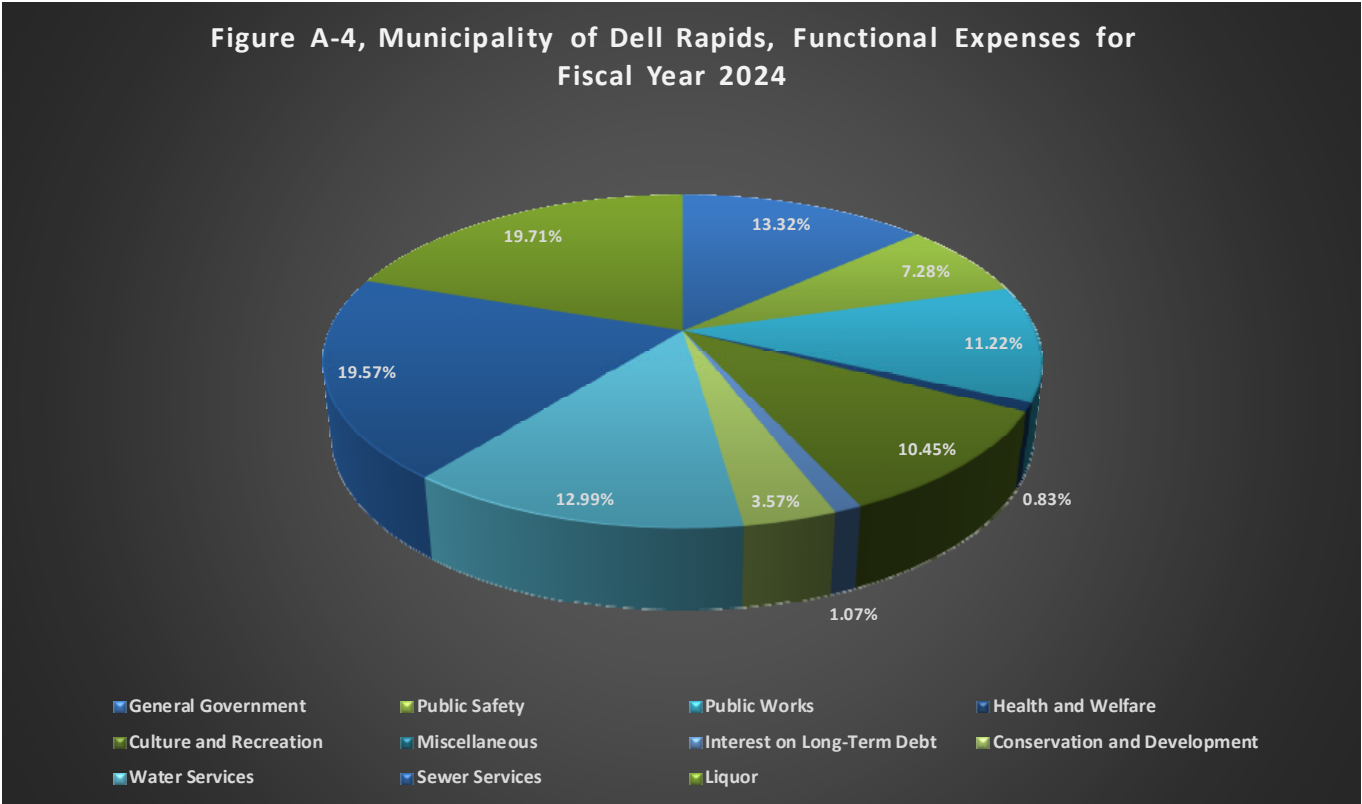
At the end of the current year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Changes in Net Position

The City’s revenues totaled \$10,307,576. (See Table A-2.) Almost 80% of the City’s revenue comes from charges for services and taxes, with 45.02 cents of every dollar raised coming from charges for services (primarily water, sewer, and liquor operations) and 34.51 cents of every dollar raised comes from some type of tax. (See Figure A-3). The remaining 20.47% comes from capital grants and contributions, state-shared revenues, interest earnings and miscellaneous and special items.



The City’s expenses cover a range of services, with just over half related to Business-type Activities (Water – 12.99%, Sewer – 19.57%, and Liquor Funds – 19.71%). (See Figure A-4)



City of Dell Rapids, South Dakota
Management Discussion and Analysis
December 31, 2024

Table A-2
City of Dell Rapids
Statement of Activities

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2023	2024	2023	2024	2023	2024	
Revenues							
Program Revenues							
Charges for Services	\$ 251,466	\$ 620,725	\$ 3,899,894	\$ 4,019,723	\$ 4,151,360	\$ 4,640,448	11.78%
Operating Grants	34,150	1,000	-	-	34,150	1,000	-97.07%
Capital Grants and Contributions	399,453	129,615	1,978,328	1,662,402	2,377,781	1,792,017	-24.63%
General Revenues							
Taxes	3,461,583	3,557,481	-	-	3,461,583	3,557,481	2.77%
Revenue State Sources	89,501	72,423	-	-	89,501	72,423	-19.08%
Unrestricted Investment Earnings	90,993	117,282	32,912	88,575	123,905	205,857	66.14%
Miscellaneous	68,002	34,148	1,850	4,202	69,852	38,350	-45.10%
Total Revenues	<u>\$ 4,395,148</u>	<u>4,532,674</u>	<u>\$ 5,912,984</u>	<u>\$ 5,774,902</u>	<u>\$ 10,308,132</u>	<u>\$ 10,307,576</u>	-0.01%
Expenses							
General Government	\$ 753,368	\$ 1,060,119	\$ -	\$ -	\$ 753,368	\$ 1,060,119	40.72%
Public Safety	496,077	579,203	-	-	496,077	579,203	16.76%
Public Works	1,111,166	893,188	-	-	1,111,166	893,188	-19.62%
Health and Welfare	54,433	66,082	-	-	54,433	66,082	21.40%
Culture and Recreation	738,916	831,694	-	-	738,916	831,694	12.56%
Conservation and Development	194,053	284,432	-	-	194,053	284,432	46.57%
Miscellaneous	-	-	-	-	-	-	
Interest on Long-Term Debt	89,749	84,921	-	-	89,749	84,921	-5.38%
Water Services	-	-	901,982	1,033,603	901,982	1,033,603	14.59%
Wastewater Services	-	-	1,374,055	1,557,234	1,374,055	1,557,234	13.33%
Liquor	-	-	1,637,854	1,568,578	1,637,854	1,568,578	-4.23%
Total Expenses	<u>\$ 3,437,762</u>	<u>\$ 3,799,639</u>	<u>\$ 3,913,891</u>	<u>\$ 4,159,415</u>	<u>\$ 7,351,653</u>	<u>\$ 7,959,054</u>	8.26%
Excess (Deficiency) Before Transfers	957,386	733,035	1,999,093	1,615,487	2,956,479	2,348,522	-20.56%
Transfers	<u>39,992</u>	<u>39,992</u>	<u>(39,992)</u>	<u>(39,992)</u>	<u>-</u>	<u>-</u>	
Change in Net Position	997,378	773,027	1,959,101	1,575,495	2,956,479	2,348,522	
Beginning Net Position, as previously reported	<u>19,890,800</u>	<u>20,888,178</u>	<u>14,287,526</u>	<u>16,246,627</u>	<u>34,178,326</u>	<u>37,134,805</u>	8.65%
Adjustments (Note 12)	<u>-</u>	<u>(31,051)</u>	<u>-</u>	<u>(13,318)</u>	<u>-</u>	<u>(44,369)</u>	
Beginning Net Position, as restated	<u>19,890,800</u>	<u>20,857,127</u>	<u>14,287,526</u>	<u>16,233,309</u>	<u>34,178,326</u>	<u>37,090,436</u>	
Ending Net Position	<u>\$ 20,888,178</u>	<u>\$ 21,630,154</u>	<u>\$ 16,246,627</u>	<u>\$ 17,808,804</u>	<u>\$ 37,134,805</u>	<u>\$ 39,438,958</u>	6.20%

Governmental Activities

Table A-2 and the narrative that follows consider the operations of the governmental activities.

Governmental revenues for the City increased by 3.13% compared to the prior year, while governmental expenses rose by 10.53%. Although intergovernmental revenues decreased slightly, the overall increase in revenue is primarily attributed to a private donation toward the construction of the new park building. Additional revenue growth resulted from the completion and billing of special assessment projects. The rise in expenditures is largely due to the completion of major capital projects, including the new City Hall building and the Riverside Event Center.

Business-type Activities

Revenues from the City's business-type activities decreased slightly by 2.34%, while expenses saw a modest increase of 6.27%. The City undertook minimal new initiatives in this area, choosing to focus on completing the 3rd Street project before pursuing additional large-scale efforts. This approach is reflected in the relatively stable revenue and expense figures.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial analysis of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The Municipality maintains four governmental funds - General, Gross Receipts, Library Fines and Fees, and Library Donations Funds and three business type funds – Water, Sewer and Liquor Funds.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the Municipal budget one time. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.
- Increases in appropriation line items, primarily by contingency transfer, to prevent budget overruns.

General Government was approved for an additional \$30,000 in 2024 to cover various unanticipated engineering expenses. Planning and Zoning received an additional \$15,000 allocation due to the hiring of a Community Development Director, a position that had not been included in the original budget. Lastly, \$765,000 was approved to complete the new City Hall building; however, these were not new funds, but rather a formal approval to use unspent funds carried over from the prior year.

Code Enforcement was approved for an additional \$60,000 to cover legal counsel related to a case involving a dilapidated property.

The Mosquito Control and Humane Society departments were approved for additional funding of \$8,000 and \$2,000, respectively. The increase for Mosquito Control was due to the need for additional spray materials, while the Humane Society was utilized more frequently than in prior years, resulting in higher costs that exceeded the original budget.

Finally, the Riverside and Parks Departments were approved for additional budget authority. Riverside required \$20,000 to complete the purchase of furniture and kitchen equipment necessary to make the event center fully operational. The Parks Department was approved for an additional \$30,000 to complete ball field improvement projects that had begun earlier in the year.

CAPITAL ASSET ADMINISTRATION

In 2024, the City continued and completed two major capital projects: the 3rd Street Project and the new City Hall building. Due to the scale and cost of these undertakings, the City did not initiate any additional high-dollar projects during the year. The City Hall project contributed \$3,846,500 to the City's capital assets under Governmental Activities. The street portion of the 3rd Street Project added \$855,600 to Governmental Activities, while the water and sewer components contributed \$6,561,900 in capital assets to the City's Business-Type Activities. (See Table A-3.)

Table A-3
City of Dell Rapids - Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2023	2024	2023	2024		
Land	\$ 1,699,294	\$ 1,699,294	\$ 85,157	\$ 85,157	\$ -	0.00%
Construction in Progress	3,005,268	839,866	3,203,982	123,363	(5,246,021)	-84.49%
Buildings and structures	2,940,409	6,699,124	7,086,647	8,610,511	5,282,579	52.68%
Improvements Other Than Buildings	8,109,174	9,344,513	14,097,728	18,254,373	5,391,984	24.28%
Intangible Assets	-	-	24,000	12,000	(12,000)	-50.00%
Machinery and Equipment	871,226	1,135,072	296,761	280,749	247,834	21.22%
Total Capital Assets (Net)	<u>\$ 16,625,371</u>	<u>\$ 19,717,869</u>	<u>\$ 24,794,275</u>	<u>\$ 27,366,153</u>	<u>\$ 5,664,376</u>	<u>13.68%</u>

LONG-TERM DEBT

At year-end the City had \$16,696,501 in Sales Tax Revenue Bonds, Water and Wastewater SRF loans, and other long-term obligations. This is an increase of 8.69% as shown on Table A-4 below.

Table A-4
City of Dell Rapids - Outstanding Debt and Obligations

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2023	2024	2023	2024		
Compensated Absences	\$ 34,508	\$ 110,765	\$ 36,665	\$ 58,375	\$ 97,967	137.65%
Sales Tax Revenue Bond	2,201,569	2,078,888	-	-	(122,681)	-5.57%
Water SRF Loans	-	-	4,872,844	5,536,205	663,361	13.61%
Wastewater SRF Loans	-	-	8,172,004	8,913,190	741,186	9.07%
Total Outstanding Debt and Obligations	<u>\$ 2,236,077</u>	<u>\$ 2,189,653</u>	<u>\$ 13,081,513</u>	<u>\$ 14,507,770</u>	<u>\$ 1,379,833</u>	<u>9.01%</u>

The City is liable for 25% of unused accrued sick leave hours to all full-time employees who have accumulated the maximum number of allowed sick leave hours. The increase in both Governmental and Business-type Activities is due to a higher balance of leave being carried by those eligible.

The City has one Sales Tax Revenue Bond associated with the Quartzite Street Project. This bond is secured and paid for by sales tax revenue.

The City has one Sales Tax Revenue Bond for the purpose of upgrading a building to become the new City Hall and a Community Hall Center. This bond is secured and paid for by sales tax revenue.

The City has eight outstanding SRF Drinking Water Loans totaling \$5,536,205. The loans are secured and paid for from the Water Fund. These bonds were used for various projects and the last one will be fully paid off in 2055.

The City has ten outstanding SRF Clean Water Loans totaling \$8,913,190. The bonds are secured and paid for from the Wastewater Fund. These bonds were used for various projects and the last one will be fully paid off in 2055.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Several key economic factors were considered during the preparation of the City's 2025 budget for the fiscal year. Local economic conditions have remained relatively stable, with steady property values and consistent sales tax revenues. While inflationary pressures have continued to impact operating costs—particularly in utilities, materials, and contracted services—the City has worked to manage expenditures carefully and maintain service levels without placing additional financial burden on residents.

For 2025, the City has adopted a conservative budgeting approach. Property tax rates have remained relatively unchanged, and utility rates were reviewed to ensure they continue to support infrastructure maintenance and operational costs without exceeding necessary levels. However, the City did budget and implement a 5% increase in utility billing for the 2025 year. The City will continue to monitor costs and adjust if needed to maintain fiscal responsibility and service quality.

Looking ahead, the City will focus on maintaining a balanced budget while addressing key priorities such as infrastructure maintenance, community development, essential services and quality of life impact. The completion of major projects like the new City Hall and 3rd Street improvements will allow the City to shift attention toward planning for future capital needs in a measured and strategic manner.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors/creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Dell Rapids Finance Office, 317 E. 4th Street, Po Box 10, Dell Rapids, SD 57022. 605-360-1670

City of Dell Rapids, South Dakota
Statement of Net Position
December 31, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 2,179,947	\$ 4,736,040	\$ 6,915,987
Investments	1,570,051	-	1,570,051
Taxes Receivable--Delinquent	16,089	-	16,089
Accounts Receivable, Net	156,652	344,090	500,742
Unbilled Revenue	-	56,361	56,361
Special Assessments Receivable--Current	35,771	-	35,771
Special Assessments Receivable--Noncurrent	231,419	-	231,419
Interest Receivable	20,804	-	20,804
Leases Receivable - Current	200	80,292	80,492
Leases Receivable - Noncurrent	-	163,640	163,640
Due from State Governments	120,981	-	120,981
Due for County	24,067	-	24,067
Accrued Interest on Investments Purchased	32,449	-	32,449
Inventory of Supplies	39,813	89,761	129,574
Prepaid Expenses	49,075	25,307	74,382
Net Pension Asset	(2,346)	3,570	1,224
Capital Assets:			
Land and Construction in Progress	2,539,160	208,520	2,747,680
Other Capital Assets, Net of Depreciation/Amortization	17,178,709	27,157,633	44,336,342
TOTAL ASSETS	24,192,841	32,865,214	57,058,055
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	135,079	82,554	217,633
LIABILITIES:			
Accounts Payable	290,530	237,755	528,285
Contracts Payable - Retained Percentage	51,541	-	51,541
Accrued Interest Payable	32,003	58,975	90,978
Accrued Wages Payable	40,353	16,431	56,784
Amounts Held for Others	353	1,036	1,389
Accrued Taxes Payable	130	-	130
Customer deposits	-	11,195	11,195
Noncurrent Liabilities:			
Due Within One Year - bonds and compensated absences	128,427	585,045	713,472
Due in More than One Year - bonds and compensated absences	2,061,226	13,922,725	15,983,951
TOTAL LIABILITIES	2,604,563	14,833,162	17,437,725
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	93,003	61,870	154,873
Other Deferred Inflows of Resources	200	243,932	244,132
TOTAL DEFERRED INFLOWS OF RESOURCES	93,203	305,802	399,005
NET POSITION:			
Net Investment in Capital Assets	17,638,981	12,916,757	30,555,738
Restricted For:			
Library	68,691	-	68,691
City Promotion	256,191	-	256,191
Revenue Bond Debt Service	230,380	940,982	1,171,362
SDRS Pension Purposes	39,730	24,254	63,984
Unrestricted	3,396,181	3,926,811	7,322,992
TOTAL NET POSITION	\$ 21,630,154	\$ 17,808,804	\$ 39,438,958

City of Dell Rapids, South Dakota
Statement of Activities
Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 1,060,119	\$ 15,952	\$ -	\$ -	\$ (1,044,167)	\$ -	\$ (1,044,167)
Public Safety	579,203	111,317	-	-	(467,886)	-	(467,886)
Public Works	893,188	263,771	-	-	(629,417)	-	(629,417)
Health and Welfare	66,082	-	-	-	(66,082)	-	(66,082)
Culture and Recreation	831,694	229,685	-	129,615	(472,394)	-	(472,394)
Conservation and Development	284,432	-	1,000	-	(283,432)	-	(283,432)
Interest on Long-term Debt	84,921	-	-	-	(84,921)	-	(84,921)
Total Governmental Activities	<u>3,799,639</u>	<u>620,725</u>	<u>1,000</u>	<u>129,615</u>	<u>(3,048,299)</u>	<u>-</u>	<u>(3,048,299)</u>
Business-type Activities:							
Water	1,033,603	1,048,135	-	-	-	14,532	14,532
Wastewater	1,557,234	1,230,552	-	1,662,402	-	1,335,720	1,335,720
Liquor	1,568,578	1,741,036	-	-	-	172,458	172,458
Total Business-Type Activities	<u>4,159,415</u>	<u>4,019,723</u>	<u>-</u>	<u>1,662,402</u>	<u>-</u>	<u>1,522,710</u>	<u>1,522,710</u>
Total Primary Government	<u>\$ 7,959,054</u>	<u>\$ 4,640,448</u>	<u>\$ 1,000</u>	<u>\$ 1,792,017</u>	<u>(3,048,299)</u>	<u>1,522,710</u>	<u>(1,525,589)</u>
General Revenues:							
Taxes:							
Property Taxes					1,629,965	-	1,629,965
Sales Taxes					1,927,516	-	1,927,516
State Shared Revenues					72,423	-	72,423
Unrestricted Investment Earnings					117,282	88,575	205,857
Miscellaneous Revenue					34,148	4,202	38,350
Transfers					39,992	(39,992)	-
Total General Revenues and Transfers					<u>3,821,326</u>	<u>52,785</u>	<u>3,874,111</u>
Change in Net Position					773,027	1,575,495	2,348,522
Net Position - Beginning, as previously reported					20,888,178	16,246,627	37,134,805
Adjustments (Note 12)					(31,051)	(13,318)	(44,369)
Net Position - Beginning, as restated					20,857,127	16,233,309	37,090,436
NET POSITION - ENDING					<u>\$ 21,630,154</u>	<u>\$ 17,808,804</u>	<u>\$ 39,438,958</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

City of Dell Rapids, South Dakota

Governmental Funds

Balance Sheet

December 31, 2024

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Assets:			
Cash and Cash Equivalents	\$ 1,441,911	\$ 326,175	\$ 1,768,086
Investments	1,570,051	-	1,570,051
Taxes Receivable--Delinquent	16,089	-	16,089
Accounts Receivable, Net	156,652	-	156,652
Special Assessments Receivable--Current	35,771	-	35,771
Special Assessments Receivable--Noncurrent	231,419	-	231,419
Interest Receivable--Special Assessments	20,804	-	20,804
Leases Receivable	200	-	200
Due from State Governments	120,261	720	120,981
Due for County	24,067	-	24,067
Accrued Interest on Investments Purchased	32,449	-	32,449
Inventory of Supplies	39,655	158	39,813
Prepaid Expenses	49,075	-	49,075
TOTAL ASSETS	<u>3,738,404</u>	<u>327,053</u>	<u>4,065,457</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	288,517	2,013	290,530
Contracts Payable--Retained Percentage	51,541	-	51,541
Accrued Interest Payable	32,003	-	32,003
Accrued Wages Payable	40,353	-	40,353
Accrued Taxes Payable	130	-	130
Amounts Held for Others	353	-	353
Total Liabilities	<u>412,897</u>	<u>2,013</u>	<u>414,910</u>
Deferred Inflows of Resources:			
Unavailable Revenue--Property Taxes	16,089	-	16,089
Unavailable Revenue--Special Assessments	287,994	-	287,994
Other Deferred Inflows of Resources	200	-	200
Total Deferred Inflows of Resources	<u>304,283</u>	<u>-</u>	<u>304,283</u>
Fund Balances:			
Nonspendable	88,730	158	88,888
Restricted	230,380	324,882	555,262
Unassigned	2,702,114	-	2,702,114
Total Fund Balances	<u>3,021,224</u>	<u>325,040</u>	<u>3,346,264</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,738,404</u>	<u>\$ 327,053</u>	<u>\$ 4,065,457</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

City of Dell Rapids, South Dakota
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
December 31, 2024

Total Fund Balances - Governmental Funds	\$ 3,346,264
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Amounts reported for governmental activities in the statement
of net position are different because:

Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	(2,346)
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	19,200,197
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Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	135,079
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Long-term liabilities, including bonds payable and compensated absences payable are not due and payables in the current period and therefore are not reported in the funds.	(2,189,653)
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Assets such as taxes receivable (delinquent) and special assessment receivables (delinquent and noncurrent) are not available to pay for current period expenditures and therefore are deferred in the funds.	304,083
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Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(93,003)
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Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	929,533
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Net Position - Governmental Activities	<u>\$ 21,630,154</u>
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City of Dell Rapids, South Dakota
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2024

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes:			
General Property Taxes	\$ 1,623,794	\$ -	\$ 1,623,794
General Sales and Use Taxes	1,843,379	84,137	1,927,516
Penalties and Interest on Delinquent Taxes	1,601	-	1,601
Licenses and Permits	43,034	-	43,034
Intergovernmental Revenue:			
Federal Grants	116,850	-	116,850
State Grants	1,000	-	1,000
State Shared Revenue:			
Bank Franchise Tax	45,428	-	45,428
Prorate License Fees	3,582	-	3,582
Liquor Tax Reversion (25%)	26,995	-	26,995
Motor Vehicle Licenses	35,159	-	35,159
Local Government Highway and Bridge Fund	54,659	-	54,659
County Shared Revenue:			
County Wheel Tax	6,410	-	6,410
Charges for Goods and Services:			
General Government	952	-	952
Public Safety	39,010	-	39,010
Sanitation	8,509	-	8,509
Culture and Recreation	219,175	-	219,175
Fines and Forfeits:			
Court Fines and Costs	19,032	-	19,032
Parking Meter Fines	3,040	-	3,040
Library		5,510	5,510
Miscellaneous Revenue:			
Investment Earnings	107,044	4,300	111,344
Rentals	2,201	-	2,201
Special Assessments	94,073	-	94,073
Contributions and Donations from Private Sources	11,215	1,550	12,765
Other	37,327	-	37,327
Total Revenue	<u>4,343,469</u>	<u>95,497</u>	<u>4,438,966</u>
Expenditures:			
General Government:			
Legislative	67,223	-	67,223
Executive	393,351	-	393,351
Elections	619	-	619
Financial Administration	214,745	-	214,745
Other	2,734,021	-	2,734,021
Total General Government	<u>3,409,959</u>	<u>-</u>	<u>3,409,959</u>
Public Safety:			
Police	325,936	-	325,936
Fire	108,031	-	108,031
Protective Inspection	113,345	-	113,345
Total Public Safety	<u>547,312</u>	<u>-</u>	<u>547,312</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

City of Dell Rapids, South Dakota
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2024

	General Fund	Other Governmental Funds	Total Governmental Funds
Public Works:			
Highways and Streets	770,487	-	770,487
Sanitation	11,771	-	11,771
Transit	12,290	-	12,290
Total Public Works	<u>794,548</u>	<u>-</u>	<u>794,548</u>
Health and Welfare:			
Health	6,339	-	6,339
Humane Society	4,743	-	4,743
Ambulance	55,000	-	55,000
Total Health and Welfare	<u>66,082</u>	<u>-</u>	<u>66,082</u>
Culture and Recreation:			
Recreation	343,889	-	343,889
Parks	762,281	-	762,281
Libraries	317,083	4,408	321,491
Auditorium	155,372	-	155,372
Total Culture and Recreation	<u>1,578,625</u>	<u>4,408</u>	<u>1,583,033</u>
Conservation and Development:			
Economic Development and Assistance	215,380	68,259	283,639
Debt Service	207,602	-	207,602
Total Expenditures	<u>6,819,508</u>	<u>72,667</u>	<u>6,892,175</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,476,039)</u>	<u>22,830</u>	<u>(2,453,209)</u>
Other Financing Sources (Uses):			
Transfers In	120,000	-	120,000
Sale of Municipal Property	107	-	107
Transfers Out	(80,008)	-	(80,008)
Total Other Financing Sources (Uses)	<u>40,099</u>	<u>-</u>	<u>40,099</u>
Net Change in Fund Balances	(2,435,940)	22,830	(2,413,110)
Fund Balance - Beginning	<u>5,457,164</u>	<u>302,210</u>	<u>5,759,374</u>
FUND BALANCE- ENDING	<u>\$ 3,021,224</u>	<u>\$ 325,040</u>	<u>\$ 3,346,264</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

City of Dell Rapids, South Dakota
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ (2,413,110)
Amounts reported for governmental activities in the Statement of Activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	3,810,191
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(675,798)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	122,681
The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements.	
The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	4,570
Governmental funds report special assessments and lease receivables as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	(38,622)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	(45,207)
Some expenses reported in the statement of activities do not require the use of current financial resources and and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense, pension expense)	(18,856)
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net expense of the internal service funds is reported with governmental activities.	27,178
Change in Net Position of Governmental Activities	<u>\$ 773,027</u>

City of Dell Rapids, South Dakota

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual Year Ended December 31, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	\$ 1,647,027	\$ 1,647,027	\$ 1,623,794	\$ (23,233)
General Sales and Use Taxes	1,400,000	1,400,000	1,843,379	443,379
Penalties and Interest on Delinquent Taxes	2,000	2,000	1,601	(399)
Licenses and Permits	31,600	31,600	43,034	11,434
Intergovernmental Revenue:				
Federal Grants	600,000	600,000	116,850	(483,150)
State Grants	590,000	590,000	1,000	(589,000)
Bank Franchise Tax	60,000	60,000	45,428	(14,572)
Prorate License Fees	3,500	3,500	3,582	82
Liquor Tax Reversion (25%)	25,000	25,000	26,995	1,995
Motor Vehicle Licenses	32,000	32,000	35,159	3,159
Local Government Highway and Bridge Fund	52,000	52,000	54,659	2,659
County Wheel Tax	6,000	6,000	6,410	410
Charges for Goods and Services:				
General Government	500	500	952	452
Public Safety	750	750	39,010	38,260
Sanitation	7,000	7,000	8,509	1,509
Culture and Recreation	88,500	88,500	219,175	130,675
Fines and Forfeits:				
Court Fines and Costs	-	-	19,032	19,032
Parking Meter Fines	1,200	1,200	3,040	1,840
Other	120	120	-	(120)
Miscellaneous Revenue:				
Investment Earnings	25,000	25,000	107,044	82,044
Rentals	3,000	3,000	2,201	(799)
Special Assessments	-	-	94,073	94,073
Other	249,200	249,200	48,542	(200,658)
Total Revenue	4,824,397	4,824,397	4,343,469	(480,928)

The accompanying Notes to Financial Statements are an integral part of these statements.

City of Dell Rapids, South Dakota

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
Year Ended December 31, 2024

Expenditures:				
General Government:				
Legislative	71,800	71,800	67,223	4,577
Contingency	50,000	-	-	-
Executive	319,675	364,675	393,351	(28,676)
Elections	3,300	3,300	619	2,681
Financial Administration	262,400	262,400	214,745	47,655
Other	2,007,000	2,772,000	2,734,021	37,979
Total General Government	2,714,175	3,474,175	3,409,959	64,216
Public Safety:				
Police	326,000	326,000	325,936	64
Fire	81,237	81,237	108,031	(26,794)
Protective Inspection	54,750	114,750	113,345	1,405
Total Public Safety	461,987	521,987	547,312	(25,325)
Public Works:				
Highways and Streets	1,410,570	1,410,570	770,487	640,083
Sanitation	22,430	22,430	11,771	10,659
Transit	30,000	30,000	12,290	17,710
Total Public Works	1,463,000	1,463,000	794,548	668,452
Health and Welfare:				
Health	4,110	12,110	6,339	5,771
Humane Society	3,650	5,650	4,743	907
Ambulance	55,000	55,000	55,000	-
Total Health and Welfare	62,760	72,760	66,082	6,678
Culture and Recreation:				
Recreation	1,169,100	1,169,100	343,889	825,211
Riverside	181,850	201,850	155,372	46,478
Parks	1,210,475	1,240,475	762,281	478,194
Libraries	338,450	338,450	317,083	21,367
Total Culture and Recreation	2,899,875	2,949,875	1,578,625	1,371,250
Conservation and Development:				
Economic Development and Assistance	245,000	245,000	215,380	29,620
Debt Service				
	214,700	214,700	207,602	7,098
Total Expenditures	8,061,497	8,941,497	6,819,508	2,121,989
Excess of Revenues Over (Under) Expenditures	(3,237,100)	(4,117,100)	(2,476,039)	1,641,061
Other Financing Sources (Uses):				
Transfers In	120,000	120,000	120,000	-
Sale of Municipal Property	-	-	107	107
Transfers Out	(80,008)	(80,008)	(80,008)	-
Total Other Financing Sources (Uses)	39,992	39,992	40,099	107
Net Change in Fund Balances	(3,197,108)	(4,077,108)	(2,435,940)	1,641,168
Fund Balance - Beginning	5,457,164	5,457,164	5,457,164	-
FUND BALANCE - ENDING	\$ 2,260,056	\$ 1,380,056	\$ 3,021,224	\$ 1,641,168

City of Dell Rapids, South Dakota
Proprietary Funds
Statement of Net Position
December 31, 2024

	Enterprise Funds				Internal
	Water Fund	Wastewater Fund	Liquor Fund	Totals	Service Funds
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 1,732,255	\$ 2,587,763	\$ 416,022	\$ 4,736,040	\$ 411,861
Accounts Receivable, Net	75,264	107,354	161,472	344,090	-
Unbilled Revenue	23,619	32,742	-	56,361	-
Leases Receivable	62,292	-	18,000	80,292	-
Inventory of Supplies	74,588	15,173	-	89,761	-
Prepaid Expenses	9,232	12,804	3,271	25,307	-
Total Current Assets	1,977,250	2,755,836	598,765	5,331,851	411,861
Noncurrent Assets:					
Lease Receivable - Non Current	154,640	-	9,000	163,640	-
Net Pension Asset	1,844	1,726	-	3,570	-
Capital Assets:					
Land	45,128	37,029	3,000	85,157	-
Buildings	2,625,463	8,636,423	186,676	11,448,562	-
Improvements Other Than Buildings	7,685,820	15,694,994	-	23,380,814	-
Furnishings and Equipment	544,182	122,787	66,308	733,277	1,525,194
Construction in Progress	33,382	89,981	-	123,363	-
Less: Accumulated Depreciation	(3,159,895)	(5,086,800)	(170,325)	(8,417,020)	-
Intangible Assets	300,000	-	-	300,000	-
Less: Accumulated Amortization	(288,000)	-	-	(288,000)	(1,007,522)
Total Noncurrent Assets	7,942,564	19,496,140	94,659	27,533,363	517,672
TOTAL ASSETS	9,919,814	22,251,976	693,424	32,865,214	929,533
DEFERRED OUTFLOWS OF RESOURCES:					
Pension Related Deferred Outflows	41,809	40,745	-	82,554	-
LIABILITIES:					
Current Liabilities:					
Accounts Payable	41,425	68,399	127,931	237,755	-
Accrued Interest Payable	24,825	34,150	-	58,975	-
Accrued Wages Payable	6,310	10,121	-	16,431	-
Amounts Held for Others	340	696	-	1,036	-
Customer Deposits	11,195	-	-	11,195	-
Bonds Payable:					
Revenue	183,825	400,293	-	584,118	-
Compensated Absences Payable	464	463	-	927	-
Total Current Liabilities	268,384	514,122	127,931	910,437	-
Noncurrent Liabilities:					
Bonds Payable:					
Revenue	5,352,376	8,512,901	-	13,865,277	-
Compensated Absences Payable	23,535	33,913	-	57,448	-
Total Noncurrent Liabilities	5,375,911	8,546,814	-	13,922,725	-
TOTAL LIABILITIES	5,644,295	9,060,936	127,931	14,833,162	-
DEFERRED INFLOWS OF RESOURCES:					
Other Deferred Inflows of Resources	216,932	-	27,000	243,932	-
Pension Related Deferred Inflows	30,607	31,263	-	61,870	-
TOTAL DEFERRED INFLOWS OF RESOURCES	247,539	31,263	27,000	305,802	-
NET POSITION:					
Net Investment in Capital Assets	2,249,878	10,581,220	85,659	12,916,757	517,672
Restricted For:					
Revenue Bond Debt Service	308,559	632,423	-	940,982	-
SDRS Pension Purposes	13,046	11,208	-	24,254	-
Unrestricted	1,498,306	1,975,671	452,834	3,926,811	411,861
TOTAL NET POSITION	\$ 4,069,789	\$ 13,200,522	\$ 538,493	\$ 17,808,804	\$ 929,533

The accompanying Notes to Financial Statements are an integral part of these statements.

City of Dell Rapids, South Dakota
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2024

	Enterprise Funds				Internal
	Water Fund	Wastewater Fund	Liquor Fund	Totals	Service Funds
Operating Revenue:					
Surcharge as Security for Debt	\$ 347,550	\$ 540,204	\$ -	\$ 887,754	\$ -
Charges for Goods and Services	636,798	690,348	1,665,455	2,992,601	125,000
Lottery Sales	-	-	57,581	57,581	-
Miscellaneous	3	4,199	-	4,202	-
Total Operating Revenue	<u>984,351</u>	<u>1,234,751</u>	<u>1,723,036</u>	<u>3,942,138</u>	<u>125,000</u>
Operating Expenses:					
Personal Services	165,911	263,508	-	429,419	-
Other Current Expense	165,239	305,290	10,056	480,585	-
Materials (Cost of Goods Sold)	287,770	-	1,553,085	1,840,855	-
Depreciation	306,769	674,092	5,437	986,298	111,605
Total Operating Expenses	<u>925,689</u>	<u>1,242,890</u>	<u>1,568,578</u>	<u>3,737,157</u>	<u>111,605</u>
Operating Income (Loss)	<u>58,662</u>	<u>(8,139)</u>	<u>154,458</u>	<u>204,981</u>	<u>13,395</u>
Nonoperating Revenue (Expense):					
Operating Grants	-	1,662,402	-	1,662,402	-
Investment Earnings	30,584	48,571	9,420	88,575	5,938
Rental Revenue	63,787	-	18,000	81,787	-
Interest Expense	(107,344)	(146,529)	-	(253,873)	-
Gain (Loss) on Disposition of Assets	(570)	(571)	-	(1,141)	7,845
Other	-	(167,244)	-	(167,244)	-
Total Nonoperating Revenue (Expense)	<u>(13,543)</u>	<u>1,396,629</u>	<u>27,420</u>	<u>1,410,506</u>	<u>13,783</u>
Income (Loss) Before Transfers	45,119	1,388,490	181,878	1,615,487	27,178
Transfers In	-	80,008	-	80,008	-
Transfers Out	-	-	(120,000)	(120,000)	-
Change in Net Position	45,119	1,468,498	61,878	1,575,495	27,178
Net Position - Beginning, as previously reported	4,029,366	11,740,646	476,615	16,246,627	902,355
Adjustments (Note 12)	<u>(4,696)</u>	<u>(8,622)</u>	<u>-</u>	<u>(13,318)</u>	<u>-</u>
Net Position - Beginning, as restated	<u>4,024,670</u>	<u>11,732,024</u>	<u>476,615</u>	<u>16,233,309</u>	<u>902,355</u>
NET POSITION - ENDING	<u>\$ 4,069,789</u>	<u>\$ 13,200,522</u>	<u>\$ 538,493</u>	<u>\$ 17,808,804</u>	<u>\$ 929,533</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

City of Dell Rapids, South Dakota
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2024

	Enterprise Funds				Internal Service
	Water	Wastewater	Liquor	Total	
Operating Activities					
Receipts from customers and users	\$ 1,055,135	\$ 2,766,529	\$ 1,732,654	\$ 5,554,318	\$ -
Receipts for interfund services provided	-	-	-	-	125,000
Payments to employees and other vendors	(599,098)	(565,362)	(1,562,432)	(2,726,892)	-
Net cash from operating activities	456,037	2,201,167	170,222	2,827,426	125,000
Non-Capital Financing Activities					
Transfer to/from other funds	-	80,008	(120,000)	(39,992)	-
Capital and Related Financing Activities					
Purchase of capital assets	(958,098)	(2,767,567)	(65,166)	(3,790,831)	(61,866)
Proceeds from long-term debt	854,829	1,108,435	-	1,963,264	-
Payments on long-term debt					
Principal	(191,468)	(367,244)	-	(558,712)	-
Interest	(107,345)	(146,529)	-	(253,874)	-
Net cash used for capital and related financing activities	(402,082)	(2,172,905)	(65,166)	(2,640,153)	(61,866)
Investing Activity					
Interest earnings	30,584	48,571	9,420	88,575	5,938
Change in Cash and Cash Equivalents	84,539	156,841	(5,524)	235,856	69,072
Cash and Cash Equivalents - Beginning of Year	1,647,716	2,430,922	421,546	4,500,184	342,789
Cash and Cash Equivalents - End of Year	\$ 1,732,255	\$ 2,587,763	\$ 416,022	\$ 4,736,040	\$ 411,861

The accompanying Notes to Financial Statements are an integral part of these statements.

City of Dell Rapids, South Dakota
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2024

	Enterprise Funds				Internal Service
	Water	Wastewater	Liquor	Total	
Reconciliation of Operating Income to Net Cash from Operating Activities					
Operating income (loss)	\$ 58,662	\$ (8,139)	\$ 154,458	\$ 204,981	\$ 13,395
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation expense	306,769	674,092	5,437	986,298	111,605
Other income (expense)	63,787	1,495,158	18,000	1,576,945	-
Changes in assets and liabilities					
Accounts receivable	5,544	34,818	(8,382)	31,980	-
Unbilled revenue	1,453	1,802	-	3,255	-
Inventory of supplies	(7,572)	3,059	-	(4,513)	-
Prepaid expenses	245	(4,389)	(2,484)	(6,628)	-
Net pension asset	176	294	-	470	-
Pension related deferred outflow of resources	1,596	2,660	-	4,256	-
Claims payable	19,516	14,405	3,193	37,114	-
Accrued interest payable	(960)	(22,519)	-	(23,479)	-
Accrued wages payable	1,131	2,034	-	3,165	-
Deferred revenue	340	696	-	1,036	-
Customer deposits	2,037	(497)	-	1,540	-
Pension related deferred inflow of resources	984	1,640	-	2,624	-
Compensated absences payable	2,329	6,053	-	8,382	-
Net cash from operating activities	<u>\$ 456,037</u>	<u>\$ 2,201,167</u>	<u>\$ 170,222</u>	<u>\$ 2,827,426</u>	<u>\$ 125,000</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Note 1 - Summary of Significant Accounting Procedures**Reporting Entity**

The reporting entity of the Municipality of Dell Rapids, South Dakota ("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, plus those funds for which the primary government has a fiduciary responsibility); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The City's financial statements include all funds for which the City is financially accountable.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. able to impose its will on that organization or
2. there is potential for the organization to provide specific financial benefits to, or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

Based on this criteria, there are no component units of the City requiring either a blended or discrete presentation.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of the government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund and internal service fund activity has been removed from these statements. Exceptions to this general rule are charges between the City's enterprise funds and governmental and internal service funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are prepared for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, special assessments, intergovernmental revenue, permits, charges for services and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in 60 days. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

General Fund – The general fund is the general operating fund of the City. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.

The City reports the following major proprietary funds:

Water Fund – This fund is used to account for the provision of water services to the City's residents and businesses.

Wastewater Fund – This fund is used to account for the provision of sewer services to the City's residents and businesses.

Liquor Fund – This fund is used to account for the sales and expenses of operating an on and off-sale liquor store. The City has entered into an operating lease agreement allowing the operator to operate an on-sale bar and an off-sale liquor store on the real property owned by the City. The City owns lottery machines maintained in the establishment. The lessee purchases all liquor from the City at cost plus ten percent. The operator pays the City \$18,000 per year for the rent of the building and 65% of the video lottery profits.

The City reports the following other fund:

Internal Service Fund – This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary governments, or to other governments, on a cost-reimbursement basis. The particular types of goods or services provided to other funds consist of equipment purchases. Internal service funds are never considered to be major funds. The Equipment Replacement Fund is the only internal Service fund maintained by the City.

Amounts reported as program revenues include the following: amounts received from those who purchase, use, or directly benefit from a program; amounts received from parties outside the City that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then use unrestricted resources as they are needed.

Other Significant Accounting Policies

Budgets and Budgetary Accounting

The City follows 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/Municipal Commission introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board/Municipal Commission, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (U.S. GAAP).

Cash and Cash Equivalents

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

For purposes 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.

Receivables and Payables

Receivables are carried at invoice amount less an estimate made for uncollectible accounts. Management determines the allowance for uncollectible accounts by using historical experience and review of individual customer accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Accounts receivables of the City are considered to be fully collectible and, therefore, an allowance for uncollectible accounts is not provided.

All outstanding balances between funds are reported as "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Lease Receivables

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

Inventory of Supplies

The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. Inventories in the liquor fund are presented at lower of cost or net realizable value, using first in/first out (FIFO) method.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2024, are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and are recorded as an expense or expenditure at the time of consumption.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with initial useful lives extending beyond a single reporting period and costs exceeding the thresholds detailed in the table below. Such assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are recorded at acquisition value at the date of donation. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	All	N/A	N/A
Improvements other than buildings	\$ 15,000	Straight-line	20 years
Water/sewer lines	\$ 25,000	Straight-line	50 years
Roads	\$ 50,000	Straight-line	15-75 years
Other improvements	\$ 10,000	Straight-line	15-50 years
Buildings	\$ 50,000	Straight-line	50 years
Machinery and equipment	\$ 5,000	Straight-line	5-20 years

Pensions

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

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end along with changes in the net pension liability/(asset) not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. The City reports unavailable revenues from special assessments on the governmental funds balance sheet. These amounts are deferred and recognized as an outflow of resources in the period that the amounts became available. In addition, amounts due for lease receivables that are unavailable are reported as deferred inflows on the government-wide statement of net position. The other item is changes in the net pension liability/(asset) not included in pension expense reported in the government-wide statement of net position.

Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Fund Balance

The following classifications describe the relative strength of spending constraints:

Nonspendable Fund Balance – amounts that are not in spendable form (such as inventory and prepaid expenses) or are required to be maintained intact such as the South Dakota Public Assurance Alliance Cumulative Reserve Fund.

Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or Finance Officer.

Unassigned Fund Balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

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

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Property Taxes

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

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

Unearned revenue

The City receives grant funding from the federal and state government in advance of incurring expenditures. The amount that is not spent in the fiscal year is reported as unearned revenue. The grant funding will be spent in the subsequent fiscal year for various projects throughout the City.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The City has evaluated subsequent events through August 26, 2025, the date which the financial statements were available to be issued.

Note 2 - Adoption of New Accounting Standard

As of January 1, 2024, the City adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 12.

Note 3 - Deposits and Investments

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 as follows:

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 SDDCL 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 or NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type. It is the City's policy to deposit all interest revenue to the fund making the investment.

The actual bank balances at December 31, 2024, were as follows:

	Bank Balance
Insured (FDIC/NCUA)	\$ 500,000
Uninsured, collateral jointly held by state/Municipality's agent in the name of the state and institution	<u>6,412,599</u>
Total Deposits	<u><u>\$ 6,912,599</u></u>

The carrying amount of deposits on the December 31, 2024, government-wide statement of net position was \$6,912,599. The reconciliation of deposits to government-wide statement of net position is as follows:

Cash and cash equivalents, carrying amount	\$ 6,915,987
Less petty cash	(300)
Less lottery cash	(10,000)
Add outstanding transactions (net)	<u>6,912</u>
	<u><u>\$ 6,912,599</u></u>

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, SCDL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited into a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. There were no investments as of December 31, 2024. The investments reported in the financial statements consist of only certificates of deposit.

Credit Risk

State law limits eligible investments for the City, as discussed above. The City has an investment policy that would further limit its investment choices.

Custodial Credit Risk - Deposits

The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City will minimize credit risk by limiting the portfolio to the types of investments that are authorized and suitable to diminish the impact of potential losses from any one type of investment or from any one issuer. As of December 31, 2024, the City's deposits in financial institutions were fully insured or collateralized and were not exposed to custodial credit risk.

Custodial Credit Risk – Investments

The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of December 31, 2024, the City does not have any investments.

Concentration of Credit Risk

The City requires Qualified Public Depositories to furnish collateral in the sum equal to one hundred percent (100%) of the public deposit accounts that exceed deposit insurance. The financial institution shall submit a copy of their collateralization report to the Finance Officer.

Interest Rate Risk

The City strives to maintain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is secondary compared to the safety and liquidity objectives.

Assignment of Investment Income

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

Note 4 - Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,699,294	\$ -	\$ -	\$ 1,699,294
Construction in progress	3,005,268	3,270,776	5,436,178	839,866
Total capital assets not being depreciated	4,704,562	3,270,776	5,436,178	2,539,160
Capital assets, being depreciated				
Buildings and structures	4,908,260	3,846,506	-	8,754,766
Improvements other than buildings	11,897,231	1,766,682	31,787	13,632,126
Machinery and equipment	2,576,749	446,901	68,354	2,955,296
Total capital assets being depreciated	19,382,240	6,060,089	100,141	25,342,188
Less accumulated depreciation for				
Buildings and structures	1,967,851	87,791	-	2,055,642
Improvements other than buildings	3,788,057	520,618	21,062	4,287,613
Machinery and equipment	1,705,523	178,994	64,293	1,820,224
Total accumulated depreciation	7,461,431	787,403	85,355	8,163,479
Governmental activities capital assets, net	<u>\$ 16,625,371</u>	<u>\$ 8,543,462</u>	<u>\$ 5,450,964</u>	<u>\$ 19,717,869</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 85,157	\$ -	\$ -	\$ 85,157
Construction in progress	3,203,982	3,487,697	6,568,316	123,363
Total capital assets not being depreciated	3,289,139	3,487,697	6,568,316	208,520
Capital assets, being depreciated/amortized				
Buildings and structures	11,419,496	1,812,760	36,100	13,196,156
Improvements other than buildings	16,818,957	4,814,263	-	21,633,220
Intangible assets	300,000	-	-	300,000
Machinery and equipment	728,578	12,912	8,210	733,280
Total capital assets being depreciated	29,267,031	6,639,935	44,310	35,862,656
Less accumulated depreciation/amortization for				
Buildings and structures	4,332,849	288,896	36,100	4,585,645
Improvements other than buildings	2,721,229	657,618	-	3,378,847
Intangible assets	276,000	12,000	-	288,000
Machinery and equipment	431,817	27,784	7,070	452,531
Total accumulated depreciation/amortization	7,761,895	986,298	43,170	8,705,023
Business-type activities capital assets, net	<u>\$ 24,794,275</u>	<u>\$ 9,141,334</u>	<u>\$ 6,569,456</u>	<u>\$ 27,366,153</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities	
General government	\$ 86,608
Public safety	31,095
Public works	522,564
Culture and recreation	147,136
	<u> </u>
Total depreciation expense - governmental activities	<u><u>\$ 787,403</u></u>
Business-type activities	
Water	\$ 306,769
Sewer	674,092
Liquor	5,437
	<u> </u>
Total depreciation/amortization expense - business-type activities	<u><u>\$ 986,298</u></u>

Construction work in progress at December 31, 2024, is comprised of the following:

Project name	Project Authorization	Expended through December 31, 2024
Transit Building	\$ 300,000	\$ 136,377
3rd Street Bridge	91,000	139,558
Old Hwy 77 Improvements	900,000	34,857
Slurry Seal - 2025	150,000	4,533
Sioux River Red Rock Trail Phase 2	996,000	129,571
Park Shelter	1,000,000	388,997
Orleans Avenue Phase 1	4,900,000	74,663
Western Utilities	4,800,000	54,673
	<u> </u>	<u> </u>
	<u><u>\$ 13,137,000</u></u>	<u><u>\$ 963,229</u></u>

Note 5 - Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2024:

Indebtedness	Beginning Balance (as restated)	Additions	Deletions	Debt Ending Balance	Due Within One Year
Governmental Activities:					
Sales Tax Revenue Bond - TIF #3	\$ 299,737	-	\$ 20,151	\$ 279,586	\$ 20,749
Sales Tax Revenue Bond - CH	1,901,832	-	102,530	1,799,302	106,839
Accrued Compensated Absences-Governmental Funds*	65,559	45,206	-	110,765	839
Total Governmental Activity	<u>2,267,128</u>	<u>45,206</u>	<u>122,681</u>	<u>2,189,653</u>	<u>128,427</u>
Business-Type Activities:					
SRF 2003 Drinking Water	52,507	-	41,821	10,686	10,686
SRF 2006 Drinking Water	33,999	-	10,082	23,917	10,414
SRF 2007 Clean Water	348,251	-	61,853	286,398	63,887
SRF 2009 Clean Water	378,215	-	53,136	325,079	54,884
SRF 2011 Drinking Water	224,707	-	22,088	202,619	22,758
SRF 2013 Drinking Water	396,669	-	30,111	366,558	31,025
SRF 2013 Clean Water	388,382	-	29,482	358,900	30,376
SRF 2014 Clean Water	652,592	-	61,061	591,531	62,966
SRF 2016 Drinking Water	632,451	-	16,943	615,508	17,500
SRF 2017 Clean Water	1,786,602	-	45,819	1,740,783	47,326
SRF 2019 Drinking Water	2,105,029	-	53,287	2,051,742	54,631
SRF 2019 Clean Water Series A	2,156,406	-	63,152	2,093,254	64,104
SRF 2019 Clean Water Series NPS	324,252	-	9,496	314,756	9,639
SRF 2021 Drinking Water	730,337	-	17,136	713,201	18,204
SRF 2021 Clean Water Series A	1,598,529	-	42,936	1,555,593	44,436
SRF 2021 Clean Water Series NPS	22,829	167,244	309	189,764	2,979
SRF 2022 Drinking Water	697,145	854,829	-	1,551,974	18,607
SRF 2022 Clean Water Series A	515,946	941,186	-	1,457,132	19,696
Total Debt	<u>13,044,848</u>	<u>1,963,259</u>	<u>558,712</u>	<u>14,449,395</u>	<u>584,118</u>
Accrued Compensated Absences-Business-Type Funds*	49,983	8,392	-	58,375	927
Total Business-Type Activities	<u>13,094,831</u>	<u>1,971,651</u>	<u>558,712</u>	<u>14,507,770</u>	<u>585,045</u>
Total Primary Government	<u>\$ 15,361,959</u>	<u>\$ 2,016,857</u>	<u>\$ 681,393</u>	<u>\$ 16,697,423</u>	<u>\$ 713,472</u>

*The roll-forward schedules only report the net change in compensated absences.

Long-term obligations currently outstanding are as follows:

State Revolving Fund (SRF) Loan 2003 Drinking Water:

Note dated April 30, 2003 including an interest rate of 3.5% per annum and a maturity date of January 15, 2025. Principal payments to be made by Water Fund. \$ 10,686

State Revolving Fund (SRF) Loan 2006 Drinking Water:

Note dated March 31, 2006 including an interest rate of 3.25% per annum and a maturity date of January 15, 2027. Principal payments to be made by Water Fund. 23,917

State Revolving Fund (SRF) Loan 2007 Clean Water:

Note dated December 2, 2008 including an interest rate of 3.25% per annum and a maturity date of January 15, 2029. Principal payments to be made by Wastewater Fund. 286,398

State Revolving Fund (SRF) Loan 2009 Clean Water

Note dated January 15, 2010 with a maturity date of January 15, 2030 and an interest rate of 3.25% per annum. Principal payments to be made by the Wastewater Fund. 325,079

State Revolving Fund (SRF) Loan 2011 Drinking Water

Note dated April 15, 2011 with a maturity date of January 15, 2031 and an interest rate of 3.00% per annum. Principal payments to be made by the Water Fund. 202,619

State Revolving Fund (SRF) Loan 2013 Drinking Water

Note dated October 18, 2013 with a maturity date of January 15, 2035 and an interest rate of 3.00% per annum. Principal payments to be made by the Water Fund. 366,558

State Revolving Fund (SRF) Loan 2013 Clean Water

Note dated October 18, 2013 with a maturity date of January 15, 2035 and an interest rate of 3.00% per annum. Principal payments to be made by the Wastewater Fund. 358,900

State Revolving Fund (SRF) Loan 2014 Clean Water

Note dated April 7, 2014 with payments starting on January 15, 2016, a maturity date of April 15, 2033, and an interest rate of 3.00% per annum. Principal payments to be made by the Wastewater Fund. 591,531

State Revolving Fund (SRF) Loan 2016 Drinking Water

Note dated August 10, 2016 with payments starting on July 15, 2018, a maturity date of July 15, 2048, and an interest rate of 3.25% per annum. Principal payments to be made by the Water Fund. 615,508

State Revolving Fund (SRF) Loan 2017 Clean Water

Note dated February 1, 2017 with payments starting on April 15, 2019, a maturity date of January 15, 2049, and an interest rate of 3.25% per annum. Principal payments to be made by the Wastewater Fund. 1,740,783

State Revolving Fund (SRF) Loan 2019 Drinking Water

Note dated May 15, 2019 with payments starting on July 15, 2021, a maturity date of July 15, 2051, and an interest rate of 2.50% per annum. Principal payments to be made by the Water Fund. 2,051,742

State Revolving Fund (SRF) Loan 2019 Clean Water - Series A

Note dated May 15, 2019 with payments starting on July 15, 2021, a maturity date of July 15, 2051, and an interest rate of 1.50% per annum. Principal payments to be made by the Wastewater Fund.

2,093,254

State Revolving Fund (SRF) Loan 2019 Clean Water

Note dated May 15, 2019 with payments starting on July 15, 2021, a maturity date of July 15, 2051, and an interest rate of 1.50% per annum. Principal payments to be made by the Wastewater Fund.

314,756

State Revolving Fund (SRF) Loan 2021 Drinking Water

Note dated April 16, 2021 with payments starting on July 15, 2023, a maturity date of July 15, 2053, and an interest rate of 2.125% per annum. Principal payments to be made by the Water Fund.

713,201

State Revolving Fund (SRF) Loan 2021 Clean Water - Series A

Note dated April 16, 2021 with payments starting on July 15, 2023, a maturity date of July 15, 2053, and an interest rate of 1.375% per annum. Principal payments to be made by the Wastewater Fund.

1,555,593

State Revolving Fund (SRF) Loan 2021 Clean Water - Series NPS

Note dated April 16, 2021 with payments starting on July 15, 2023, a maturity date of July 15, 2053, and an interest rate of 1.375% per annum. Principal payments to be made by the Wastewater Fund.

189,764

State Revolving Fund (SRF) Loan 2022 Drinking Water

Note dated May 5, 2023 with payments starting on July 15, 2025, a maturity date of July 15, 2055, and an interest rate of 2.125% per annum. Principal payments to be made by the Water Fund.

1,551,974

State Revolving Fund (SRF) Loan 2022 Clean Water - Series A

Note dated May 5, 2023 with payments starting on July 15, 2025, a maturity date of July 15, 2055, and an interest rate of 1.375% per annum. Principal payments to be made by the Wastewater Fund.

1,457,132

Sales Tax Revenue Bond 2016 General Fund

Note dated July 6, 2016 with payments starting on June 1, 2018, a maturity date of June 1, 2036, and an interest rate of 2.95% per annum. Principal payments to be made by the General Fund.

279,586

Sales Tax Revenue Bond 2022 General Fund

Note dated November 30, 2022 with payments starting on June 1, 2023, a maturity date of December 1, 2037, and an interest rate of 4.16% per annum. Principal payments to be made by the General Fund.

1,799,302

Compensated Absences:

Accrued vacation and sick leave payable from the General Fund and Enterprise Funds

169,140

City of Dell Rapids, South Dakota

Notes to Financial Statements

December 31, 2024

The annual requirements to amortize all bonded debt and financed purchases outstanding as of December 31, 2024, are as follows:

Years Ending December 31, 2024	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 127,588	\$ 81,847	\$ 584,118	\$ 286,901
2026	132,697	76,740	629,495	299,200
2027	138,011	71,425	637,318	283,151
2028	143,541	65,895	650,819	266,959
2029	149,295	60,141	612,821	250,717
2030 - 2034	841,312	205,870	2,701,934	1,049,035
2035 - 2039	546,444	38,597	2,190,012	781,736
2040 - 2044	-	-	2,413,941	539,690
2045 - 2049	-	-	2,590,108	267,850
2050 - 2055	-	-	1,438,829	55,407
Total	<u>\$ 2,078,888</u>	<u>\$ 600,515</u>	<u>\$ 14,449,395</u>	<u>\$ 4,080,646</u>

Note 6 - Interfund Transfers

Transfers

The City had the following transfers during the year ended December 31, 2024.

	Transfer Out			Totals
	General Fund	Federal Grant Special Revenue Fund	Liquor Fund	
Transfer In				
General Fund	\$ -	\$ -	\$ 120,000	\$ 120,000
Wastewater Fund	80,008	-	-	80,008
Total	<u>\$ 80,008</u>	<u>\$ -</u>	<u>\$ 120,000</u>	<u>\$ 200,008</u>

The \$80,008 transfer from the general fund to the wastewater fund is for sales tax revenue used to pay off clean water drinking bonds. The \$120,000 transfer from the liquor fund to the general fund is for lottery income proceeds.

Note 7 - Multiple Employer Defined Benefit Plan – Public Employees Retirement Association**A. Plan Description**

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.

B. Benefits Provided

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

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

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

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

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

C. 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 fiscal years ended December 31, 2024, 2023, and 2022, equal to required contributions each year, were \$59,632, \$42,595, and \$47,788 respectively.

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

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

Proportionate share of total pension liability	\$ 4,512,327
Less proportionate share of net position restricted for pension benefits	<u>\$ 4,513,551</u>
Proportionate share of net pension asset	<u><u>\$ (1,224)</u></u>

At December 31, 2024, the City Dell Rapids reported an asset of \$(1,224) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024, and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2024, the City's proportion was 0.030247%, which is an increase of 0.000498% from its proportion measured as of June 30, 2023.

City of Dell Rapids, South Dakota

Notes to Financial Statements

December 31, 2024

For the year ended December 31, 2024, the City recognized a reduction of pension expense of \$26,205. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	\$ 113,379	\$ -
Changes in assumption.	20,187	153,874
Net difference between projected and actual earnings on pension plan investments.	46,120	-
Changes in proportion and difference between City contributions and proportionate share of contributions.	6,851	999
City contributions subsequent to the measurement date.	31,096	-
TOTAL	<u>\$ 217,633</u>	<u>\$ 154,873</u>

\$31,096 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31	Amount
2025	(40,339)
2026	61,648
2027	6,742
2028	3,613
	<u>\$ 31,664</u>

E. Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00%.
Future COLAs	1.71%

Mortality rates were based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2021. Active and Terminated Vested Members: Teachers, Certified Regents, and Judicial: PubT-2010, Other Class A Members: PubG-2010, and 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, 2024, valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	<u>100%</u>	

F. 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 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).

H. Pension Liability (Asset) Sensitivity

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 622,169	\$ (1,224)	\$ (511,355)

I. Pension Plan Fiduciary Net Position

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

Note 8 - Litigation, Claims, and Disputes

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. There were no significant legal actions outstanding as of December 31, 2024.

Note 9 - Tax Abatements

The City of Dell Rapids has created tax increment districts under the authority granted by South Dakota Codified Law section 11-9. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the City through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all the other real property in the tax increment district.

The county, city, and other local general property taxes levied on all taxable property within a tax increment district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.

The City of Dell Rapids has one active tax increment district. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to the City of Dell Rapids during the life of the tax increment district.

The amount of property taxes collected from the tax increment that were not available to the City of Dell Rapids during the calendar year ended December 31, 2024, was \$2,709.

Note 10 - 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, 2024, the City managed its risks as follows:

Employee Health Insurance

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

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

Liability Insurance

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

Effective October 5, 2021, the SDPAA adopted a new policy on member departures. Departing Members will no longer be eligible for any partial refund of the calculated portion of their contributions which was previously allowed. The prior policy provided the departing Member with such a partial refund because the departing Member took sole responsibility for all claims and claims expenses whether reported or unreported at the time of their departure from the SDPAA. With such partial refund being no longer available, the SDPAA will now assume responsibility for all reported claims of a departing Member pursuant to the revised IGC.

The City carries a \$500 deductible for wrongful acts coverage and \$500 deductible on a per item basis for building, contents, and equipment coverage.

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

Workers Compensation

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

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

Unemployment Benefits

The City provides 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, 2024, no claims for unemployment benefits were paid. At December 31, 2024, no claims had been filed for unemployment benefits and none were anticipated in the next fiscal year.

Note 11 - Leases

In prior years, the City entered into a building rental agreement and various tower lease agreements as the lessor. As of December 31, 2024, the value of the lease receivable was \$244,132. The City receives varying monthly principal and interest payments ranging from \$200 to \$2,650. The leases have an interest rate of 1.75% - 2.00%. The future lease revenue and interest lease revenue as of December 31, 2024, were as follows:

<u>Years Ending December 31,</u>	<u>Lease Revenue</u>	<u>Interest Revenue</u>
2025	\$ 80,492	\$ -
2026	71,292	2,239
2027	51,692	1,169
2028	30,492	522
2029	10,164	225
	<u> </u>	<u> </u>
Total	<u>\$ 244,132</u>	<u>\$ 4,155</u>

The City recognized \$81,987 in lease revenue and \$2,239 in interest revenue during the year ended December 31, 2024. The City has a deferred inflow of resources associated with these leases that will be recognized over the lease term. As of December 31, 2024, the balance of the deferred inflow of resources related to leases is \$244,132.

Note 12 - Restatement*Change in Accounting Principle*

As of January 1, 2024, the City adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences noncurrent portion was increased by \$44,369, respectively, as of January 1, 2024. The effect of this change in accounting principle is described in the table below.

	January 1, 2024, As Previously Report	Change in Accounting Principle	January 1, 2024, As Restated
Government-Wide			
Governmental Activities	\$ 20,888,178	\$ (31,051)	\$ 20,857,127
Business-Type Activities	<u>16,246,627</u>	<u>(13,318)</u>	<u>16,233,309</u>
Total Primary Government	<u>\$ 37,134,805</u>	<u>\$ (44,369)</u>	<u>\$ 37,090,436</u>
Proprietary Funds			
Major Funds			
Water Fund	\$ 4,029,366	\$ (4,696)	\$ 4,024,670
Wastewater Fund	<u>11,740,646</u>	<u>(8,622)</u>	<u>11,732,024</u>
Total Proprietary Funds	<u>\$ 15,770,012</u>	<u>\$ (13,318)</u>	<u>\$ 15,756,694</u>

Required Supplementary Information
December 31, 2024

City of Dell Rapids, South Dakota

City of Dell Rapids, South Dakota
Schedule of Employer's Proportionate Share of Net Pension Liability (Asset)
December 31, 2024

**Schedule of Employer's Proportionate Share of Net Pension Liability
Last 10 Fiscal Years ***

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability/asset	0.0302470%	0.0297090%	0.0350060%	0.0347070%	0.0344012%	0.0326047%	0.0324610%	0.0312770%	0.0312043%	0.0304757%
City's proportionate share of net pension liability (asset)	(1,224)	(2,900)	(3,308)	(265,796)	(1,494)	(3,455)	(757)	(2,838)	105,405	(129,256)
City's covered payroll	848,580	718,822	826,330	787,619	755,005	694,856	673,848	629,129	593,344	560,950
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.14%	0.40%	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.04%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	100.10%	100.10%	105.52%	100.04%	100.09%	100.02%	100.1%	96.89%	104.10%

City of Dell Rapids, South Dakota
Schedule of Employer's Contributions
December 31, 2024

**Schedule of Employer's Contributions
Last 10 Fiscal Years ***

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 59,632	\$ 42,595	\$ 47,788	\$ 48,407	\$ 46,297	\$ 44,386	\$ 40,224	\$ 37,867	\$ 36,358	\$ 36,251
Contributions in relation to the contractually required contribution	\$ 59,632	\$ 42,595	47,788	48,407	46,297	44,386	40,224	37,867	36,358	36,251
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 993,876	\$ 709,921	\$ 801,045	\$ 806,788	\$ 771,625	\$ 739,760	\$ 672,122	\$ 630,035	\$ 606,897	\$ 604,182
Contributions as a percentage of covered payroll	6.00%	6.00%	5.97%	6.00%	6.00%	6.00%	5.98%	6.01%	5.99%	6.00%

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Method Changes

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

Actuarial Assumption Changes

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

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

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

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

Other Supplementary Information

December 31, 2024

City of Dell Rapids, South Dakota

City of Dell Rapids, South Dakota
Schedule of Expenditures of Federal Awards
December 31, 2024

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Expenditures
US Department of Interior <i>Passed Through South Dakota Department of Game, Fish & Parks</i> Outdoor Recreation Acquisition, Development and Planning	15.916	46-01589	\$ <u>116,850</u>
US Department of Treasury <i>Passed Through South Dakota Department of Agriculture and natural Resources</i> COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	2022G-ARP-133	<u>1,662,402</u>
Total Federal Financial Assistance			<u>\$ 1,779,252</u>

Note A – 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, 2024. The information is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position, fund balance, or cash flows of the City.

Note B – Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Additional Reports
December 31, 2024

City of Dell Rapids, South Dakota



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*

To the City Council
City of Dell Rapids
Dell Rapids, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dell Rapids (the City), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 26, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2024-005.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
August 26, 2025



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

To the City Council
City of Dell Rapids
Dell Rapids, South Dakota

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited the City of Dell Rapids (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2024. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Assistance Listing No. 21.027 Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2024.

Basis for Qualified Opinion

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

Matter Giving Rise to Qualified Opinion on Assistance Listing No. 21.027 Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding *Assistance Listing No. 21.027 Coronavirus State and Local Fiscal Recovery Funds* as described in finding number 2024-003 for Reporting.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-004. Our opinion on the major federal program is not modified with respect to this matter.

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

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 findings and questioned costs as items 2024-003 and 2024-004 to be material weaknesses.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
August 26, 2025

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	Yes

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major program:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516 (a):	Yes

Identification of major program:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2024-001 Segregation of Duties
Material Weakness**

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

Condition – The City has a lack of segregation of duties surrounding review of bank reconciliations, year-end account reconciliations for all financial statement areas, and review and approval of manual journal entries due to a limited staff.

Cause – There is a limited amount of office employees.

Effect – Inadequate segregation of duties could adversely affect the City's ability to detect misstatements in amounts that would-be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation – While we recognize that your staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding.

2024-002 Preparation of Financial Statements including Proposed Journal Entries
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the City's financial statements which include all material journal entries.

Condition – The City prepares a draft of the year-end financial statements and schedule of expenditures of federal awards however the financial statements being audited were adjusted based on material journal entries proposed.

Cause – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited that include all proposed journal entries.

Effect – The amounts in the financial statements could be incomplete.

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 or other considerations.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

2024-003 **Department of Treasury**
Federal Financial Assistance Listing No. 21.027
COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Reporting
Material Weakness in Internal Control over Compliance and Material Noncompliance

Criteria – A good system of internal accounting control contemplates an adequate system for ensuring that all reports are completed accurately by the City.

Condition – During the course of our engagement, we noted that the annual project and expenditure report submitted for the year ended December 31, 2024, had amounts reported that did not agree to the general ledger system of the City.

Cause – The City does not have an internal control system designed to ensure that the project and expenditure report is submitted accurately.

Effect – The control deficiency could result in the City’s project and expenditure report is not being completed accurately.

Questioned Costs – None reported

Context/Sampling – The entirety of the annual reporting requirement was tested.

Repeat Finding from Prior Years – Yes

Recommendation – Management should put procedures in place to ensure that all quarterly construction reports are accurate and submitted by the required due dates.

View of responsible officials – Management is in agreement with the finding.

**2024-004 Department of Treasury
Federal Financial Assistance Listing No. 21.027
COVID-19 Coronavirus State and Local Fiscal Recovery Funds**

**Procurement, Suspension, and Debarment
Material Weakness in Internal Control over Compliance and Immaterial Instance of
Noncompliance**

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 – 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 – 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.

Effect – A lack of documented policies increase the overall risk that employees are not aware of the specific requirements with contracting and awarding contracts to lower tier entities.

Questioned Costs – None reported

Context/Sampling – All vendors, which totaled one, were selected for procurement testing.

Repeat Finding from Prior Years – Yes

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.

View of responsible officials – Management is in agreement with the finding.

Section IV – State Compliance Item

**2024-005 Expenditures in Excess of Amount Appropriated
Material Noncompliance**

Criteria - Budget appropriations in SD state statute 9-21-9, 9-21-9.1, 9-21-9.2, 9-21-10, and 9-21-15 limit officials from spending in excess of amounts appropriated.

Condition - At December 31, 2024, the City had expenditures in excess of budgeted appropriations for the Public Safety category of the General Fund budget.

Cause - The City had higher costs than anticipated in 2024 within the Public Safety expenditure category.

Effect - The City is not in compliance with the budget appropriations requirement of SD state statute 9-21-9, 9-21-9.1, 9-21-9.2, 9-21-10, and 9-21-15.

Recommendation - The City should adhere to all specific requirements of SD state statute 9-21-9, 9-21-9.1, 9-21-9.2, 9-21-10, and 9-21-15.

View of Responsible Officials - There is no disagreement with the finding.



**Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2024**

Prepared by Management of

City of Dell Rapids, South Dakota

Finding 2023-001 Segregation of Duties

Finding Summary: There are a limited number of positions within the City, which prevents a proper segregation of duties.

Status: Ongoing. The City does not find it to be cost effective to hire additional staff.

Finding 2023-002 Preparation of Financial Statements including Proposed Journal Entries and Schedule of Expenditures of Federal Awards

Finding Summary: Eide Bailly proposed material audit adjustments to the City's prepared financial statements that would not have been identified as a result of the City's existing internal controls.

Status: Partially corrected. The Preparation of Schedule of Expenditures of Federal Awards portion was corrected. The remaining finding is ongoing.

Finding 2023-003 Improper Completion and Retention of Employee Personnel Forms

Finding Summary: Eide Bailly noted employee personnel forms that were incomplete or missing.

Status: Corrected.

**Finding 2023-004 Reporting
Material Weakness in Internal Control over Compliance and Material Noncompliance**

Finding Summary: Eide Bailly noted that the annual project and expenditure report submitted for the year ended December 31, 2023, had amounts reported that did not agree to the general ledger system of the City.

Status: Ongoing.

**Finding 2023-005 Procurement, Suspension, and Debarment
Material Weakness in Internal Control over Compliance and Immaterial Instance of Noncompliance**

Finding Summary: Eide Bailly noted during testing of procurement, suspension and debarment that the City did not have a written policy on procurement that satisfied the requirements of 2 CFR sections 200.318 through 200.326.

Status: Ongoing.

**Finding 2023-006 Expenditures in Excess of Amount Appropriated
Material Noncompliance**

Finding Summary: At December 31, 2023, the City had expenditures in excess of budgeted appropriations for the General Government category of the General Fund budget.

Status: Ongoing.

Corrective Action Plans

Finding 2024-001 Segregation of Duties Material Weakness

Finding Summary: The City has a limited number of personnel preventing adequate segregation of duties.

Responsible Individuals: Finance Officer

Corrective Action Plan: The City feels that the costs for hiring additional staff would not be significantly beneficial. The City does currently mitigate this situation by the approval of all checks by action of the City Council and direct deposit of State funds. The City plans to implement a review of all journal entries and bank reconciliations for unidentified variances and unusual reconciling items by the Superintendent to further mitigate this situation. The City will continue to look for further opportunities to segregate duties.

Anticipated Completion Date: Ongoing

Finding 2024-002 Preparation of Financial Statements including Proposed Journal Entries Material Weakness

Finding Summary: The City prepares a draft of the year-end financial statements and Schedule of Expenditures of Federal Awards however the financial statements and SEFA being audited were adjusted based on material journal entries proposed. During the course of the engagement, material audit adjustments were proposed by Eide Bailly LLP. These would not have been identified as a result of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

Responsible Individuals: Finance Officer

Corrective Action Plan: A thorough review and reconciliation of accounts in each fund will take place prior to the beginning of the audit to ensure all adjustments are made and reflected in the financial statement draft prepared by management.

Anticipated Completion Date: Ongoing

Corrective Action Plans

Finding 2024-003 Reporting Material Noncompliance and Material Weakness in Internal Control over Compliance

Finding Summary: The annual project and expenditure report submitted for the year ended December 31, 2023 for Federal Financial Assistance Listing No. 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds, had amounts reported that did not agree to the general ledger of the City.

Responsible Individuals: Finance Officer

Corrective Action Plan: The City will establish controls to follow all applicable reporting requirements under Uniform Guidance and applicable CFR sections.

Anticipated Completion Date: December 31, 2025

Finding 2024-004 Procurement, Suspension, and Debarment Material Weakness in Internal Control over Compliance and Immaterial Instance of Noncompliance

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

Responsible Individuals: Finance Officer

Corrective Action Plan: The City will establish controls to follow all applicable procurement requirements under Uniform Guidance and applicable CFR sections.

Anticipated Completion Date: December 31, 2025

Corrective Action Plans

Finding 2024-005 Expenditures in Excess of Amount Appropriated Material Noncompliance

Finding Summary: At December 31, 2024, the City had expenditures in excess of budgeted appropriations for the Public Safety category of the General Fund budget.

Responsible Individuals: Finance Officer

Corrective Action Plan: The City will establish controls to adhere to all specific requirements of SD state statute 9-21-9, 9-21-9.1, 9-21-9.2, 9-21-10, and 9-21-15.

Anticipated Completion Date: December 31, 2025