CITY OF WATERTOWN SOUTH DAKOTA

2025 Fiscal Year

January 1, 2025 - December 31, 2025

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Prepared By:
The City Finance Department
Kristen Bobzien, Chief Financial Officer

2025

ANNUAL COMPREHENSIVE FINANCIAL REPORT
CITY OF WATERTOWN, SOUTH DAKOTA

January 1, 2025 – December 31, 2025

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June 29, 2026

Honorable Ried Holien, Mayor
Members of the City Council
Citizens of Watertown
City of Watertown
Watertown, South Dakota, 57201

I am pleased to submit to you the Annual Comprehensive Financial Report for the City of Watertown, South Dakota, for the fiscal year ended December 31, 2025.

The report was prepared by the City Finance Office in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the City management. We believe the data as presented is accurate and reliable in all material respects; is presented in a manner designed to set forth fairly the financial position and results of operations of the City as measured by the financial activities of its various funds; and that disclosures necessary to enable readers to gain an understanding of the City's financial affairs have been included.

Management of the City is responsible for establishing and maintaining an accounting and internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Watertown's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's financial statements have been audited by Eide Bailly LLP a firm of certified public accountants authorized by the State of South Dakota to conduct the audit. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Watertown for the fiscal year ended December 31, 2025, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Watertown's financial statements for the fiscal year ended December 31, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Watertown was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of the federal awards. These reports are included in this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Watertown's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Watertown

The City of Watertown, incorporated in 1885, is a progressive community that has been able to maintain its small town charm. The City is located in northeast South Dakota, at the crossroads of Interstate 29 and US Highway 212. It is nicknamed “South Dakota’s Rising Star”, because it is a growing and vibrant community that offers residents and visitors an unparalleled quality of life.

The City adopted the Council-Manager form of government in 2021. The City is a home-rule municipality chartered under the Constitution of the State of South Dakota and is governed by six alderpersons and a part-time mayor. The City is divided into five wards with representation on the City Council by one from each ward and one at-large alderperson. The mayor is elected at large. The length of terms for alderpersons and the mayor are four years with elections held in each odd-numbered year. The City Council meets the first Monday of each month in regular session and, in addition, numerous special meetings and work sessions throughout the year. The City Council is responsible for adopting the budget, enacting ordinances, resolutions and regulations governing the City as well as approving the mayor’s appointment of members to committees and advisory boards and Department Heads of the City.

The City provides the full range of municipal services normally associated with a municipality. These basic services include public safety, streets, solid waste collection and disposal, planning, culture and recreation, sewer, airport and utility services including water, electric and gas. For financial reporting purposes, all funds involved in providing these services are included based on financial accountability. Financial accountability is determined by several inherent factors, including fiscal dependence, ability to impose will upon the entity’s governing body, provision of specific financial burdens or benefits and separate legal entity status. The Housing and Redevelopment Commission is a legally separate authority whose board is appointed by the City Council and is reported separately as a component unit within the City of Watertown financial statements.

The annual budget serves as the basis for the City of Watertown’s financial planning, development and control. The budget ordinance must be adopted by a majority of the Council members no later than November 30th of each year. Once the budget is approved, the expenditures incorporated within the budget become legally binding and the actual expenditures cannot exceed the budgeted amounts unless amended through a supplemental appropriation ordinance or other permitted means. Even though it is not necessary to make formal appropriations for enterprise funds, an annual budget is developed and published no later than December 31st of each year. Because enterprise fund revenues and expenses fluctuate with changing service and delivery levels, flexible budgets are used for planning, control and evaluation purposes. All appropriations, except for capital expenditures, shall lapse at the close of the fiscal year. Under the Home Rule Charter, an appropriation for capital expenditures shall continue in force until expended, revised or repealed unless three years pass without activity.

Budgetary control is monitored at the function level. All funds budgeted in accordance with state statute are included in the budget-to-actual comparisons which are part of the required supplemental information and supplementary information.

Factors Affecting Financial Condition

The information presented in these financial statements is best understood when it is considered in conjunction with the broader perspective of the environment within which the City of Watertown operates.

Economic Conditions and Outlook

Despite broader economic uncertainty and inflationary pressures, the City experienced continued growth in 2025, particularly in key revenue streams. General Fund sales tax revenues exceeded budget by 4.7% and were 5.7% higher than 2024 actual collections helping offset major equipment purchases and higher personnel costs. Property tax revenues also increased 6.2% over the prior year, providing additional operating stability. These results reflect continued economic development and conservative budgeting practices that support the maintenance of adequate General Fund reserves.

Labor market conditions in Codington County remained favorable in 2025. The labor force increased from 16,501 to 16,559, while employment rose from 16,181 to 16,291. The county's annual average unemployment rate improved from 1.9% in 2024 to 1.6% in 2025, compared with the U.S. annual average rate of 4.3%, reflecting a local employment environment that remained stronger than national levels.

Watertown Regional Airport remained stable in 2025, with 14,028 enplanements and activity continuing above 10,000 following the pandemic decline. As a regional transportation asset, the airport supports the local economy by improving business access, supporting workforce mobility, and enhancing the City's ability to attract and retain employers and investment.

Looking ahead, the City expects continued growth but remains mindful of inflation, elevated project costs, and the potential for slower economic activity. Sales tax projections were developed conservatively, although recent revenue performance has continued to support operations and capital needs. Increased debt service from recent bond issuances is expected to place ongoing pressure on Capital Improvement Fund balances. The City will continue to emphasize strategic planning, conservative budgeting, and infrastructure investment to meet growth-related demands while maintaining financial flexibility.

Major Initiatives

The City continues to advance several capital initiatives intended to address long-term service, facility, and infrastructure needs while balancing operating capacity, debt management, and future funding requirements. These initiatives reflect both immediate capital priorities and longer-term financial and operational considerations.

Wastewater Projects ($61 million) – In 2022, HDR Engineering completed a condition and capacity assessment of the Watertown Wastewater Treatment Facility (WWTF), which identified a plan to address long-term service needs. The project is financed through the South Dakota Department of Agriculture and Natural Resources Clean Water State Revolving Fund (SRF) program. Financing includes $15,894,200 in grants, $19,819,800 in loans at 2.125 percent for 30 years, and an additional $25,000,000 SRF loan at 3.25 percent for 30 years. While this financing structure moderates near-term impact through grants and below-market borrowing, it will increase future annual debt service. To support repayment and satisfy loan requirements, the City Council approved a sewer rate increase to provide ongoing revenue for operations and capital needs.

Street Facility Project – In addition to utility-related infrastructure investment, the City is working to finalize a new Street Facility to provide additional equipment storage, expanded mechanical workspace, and improved access to materials. The project represents the final phase in a broader series of upgrades to governmental service facilities and is expected to improve operational capacity and support service delivery. Although the project does not have the same direct revenue impact as utility-related capital improvements, it reflects continued investment in core governmental functions and may reduce inefficiencies and maintenance constraints associated with existing facilities over time.

East Side Fire Station – Looking ahead, the City also continued evaluating development of an east side fire station during the year and purchased land for the project in 2025. Ongoing discussions include identifying an appropriate staffing model and assessing the long-term affordability of additional personnel costs. If nine additional positions are added, the City will need to identify funding sources to support those expenditures. As a result, the project presents both a capital investment decision and an ongoing operating budget consideration, particularly with respect to personnel, benefits, and the long-term sustainability of public safety service levels.

Long-Term Planning

The City of Watertown remains committed to balancing affordable service rates with the efficient delivery of essential public services. To support this goal, departments continue to pursue grant funding, expand participation in City programs, and identify cost-saving opportunities. Because multiple independently operating departments rely on shared funding sources, long-term financial planning requires disciplined expenditure management, careful evaluation of service demands, and ongoing attention to fiscal stability.

Periodic rate studies and annual reviews have resulted in adjustments to utility and service fees. Even with these changes, Watertown's rates remain competitive and affordable when compared with similarly sized communities. Continued assessment of infrastructure conditions, capital needs, and operating requirements will allow the City to make measured adjustments as needed while maintaining reliable, high-quality service.

Personnel costs continue to represent a significant share of the City's budget, making long-range financial planning essential to sustaining appropriate staffing levels across all departments. Requests for additional positions must be supported by a demonstrated operational need and an identified funding source through the annual budget process. Looking ahead, staffing a new fire department is expected to have a substantial budget impact as personnel, training, equipment, and operational support costs are incorporated into future plans. To prepare for these demands, the City will continue evaluating funding sources, including grant opportunities and other revenue options, to help offset costs, reduce pressure on existing resources, and preserve adequate fund balances for future obligations and periods of economic uncertainty.

These planning efforts are taking place within a broader economic environment that continues to shape local government operations and financial decision-making. Although the U.S. economy has remained relatively resilient, inflation, tight labor markets, and elevated borrowing costs continue to pressure municipal budgets through higher costs for construction materials, equipment, utilities, insurance, contracted services, and employee wages. In South Dakota, these challenges are compounded by low unemployment and workforce shortages, particularly in skilled trades and public service positions. State revenue trends also warrant close monitoring, as softer sales tax performance in some periods and legislative actions affecting property tax relief and sales tax policy may influence the local revenue environment. For Watertown, these conditions reinforce the importance of conservative forecasting, reserve protection, careful prioritization of capital improvements, and flexibility in responding to economic and legislative change.

In response to these services, staffing, and economic pressures, the City remains focused on identifying revenue sources that support long-term financial stability. Sales tax revenues have increased in recent years, and the City will continue to monitor economic trends and incorporate those conditions into future budget development. Through prudent financial planning, regular review of budget assumptions, and continued attention to operational efficiency, Watertown will be well positioned to respond to changing conditions while maintaining essential public services and preserving its long-term fiscal health.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Watertown for its annual comprehensive financial report for the fiscal year ended December 31, 2024. This was the forty-third year that the City of Watertown has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

This report was prepared with the help of the Finance Office staff, the Municipal Utilities Department, and all City Departments who provided essential information. Special thanks to the Finance Office for their year-round dedication to data accuracy, and to the Mayor and City Council for their ongoing support of the City's financial management.

Respectively submitted,

Kristen Bobzien
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Watertown
South Dakota

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrill

Executive Director/CEO

Municipal Officials

Governing Boards	**Expires**
LIBRARY BOARD OF TRUSTEES	
Anne Gabel	July, 2027
Jean Moulton	July, 2027
Michelle Spies	July, 2028
Dave Weigel	July, 2029
Sandra Niewoehner	July, 2029
Dan Schutte - City Council Liaison	
MUNICIPAL UTILITIES BOARD	
Rich Thomas	May, 2026
Charlie Larkin	March, 2027
Chris Carter	July, 2028
Michael Luken	July, 2029
Dan Brenden	August, 2030
Kyle Peters - City Council Liaison	

Municipal Officials

City Elected Officials		**Expires**
MAYOR		
	Ried Holien	July, 2029
ALDERPERSONS		
WARD A		
	Brent Mohrmann	July, 2029
WARD B		
	Kyle Peters	July, 2027
WARD C		
	Dan Schutte	July, 2027
WARD D		
	Doug Allen	July, 2029
WARD E		
	Lynn Jurrens	July, 2027
AT-LARGE		
	Michael Heuer	July, 2029

City Appointed Officers

CITY MANAGER
Alan Stager

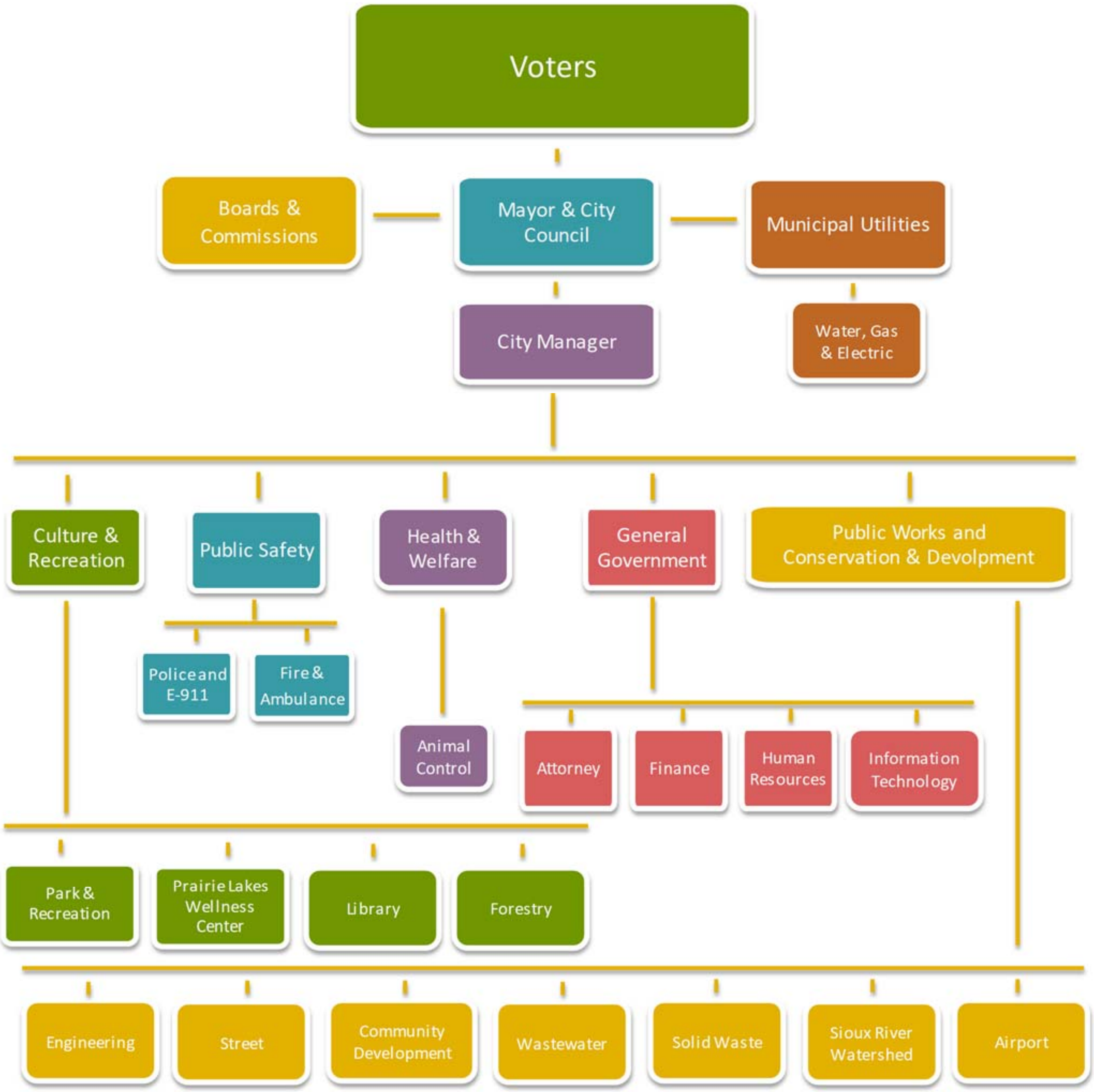
CHIEF FINANCIAL OFFICER
Kristen Bobzien

POLICE CHIEF
Tim Toomey

SUPERINTENDENT OF UTILITIES
Steve Lehner

FIRE CHIEF
Don Rowland

Organizational Chart



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Watertown, South Dakota

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Watertown, South Dakota, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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' 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' 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' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of changes in total OPEB liability and related ratios, schedule of net pension liability (asset), schedule of contributions, and infrastructure assets reported using the modified approach 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor financial statements and budgetary comparison schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the 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 combining nonmajor financial statements and budgetary comparison schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
June 26, 2026

This discussion and analysis presents an overview of the financial activities and financial position for the City of Watertown (the "City") for the year ended December 31, 2025. Please read and consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and the City's financial statements.

Certain amounts presented in Management's Discussion and Analysis have been rounded to the nearest thousand or million for readability. As a result, totals and subtotals may not add precisely or may differ slightly from the amounts presented in the basic financial statements. The basic financial statements and related notes present unrounded amounts and should be relied upon for precise figures.

Financial Highlights
At the close of 2025, total assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by $496 million. This amount is referred to as the City's "net position." Of this net position amount, $83 million may be used to meet the City's ongoing obligations to citizens and creditors. The $496 million net position amount is comprised of three major components:

- Net investment in capital assets $ 392 million
- Amounts restricted as to their use $ 21 million
- Unrestricted net position $ 83 million

The City's total net position increased during 2025 by approximately $36.9 million. Of this increase, $7.3 million occurred within the City's governmental activities and the remaining $29.6 million increase occurred within the City's business-type activities, or Enterprise Funds. The revenues of the Capital Improvement Fund ($15.0 million) are limited in their use to primarily acquiring or constructing capital assets which are then depreciated over the useful lives of those capital assets. Therefore, revenues generated in the Capital Improvement Fund result in an immediate increase in net position, however, when those revenues are spent, the decrease in net position is not immediate but, rather, is realized over a long period of time as the capital assets are depreciated. Unless and until the annual depreciation expense on those capital assets equals or exceeds those revenues, net position will tend to increase.

The net position for the business-type activities is somewhat related to what private sector business may report as a net profit. The increase of $29.6 million in net position reflects the business-type activities revenues that continue to exceed expenses.

As of the close of 2025, the City's Governmental Funds reported combined ending fund balances of $45.8 million. Of this total amount, $31.5 million is available for spending at the City's discretion, although only about $13.1 million is within the City's General Fund and is held as unassigned for any specific purpose. The City's total long-term debt as of December 31, 2025, is $104.7 million including $7.8 million that will become due and payable during 2026.

Overview of 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 fund statements tell how government services like public safety and culture & recreation were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities that the City operates like a business. The City has six proprietary funds – the Sewer Fund, Solid Waste Fund (nonmajor), Airport Fund, Water Fund, Electric Fund and Gas 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. In addition to the required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds and enterprise funds, each of which are added together and presented in a single column in the basic financial statements.

Government-wide financial statements. The government-wide statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health & welfare, culture & recreation, conservation & development and debt service. The business-type activities of the City include the enterprise activities of the sewer, solid waste, airport, electric, water and gas funds.

The government-wide financial statements include not only the City of Watertown itself (known as the primary government), but also the legally separate Watertown Housing & Redevelopment Commission for which the City is considered to be financially accountable or for which the nature and significance of their relationship with the City is such that the exclusion would cause the City's financial statements to be misleading or incomplete. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from the entity's administrative office at 24 W. Kemp Ave, Watertown, South Dakota 57201.

Fund financial statements. A fund is a grouping of related accounts that are used to maintain financial control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintained 22 individual governmental funds for 2025. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Park & Recreation Fund and Capital Improvement Fund which are considered to be major funds. Data from the other 19 governmental funds are combined into a single aggregated presentation. Fund data for each individual non-major governmental fund is provided in the form of combining statements following the required supplementary information.

The City adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided as required supplementary information for the General Fund, Park & Recreation Fund and Capital Improvement Fund to demonstrate compliance with this budget. In addition, a budgetary comparison statement has been provided for the non-major governmental funds following the required supplementary information.

Proprietary funds. The City maintains one type of proprietary fund: Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Watertown uses enterprise funds to account for its sewer, solid waste, airport, electric, water, and gas funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The sewer, electric, water, gas and airport funds are considered to be major funds. Data from the other enterprise fund is in a single aggregated presentation. Individual fund data for the non-major enterprise fund is provided in the form of combining statements following the required supplementary information.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This section includes a budgetary comparison schedule and related notes for the General Fund and each major special revenue fund, schedule of contributions, schedule of net pension liability (asset), the schedule of changes in total OPEB Liability, related ratios and notes, and infrastructure assets reported using the modified approach.

The combining statements referred to earlier in connection with non-major governmental funds and the non-major enterprise funds are presented following the required supplementary information.

Government-wide Financial Analysis

Net Position. As presented on the following table, the City's assets exceeded liabilities by $496,014,505 at the close of the fiscal year ending December 31, 2025.

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2024	2025	2024	2025	2024	2025
Current and Other Assets	$ 56,583,684	$ 53,803,890	$ 69,455,862	$ 78,759,016	$ 126,039,546	$ 132,562,906
Capital Assets	199,500,005	203,113,496	246,941,601	282,679,046	446,441,606	485,792,542
Total Assets	256,083,689	256,917,386	316,397,463	361,438,062	572,481,152	618,355,448
Deferred Outflows of Resources	4,465,072	5,054,916	2,786,000	3,053,244	7,251,072	8,108,160
Long-term Debt Outstanding	68,653,747	66,079,849	28,428,054	38,581,459	97,081,801	104,661,308
Other Liabilities	4,915,093	2,002,370	9,917,529	14,576,598	14,832,622	16,578,968
Total Liabilities	73,568,840	68,082,219	38,345,583	53,158,057	111,914,423	121,240,276
Deferred Inflows of Resources	6,583,607	6,222,873	2,071,875	2,985,954	8,655,482	9,208,827
Net Position:						
Net Investment in Capital Assets	135,465,029	145,396,192	222,491,746	246,739,850	357,956,775	392,136,042
Restricted	16,568,343	10,880,861	7,727,318	9,829,028	24,295,661	20,709,889
Unrestricted	28,362,942	31,390,157	48,546,941	51,778,417	76,909,883	83,168,574
Total Net Position	$ 180,396,314	$ 187,667,210	$ 278,766,005	$ 308,347,295	$ 459,162,319	$ 496,014,505

By far the largest portion (79.0%) of the City's net position is represented by $392.1 million in investments in capital assets (e.g., land, construction in progress, buildings & structures, improvement other than buildings, and equipment & autormotive); 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. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position of $20.7 million comprises 4.2% of the total net position. These assets are subject to external restrictions on how they may be used. The remaining balance of $83.2 million, or 16.8%, in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position have internally imposed limitations which may further control the purpose for which such net position may be used.

Changes in net position

The City's revenues for the year totaled $139.0 million including approximately $79.2 million from charges for services. This means that 57 cents of every revenue dollar came from charges for services (primarily the business-type funds such as Sewer, Solid Waste, Electric, Water and Gas). Taxes accounted for $30.4 million of total revenues, or about 22 cents of every revenue dollar.

The City's net position increased by $36.9 million or 8.0% during the current fiscal year as shown on the following table. This increase is attributable to the stable growth in the community requiring a substantial investment in infrastructure and other assets. More details that account for the change in net position are provided in the following analysis of the governmental and business-type activities.

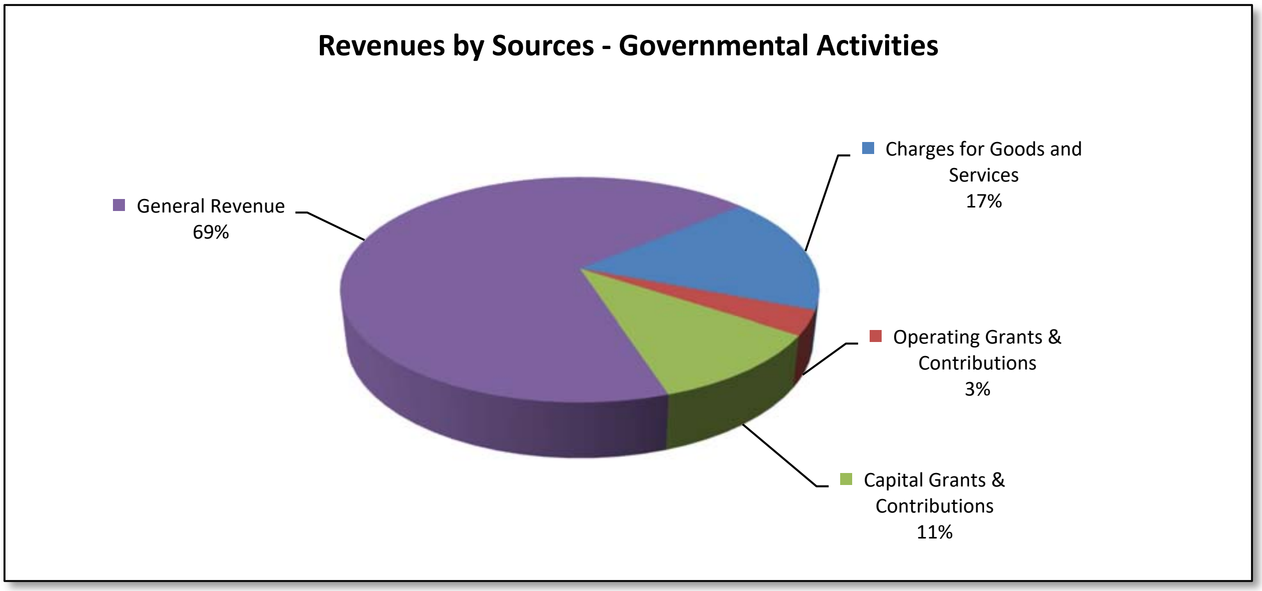
Changes in Net Position

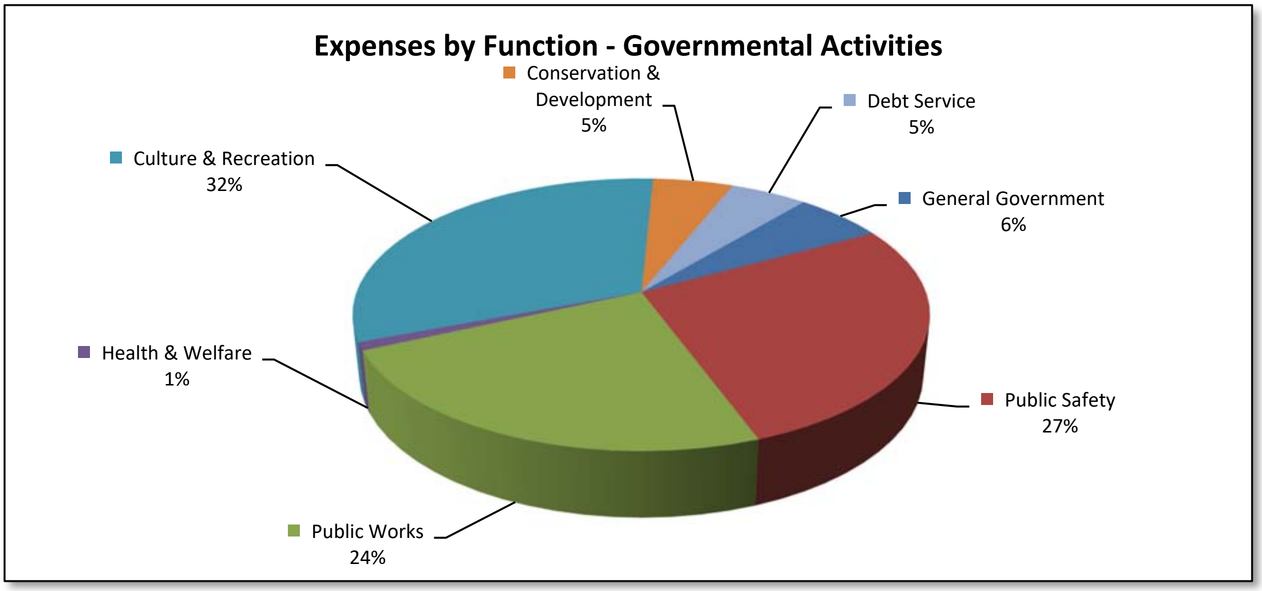
	Governmental Activities		Business-Type Activities		Total	
	2024	2025	2024	2025	2024	2025
Revenues:						
Program Revenues:						
Charges for Services	$ 7,937,005	$ 8,398,951	$ 64,465,030	$ 70,826,938	$ 72,402,035	$ 79,225,889
Operating Grants and Contributions	1,098,683	1,711,472	945,985	463,791	2,044,668	2,175,263
Capital Grants and Contributions	1,662,834	5,311,113	5,335,978	15,537,939	6,998,812	20,849,052
General Revenues:						
Taxes	28,610,512	30,374,663	25,433	23,863	28,635,945	30,398,526
State Shared Revenues	227,366	210,457	-	-	227,366	210,457
Other	3,810,394	3,575,653	2,693,890	2,532,881	6,504,284	6,108,534
Total Revenues	43,346,794	49,582,309	73,466,316	89,385,412	116,813,110	138,967,721
Expenses:						
General Government	550,156	2,594,496	-	-	550,156	2,594,496
Public Safety	12,891,096	11,936,041	-	-	12,891,096	11,936,041
Public Works	12,510,024	10,446,552	-	-	12,510,024	10,446,552
Health and Welfare	344,384	422,092	-	-	344,384	422,092
Culture and Recreation	12,902,008	13,794,739	-	-	12,902,008	13,794,739
Conservation and Development	2,347,141	2,309,541	-	-	2,347,141	2,309,541
Debt Service	3,197,092	2,214,522	-	-	3,197,092	2,214,522
Sewer	-	-	4,584,157	4,711,130	4,584,157	4,711,130
Solid Waste	-	-	3,683,534	4,441,123	3,683,534	4,441,123
Airport	-	-	2,700,852	2,974,056	2,700,852	2,974,056
Electric	-	-	29,262,325	30,729,765	29,262,325	30,729,765
Water	-	-	5,870,413	6,028,398	5,870,413	6,028,398
Gas	-	-	8,340,422	9,513,080	8,340,422	9,513,080
Total Expenses	44,741,901	43,717,983	54,441,703	58,397,552	99,183,604	102,115,535
Excess (Deficiency) Before Transfers	(1,395,107)	5,864,326	19,024,613	30,987,860	17,629,506	36,852,186
Transfers	2,538,500	1,406,570	(2,538,500)	(1,406,570)	-	-
Change in Net Position	1,143,393	7,270,896	16,486,113	29,581,290	17,629,506	36,852,186
Net Position - beginning	179,252,921	180,396,314	262,279,892	278,766,005	441,532,813	459,162,319
Net Position - ending	$ 180,396,314	$ 187,667,210	$ 278,766,005	$ 308,347,295	$ 459,162,319	$ 496,014,505

Governmental Activities

Governmental activities increased the City's net position by $7.3 million, accounting for 19.7% of the total growth in the net position of the City. As previously discussed, the reason for the majority of this increase is the limitation on the use of current Capital Improvement Fund revenues largely capital asset acquisition or construction.

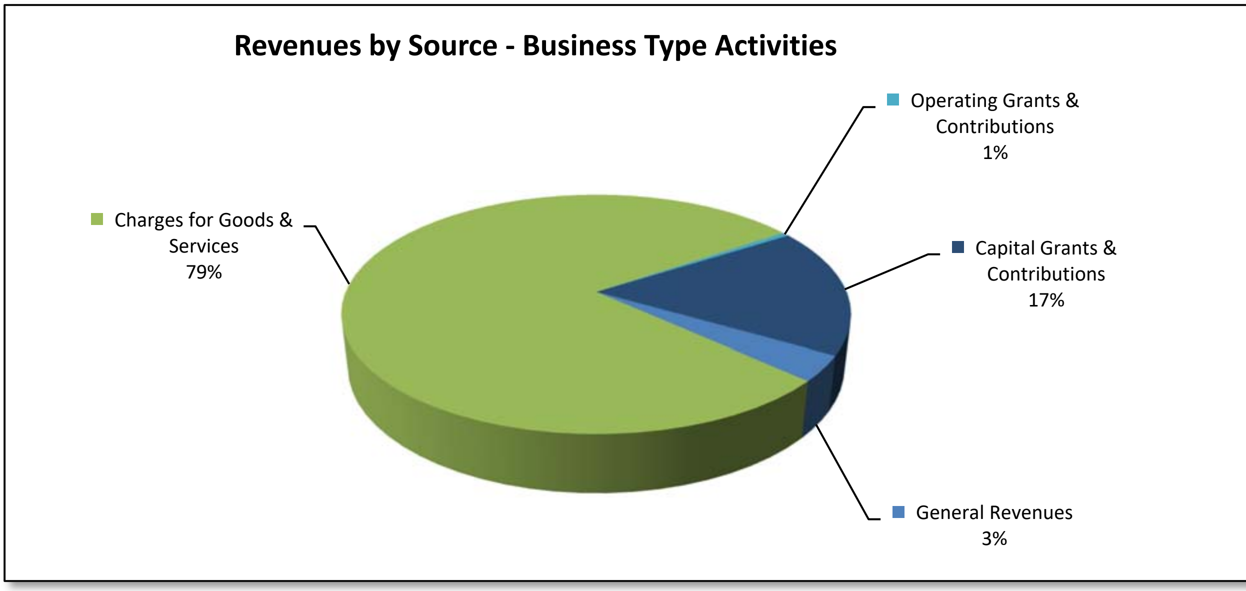
The following charts summarize the revenues and expenses associated with Governmental Activities:

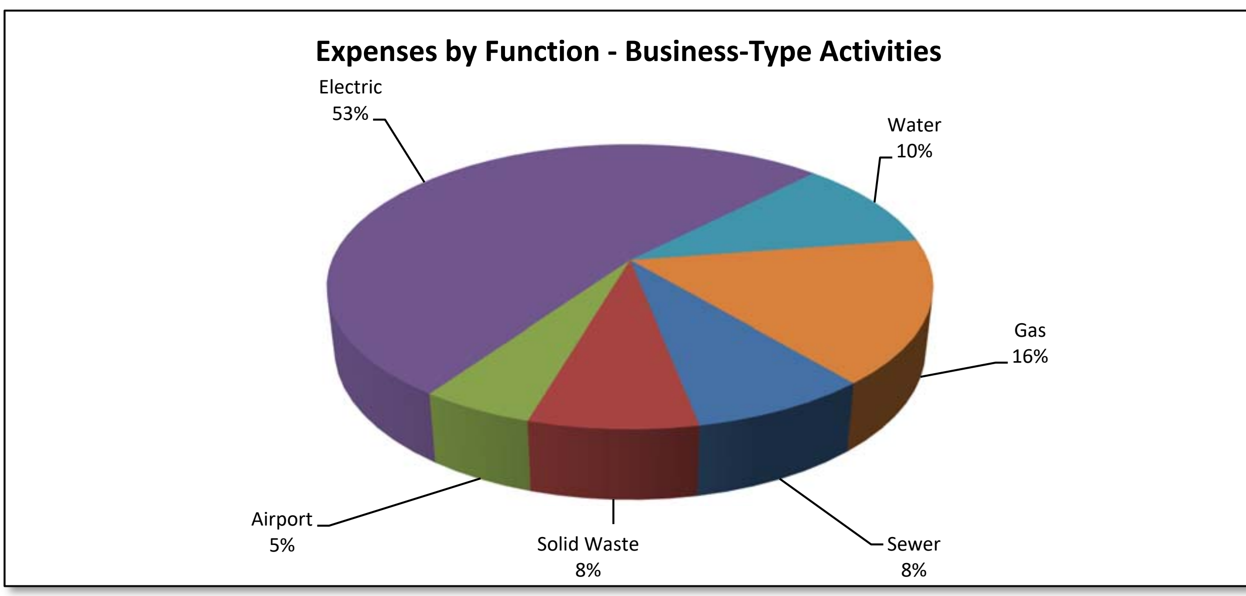




Business-Type Activities
Business-type activities increased the City's net position by $29.6 million, accounting for 80.3% of the total growth in the City's net position. Key reasons for this increase, as previously discussed, include the large operating income of the Sewer, Electric, Water and Gas Enterprise funds.

The following charts summarize the revenues and expenses associated with Business-Type Activities:





Financial Analysis of the City’s Funds

The City maintains its accounts in accordance with fund accounting principles in order to ensure compliance with finance-related legal requirements and to provide accountability for specific governmental activities. Certain funds are established by law, while others are established by management to account for particular operational and capital purposes.

Governmental Funds
Governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, the information presented reflects near-term inflows, outflows, and balances of spendable resources and is useful in assessing the City’s financing requirements and fiscal capacity. Unassigned fund balance serves as a significant measure of the resources available for discretionary spending at year-end.

On December 31, 2025, the City’s governmental funds reported combined fund balance of $45.8 million, representing an increase of $17,107 from the prior year. Of this total, approximately $21.0 million was assigned for specified purposes in accordance with management’s intended use of resources for operational and capital needs.

General Fund – The General Fund is the City’s primary operating fund and serves as a key measure of overall financial position and operating results. During 2025, fund balance decreased by $375,663, or 2.7%, from the prior year. The decrease was partially offset by sales tax revenues that exceeded budgetary estimates by $501,523, or 4.7%, while overall operating activity remained relatively stable. At year-end, unassigned fund balance totaled $13.1 million, or approximately 64.4% of 2025 General Fund operating revenues. In addition, approximately $0.4 million was classified as nonspendable, restricted, or assigned for future capital outlay and other specified purposes.

Park & Recreation Fund – In contrast to the General Fund’s relatively stable operating results, fund balance in the Park & Recreation Fund decreased by $600,238, or 24.7%, primarily as a result of recreation improvement projects carried forward from the prior year, together with additional projects authorized in the 2025 budget. The original budget contemplated the planned use of available fund balance to complete these improvements.

Capital Improvement Fund – Consistent with the City’s broader capital planning efforts, fund balance in the Capital Improvement Fund increased by $2,151,200, or 10.1%, due primarily to capital projects that remained in progress at year-end and will continue into the subsequent year. Sales tax revenues exceeded budgetary estimates by $501,523, consistent with General Fund performance. Capital Improvement Fund expenditures were also approximately $3.1 million below the 2025 budget, principally due to the timing of a major street improvement project.

Proprietary Funds
Whereas governmental funds emphasize near-term financing and budgetary compliance, the City’s proprietary funds provide insight into the long-term operating performance and financial position of business-type activities.

Sewer Fund – Net position increased by $15,061,150, or 21.3%, while operating income of $2,740,240 remained generally consistent with the prior year. Operating income represented approximately 37.8% of operating revenues. The increase in net position was attributable primarily to utility rate adjustments and capital contributions associated with the City’s multi-year wastewater treatment facility improvement project.

Electric, Gas, and Water Funds – In addition to the Sewer Fund, the City’s other major utility operations also reported positive results in 2025. Combined net position in the Electric, Gas, and Water Funds increased by $12,447,541, or 9.0%, consistent with the prior year. These enterprise operations continued to generate stable operating results supported by strong utility service revenues.

Airport Fund – Unlike the utility enterprise funds, the Airport Fund's operating model continues to depend on interfund support and grant activity. Net position increased by $413,308, or 0.7%, reflecting the closeout of significant federal grant activity related to capital projects completed during the year. The Airport Fund continues to require support from the General Fund and Capital Improvement Fund to sustain operations.

Overall, the City's major funds reflect stable core operations, continued investment in capital and infrastructure needs, and positive enterprise fund performance during 2025. Governmental funds continued to provide a sound level of financial flexibility, while proprietary funds reported growth in net position supported by operating results, rate adjustments, capital contributions, and grant activity. Collectively, these results indicate that the City remains well positioned to address ongoing service demands, capital improvement priorities, and long-term financial obligations.

General Budgetary Highlights

The final 2025 General Fund expenditure budget increased by $776,300, or 3.5%, from the original budget to accommodate modest cost increases across multiple functions, primarily for personnel and supplies. Actual General Fund expenditures were $1,379,863, or 6.0%, below the final budget, due in part to vacant positions during the year. In addition, Park & Recreation Fund charges for goods and services exceeded the final revenue budget by $481,785, or 24.0%, reflecting strong utilization of recreation programs and facilities.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025, totals $485,792,542 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress,buildings, improvements, machinery & equipment, park facilities, roads and other infrastructure assets.

Major capital asset events during 2025 included the following:

• City Hall Renovation & Addition - $6.0 million	• Solid Waste Compactor - $1.3 million
• Bike Trail Improv. - $1.7 million	• Ice Arena - $35.4 million
• Wastewater Treatment Facility Improv. (CIP) - $29.1 million	• Water Force Main Proj. - $2.0 million

In 2016 the City elected to apply the modified approach to accounting for infrastructure on water storage tanks. The current average tank assessment index of all water storage tanks is 9.4, which is higher than the established condition level of not less than 5. There were no significant changes in the condition levels of infrastructure assets or any significant differences between the estimated and actual amounts necessary to maintain and preserve the infrastructure assets.

Additional information on the City of Watertown's capital assets can be found in Note 3.H in the notes to the financial statements.

Long-term debt

On December 31, 2025, the City had $104,661,308 in outstanding Sales Tax Bonds and other long-term obligations, an increase of 7.8%, or $7,579,507, from the prior year. The increase resulted from additional debt issued for the wastewater improvement project and multiple drinking water improvement projects.

The City has outstanding $295,000 in Sales Tax Revenue Bonds, Series 2015, these bonds were the result of refinancing the 2006 Sales Tax Revenue Bond. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were used to construct the Regional Library.

The City has outstanding $14,225,000 in Sales Tax Revenue Bonds, Series 2020, these bonds were the result of refinancing the 2012, 2014, 2015B and 2015C Sales Tax Revenue Bond. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were used to construct the Wellness Center, Premier Softball Complex and other Community Improvements.

The City has outstanding $6,040,000 in Sales Tax Revenue Bonds, Series 2021. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were issued for the purchase and remodel of a new City Hall and 10th Ave. NE reconstruction.

The City has outstanding $17,055,000 in Sales Tax Revenue Bonds, Series 2022. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were issued for the construction of a new Ice Arena.

The City has outstanding $6,465,000 in Sales Tax Revenue Bonds, Series 2022B. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were issued for the construction of a new Street Facility.

The City has outstanding $9,560,000 in Sales Tax Revenue Bonds, Series 2022C. The bonds are secured with and paid from the Capital Improvement Fund sales tax revenue. The City does not anticipate the use of any property tax dollars to pay for these bonds. These bonds were issued for the construction of a new Ice Arena.

Additional information on the City of Watertown's long-term debt can be found in Note 3.I in the notes to the financial statements.

Economic Outlook and Next Year's Budget

The City adopted the 2025 budget in late 2024 based on expectations of continued economic stability. Sales tax revenues rose 5.6% in 2025 and exceeded original projections. The General Fund budget included planned use of $2.3 million of unassigned fund balance, while continued sales tax growth supported a conservative budgeting approach and financial flexibility amid potential economic headwinds.

Sales tax collections, including internet sales, remained stable. Given local and national economic uncertainty, the City will continue to monitor revenues closely and respond as needed to limit potential impacts on operations.

The 2026 budget reduces planned expenditures by $6.8 million, or 9.4%, from the original 2025 budget, primarily due to the completion of major capital projects in 2025 and more conservative project budgeting for 2026. The sales tax-supported General Fund budget increases by $0.5 million, or 2.2%. The City will continue to monitor revenues to support expenditures without relying on fund balance.

In 2025, the City's property tax base increased by $91.4 million from a beginning assessed value of $2.6 billion. The increase included $54.3 million in new property added to the tax rolls and $37.1 million from reappraisal activity, resulting in an estimated $220,513 increase in General Fund property tax revenue.

Requests for Information

This financial report is designed to provide a comprehensive look at the City of Watertown's financial picture for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, PO Box 910, City of Watertown, Watertown, SD 57201-0910, and (605) 882-6203.

Statement of Net Position

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Housing and Redevelopment Commission
ASSETS				
Pooled Cash and Investments	$ 42,569,546	$ 51,384,172	$ 93,953,718	$ -
Non-Pooled Cash and Investments	-	-	-	1,827,546
Receivables, net	8,298,138	9,701,074	17,999,212	838
Due from Other Sources	18,890	-	18,890	-
Due from Other Governments	330,155	365,179	695,334	-
Inventories	372,916	3,192,233	3,565,149	-
Deposits	-	12,073	12,073	-
Prepaid Expenses	167,722	404,752	572,474	25,569
Internal Balances	(2,270,477)	2,270,477	-	-
Net Pension Asset	47,856	26,419	74,275	616
Restricted Pooled Cash and Investments	4,269,144	11,402,637	15,671,781	-
Capital Assets:				
Land and Construction in Progress	25,313,135	44,999,922	70,313,057	291,433
Other Capital Assets, Net of Depreciation/Amortization	177,800,361	237,679,124	415,479,485	752,651
Total assets	256,917,386	361,438,062	618,355,448	2,898,653
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related Deferred Outflows	4,495,349	2,494,624	6,989,973	58,098
OPEB Related Deferred Outflows	559,567	558,620	1,118,187	-
Total Deferred Outflows of Resources	5,054,916	3,053,244	8,108,160	58,098
LIABILITIES				
Accounts Payable	1,299,404	10,492,801	11,792,205	28,733
Salaries Payable	-	175,577	175,577	-
Retainage Payable	20,285	1,663,286	1,683,571	-
Accrued Interest Payable	176,450	104,128	280,578	-
Other Accrued Expenses	-	-	-	24,294
Customer Deposits	-	797,282	797,282	20,815
Revenues Collected in Advance	-	590,588	590,588	-
Unearned Revenue	506,231	752,936	1,259,167	-
Long-term Liabilities:				
Due within one year	4,603,437	3,237,039	7,840,476	-
Due in more than one year	61,476,412	35,344,420	96,820,832	-
Total liabilities	68,082,219	53,158,057	121,240,276	73,842
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferred Inflows	2,549,977	1,411,065	3,961,042	32,789
Leases Deferred Inflows	3,428,224	1,458,629	4,886,853	-
OPEB Related Deferred Inflows	244,672	116,260	360,932	-
Total Deferred Inflows of Resources	6,222,873	2,985,954	9,208,827	32,789
NET POSITION				
Net Investment in Capital Assets	145,396,192	246,739,850	392,136,042	1,044,084
Restricted for Cemetery Perpetual Care:				
Expendable	6,024	-	6,024	-
Nonexpendable	50,000	-	50,000	-
Restricted for Culture & Recreation	2,094,875	-	2,094,875	-
Restricted for Debt Service	4,149,781	3,943,397	8,093,178	-
Restricted for Capital Projects	3,600,265	-	3,600,265	-
Restricted for Public Safety	932,060	-	932,060	-
Restricted for Operation & Maintenance	-	602,977	602,977	-
Restricted for Replacement & Depreciation	-	5,256,235	5,256,235	-
Restricted for SDRS Pension Purposes	47,856	26,419	74,275	616
Restricted for Housing Assistance Payments	-	-	-	606
Unrestricted	31,390,157	51,778,417	83,168,574	1,804,814
Total net position	$ 187,667,210	$ 308,347,295	$ 496,014,505	$ 2,850,120

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

Statement of Activities

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental Activities:				
General Government	$ 2,594,496	$ 191,644	$ -	$ -
Public Safety	11,936,041	2,715,587	541,925	-
Public Works	10,446,552	258,758	728,490	2,469,146
Health and Welfare	422,092	-	-	1,989,406
Culture and Recreation	13,794,739	4,859,897	441,057	852,561
Conservation and Development	2,309,541	373,065	-	-
Interest on Long-Term Debt	2,214,522	-	-	-
Total governmental activities	43,717,983	8,398,951	1,711,472	5,311,113
Business-Type Activities:				
Sewer	4,711,130	7,249,916	-	13,100,649
Solid Waste	4,441,123	6,682,941	-	-
Airport	2,974,056	1,196,440	-	428,031
Electric	30,729,765	34,794,579	-	-
Water	6,028,398	8,601,152	463,791	2,009,259
Gas	9,513,080	12,301,910	-	-
Total business-type activities	58,397,552	70,826,938	463,791	15,537,939
Total primary government	102,115,535	79,225,889	2,175,263	20,849,052
Component units:				
Watertown Housing and Redevelopment	1,661,121	468,421	1,177,735	209,455
Total Component Units	$ 1,661,121	$ 468,421	$ 1,177,735	$ 209,455

General revenues:
Taxes
Property Taxes
Sales and Use Taxes
Other Taxes
State Shared Revenues
Interest Earned
Other Miscellaneous
Sale of Capital Assets
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

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

Statement of Activities (continued)

Governmental Activities	Business-Type Activities	Total	Component Unit: Housing and Redevelopment Commission
Net (Expense) Revenue and Changes in Net Position — Primary Government			
$ (2,402,852)	$ -	$ (2,402,852)	$ -
(8,678,529)	-	(8,678,529)	-
(6,990,158)	-	(6,990,158)	-
1,567,314	-	1,567,314	-
(7,641,224)	-	(7,641,224)	-
(1,936,476)	-	(1,936,476)	-
(2,214,522)	-	(2,214,522)	-
(28,296,447)	-	(28,296,447)	-
-	15,639,435	15,639,435	-
-	2,241,818	2,241,818	-
-	(1,349,585)	(1,349,585)	-
-	4,064,814	4,064,814	-
-	5,045,804	5,045,804	-
-	2,788,830	2,788,830	-
-	28,431,116	28,431,116	-
(28,296,447)	28,431,116	134,669	-
			194,490
			$ 194,490
6,126,369	-	6,126,369	-
24,010,688	-	24,010,688	-
237,606	23,863	261,469	-
210,457	-	210,457	-
2,003,327	2,537,441	4,540,768	9,988
816,118	-	816,118	-
756,208	(4,560)	751,648	-
1,406,570	(1,406,570)	-	-
35,567,343	1,150,174	36,717,517	9,988
7,270,896	29,581,290	36,852,186	204,478
180,396,314	278,766,005	459,162,319	2,645,642
$ 187,667,210	$ 308,347,295	$ 496,014,505	$ 2,850,120

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

Balance Sheet - Governmental Funds

	General Fund	Park & Recreation Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Pooled Cash and Investments	$ 11,736,384	$ 1,857,262	$ 19,313,137	$ 9,662,763	$ 42,569,546
Property Taxes Receivable	47,539	-	-	108,342	155,881
Sales Tax Receivable	1,348,803	-	1,348,803	130,143	2,827,749
Accounts Receivable	1,561,085	48,582	89,862	176,956	1,876,485
Special Assessments Receivable	379,689	-	237,939	-	617,628
Loans Receivable	-	-	-	1,795,455	1,795,455
Leases Receivable	43,236	261,608	720,096	-	1,024,940
Due From Other Governments	147,764	-	160,000	22,391	330,155
Due From Other Sources	18,890	-	-	-	18,890
Inventories	293,103	79,813	-	-	372,916
Prepaid Item	-	-	167,722	-	167,722
Advance To Other Fund	-	-	2,208,685	-	2,208,685
Restricted Assets:					
Pooled Cash and Investments	116,305	-	4,149,781	3,058	4,269,144
Total assets	$ 15,692,798	$ 2,247,265	$ 28,396,025	$ 11,899,108	$ 58,235,196
LIABILITIES					
Accounts Payable	$ 640,586	$ 160,400	$ 371,938	$ 126,480	$ 1,299,404
Retainage Payable	-	-	20,285	-	20,285
Advance From Other Fund	-	-	-	4,479,161	4,479,161
Total liabilities	640,586	160,400	392,223	4,605,641	5,798,850
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	1,496,534	260,002	4,650,920	216,017	6,623,473
Total Deferred Inflows of Resources	1,496,534	260,002	4,650,920	216,017	6,623,473
FUND BALANCES					
Nonspendable for:					
Inventory	293,103	79,813	-	-	372,916
Cemetery Perpetual Care	50,000	-	-	-	50,000
Prepaid Item	-	-	167,722	-	167,722
Restricted for:					
Debt Service	-	-	4,149,781	-	4,149,781
Capital Projects	-	-	-	6,910,594	6,910,594
BBB Sales Tax	-	-	-	1,508,461	1,508,461
Event Center	-	-	-	3,058	3,058
E-911 Services	-	-	-	932,060	932,060
Library	-	-	-	236,582	236,582
Cable TV Security	18,142	-	-	-	18,142
Cemetery Perpetual Care	6,024	-	-	-	6,024
Assigned for:					
Park Development	-	118,847	-	-	118,847
Golf Course	-	9,415	-	-	9,415
Zoo Improvements	-	2,647	-	-	2,647
Ice Arena	-	500,000	4,015,701	-	4,515,701
Advances	-	-	2,208,685	-	2,208,685
Other Purposes	42,139	1,116,141	12,810,993	168,292	14,137,565
Unassigned:	13,146,270	-	-	(2,681,597)	10,464,673
Total fund balances	13,555,678	1,826,863	23,352,882	7,077,450	45,812,873
Total liabilities, deferred inflows of resources and fund balances	$ 15,692,798	$ 2,247,265	$ 28,396,025	$ 11,899,108	$ 58,235,196

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

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Fund balances of governmental funds		$	45,812,873
Amounts reported for *governmental activities* in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital Assets	$ 269,456,023		
Accumulated Depreciation	(66,342,527)		203,113,496
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The costs associated with issuance of long-term debt are reported as assets in the government-wide financial statements for future interest payments and amortized as an adjustment to interest expense in the statement of activities over the life of the debt.			
2015 Revenue Bonds - Refunding	(295,000)		
2020 Revenue Bonds - Refunding	(14,225,000)		
2021 Revenue Bonds	(6,040,000)		
2022 Revenue Bonds	(17,055,000)		
2022 Revenue Bonds - 2022B	(6,465,000)		
2023 Revenue Bonds - 2022C	(9,560,000)		
2021 Tax Increment Bonds - TIF #11	(1,705,409)		
SRF Loan #6 - CW	(242,868)		
SRF Loan #6 - NPS	(18,864)		
SRF Loan #8 - CW	(102,121)		
SRF Loan #8 - NPS	(11,427)		
SRF Loan #10 - CW	(904,811)		
SRF Loan #11 - CW	(75,457)		
Direct Financing Leases	(1,178,223)		
Unamortized Premiums on Bonds	(3,148,453)		
Accrued Interest Payable	(176,450)		
Other Post Employment Benefits	(1,544,798)		
Compensated Absences	(3,507,418)		(66,256,299)
Net Pension Asset reported in governmental actitivities is not an available financial resourse and therefore is not reported in the funds.			47,856
Pension related deferred outflows are components of pension asset and therefore not reported in the funds.			4,495,349
Pension related deferred inflows are components of pension asset and therefore not reported in the funds.			(2,549,977)
Net OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds.			314,895
Assets such as interest receivable, sales tax and special assessments receivables are not available to pay for current expenditures and therefore are deferred in the funds.			
Special Assessments	111,396		
E-911 Surcharges	107,256		
Grants	164,989		
Contributions	60,000		
General Sales and Use Tax	2,245,376		2,689,017
Net Position of govermental activities		$	187,667,210

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

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

	General Fund	Park & Recreation Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Tax Revenue					
Property	$ 4,477,828	$ -	$ -	$ 1,648,541	$ 6,126,369
Sales	11,272,523	-	11,272,523	1,339,147	23,884,193
Other Taxes	254,434	-	-	-	254,434
Licenses and Permits	535,411	-	-	-	535,411
Intergovernmental	1,214,024	-	859,547	-	2,073,571
Charges for Goods and Services	1,868,152	2,487,085	-	2,654,371	7,009,608
Fines and Forfeits	38,776	-	-	12,641	51,417
Interest Revenue	420,043	109,697	1,156,677	316,909	2,003,326
Rentals	1,914	746,986	-	67,105	816,005
Special Assessments	30,991	-	1,559	-	32,550
Donations/Contributions	44,134	54,900	1,196,683	226,851	1,522,568
Miscellaneous	260,232	52,596	475,288	28,002	816,118
Total revenues	20,418,462	3,451,264	14,962,277	6,293,567	45,125,570
EXPENDITURES					
Current:					
General Government	4,639,400	-	-	122,362	4,761,762
Public Safety	10,790,261	-	656,319	1,336,480	12,783,060
Public Works	3,697,329	-	3,217,906	2,292,383	9,207,618
Health and Welfare	424,192	-	-	-	424,192
Culture and Recreation	1,564,127	6,698,552	3,102,315	1,792,449	13,157,443
Conservation and Development	554,768	-	68,569	1,518,337	2,141,674
Debt Service	-	-	5,458,050	344,583	5,802,633
Total expenditures	21,670,077	6,698,552	12,503,159	7,406,594	48,278,382
Excess of revenues over (under) expenditures	(1,251,615)	(3,247,288)	2,459,118	(1,113,027)	(3,152,812)
OTHER FINANCING SOURCES (USES)					
Sale of Municipal Property	840,937	210,050	-	-	1,050,987
Direct Financing Lease Proceeds	-	-	712,362	-	712,362
Transfers In	3,179,716	2,437,000	-	1,765,695	7,382,411
Transfers Out	(3,144,701)	-	(1,020,280)	(1,810,860)	(5,975,841)
Total other financing sources (uses)	875,952	2,647,050	(307,918)	(45,165)	3,169,919
Net Change in Fund Balances	(375,663)	(600,238)	2,151,200	(1,158,192)	17,107
Fund balances - beginning	13,931,341	2,427,101	21,201,682	8,235,642	45,795,766
Fund balances - ending	$ 13,555,678	$ 1,826,863	$ 23,352,882	$ 7,077,450	$ 45,812,873

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net change in fund balances --total governmental funds		$ 17,107
Amounts reported for *governmental activities* in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures, however, in Statement of Activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.		
Expenditure for Capital Assets	$ 9,586,970	
Less Current Depreciation	(5,565,862)	4,021,108
In the statement of activities, the gain and loss on disposal of assets and transfer of assets are reported, whereas in the governmental funds, the disposal of capital assets and transfer of assets are not reflected.		(407,617)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Changes in unavailable revenue:		
Special Assesments	18,348	
Sales Taxes	126,495	
Franchise Fees	(16,828)	
E-911 Surcharges	(64,388)	
Contributions	(82,750)	
Grants	163,785	144,662
The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Amortized Premium on Bonds	201,277	
Repayment of Bond Principal	3,376,545	
Direct Financing Leases	(712,362)	
		2,865,460
Governmental funds do not reflect the change in compensated absences, but the statement of activities reflects the change in accrued leave through expenditures.		(257,531)
Governmental funds do not reflect the change in Other Post Employment Benefits (OPEB), but the statement of activities reflects the change in OPEB through expenditures.		(132,209)
Changes in the pension related deferred outflows/inflows are direct components of pension liability(asset) and are not reflected in the governmental funds.		1,009,625
Expenses in the Statement of Activities that do not require current financial resources and are not reported in the fund financial statements:		
Change in Accrued Interest Payable		10,291
Change in net position of governmental activities		$ 7,270,896

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

Statement of Net Position - Proprietary Funds

	Sewer Fund	Electric Fund	Water Fund
ASSETS			
Current assets:			
Pooled Cash and Cash Equivalents	$ 2,657,382	$ 23,309,918	$ 7,622,807
Accounts Receivable	570,722	2,677,609	581,677
Unbilled Accounts Receivable	-	874,201	226,966
Other Receivable	-	-	88,325
Leases Receivable	5,702	-	258,828
Due From Other Funds	59,327	2,000,000	-
Due From Other Governments	-	-	-
Advance To Other Fund	2,270,477	-	-
Inventory	329,962	1,872,402	683,926
Deposit for Flexible Spending	-	12,073	-
Prepaid Expense	-	164,920	111,661
Net Pension Asset	2,958	8,939	4,452
Restricted Cash and Cash Equivalents	6,338,178	-	3,733,733
Total Current assets:	12,234,708	30,920,062	13,312,375
Noncurrent assets:			
Land	1,737,749	464,914	512,669
Buildings and Structures	44,160,907	7,012,289	23,280,340
Furniture Equipment Machinery	2,221,024	3,752,158	1,264,292
Improvements Other Than Buildings	61,493,652	69,225,932	48,182,417
Intangible Property	-	160,763	201,360
Construction in Progress	38,459,997	463,920	2,013,219
Accumulated Depreciation	(42,181,194)	(37,386,219)	(27,530,144)
Accumulated Amortization	-	(136,524)	(96,101)
Total Noncurrent assets:	105,892,135	43,557,233	47,828,052
Total assets	118,126,843	74,477,295	61,140,427
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	281,289	845,390	416,826
OPEB Related Deferred Outflows	41,482	206,041	103,939
Total Deferred Outflows of Resources	322,771	1,051,431	520,765
LIABILITIES			
Current liabilities:			
Accounts Payable	4,791,031	3,679,678	261,123
Salaries Payable	-	79,364	45,378
Retainage Payable	1,580,997	-	82,289
Revenues Collected in Advance	-	263,423	64,851
Due to Other Funds	-	95,281	8,200,000
Loans Payable	932,083	-	1,563,810
Accrued Interest Payable	67,459	-	31,197
Compensated Absences	72,236	208,272	100,874
OPEB Liability	4,937	9,042	5,123
Unearned Revenue	-	483,633	269,303
Customer Deposits	-	797,282	-
Total Current liabilities:	7,448,743	5,615,975	10,623,948
Noncurrent liabilities:			
Compensated Absences	216,707	624,815	302,623
Net OPEB Liability	110,804	46,316	26,850
Closure/Post Closure Liability	-	-	-
Loans Payable	24,835,528	-	5,657,200
Total Noncurrent liabilities:	25,163,039	671,131	5,986,673
Total liabilities	32,611,782	6,287,106	16,610,621
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows	159,144	474,784	238,662
Leases Deferred Inflows	6,993	-	248,026
OPEB Related Deferred Inflows	18,239	31,442	16,435
Total Deferred Inflows of Resources	184,376	506,226	503,123
NET POSITION			
Net Investment in Capital Assets	78,543,527	43,557,233	40,524,753
Restricted for SDRS Pension Purposes	2,958	8,939	4,452
Restricted for SRF O&M	281,511	-	321,466
Restricted for SRF R&D	5,256,235	-	-
Restricted for Debt Service	800,433	-	3,142,964
Unrestricted	768,792	25,169,222	553,813
Total net position	$ 85,653,456	$ 68,735,394	$ 44,547,448

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

Statement of Net Position - Proprietary Funds (continued)

Gas Fund	Airport Fund	Other Proprietary Funds	Total Proprietary Funds
$ 14,744,550	$ 1,483,982	$ 1,565,533	$ 51,384,172
1,822,525	118,811	488,663	6,260,007
720,137	-	-	1,821,304
-	-	-	88,325
-	1,266,908	-	1,531,438
6,200,000	-	35,954	8,295,281
-	365,179	-	365,179
-	-	-	2,270,477
258,878	4,080	42,985	3,192,233
-	-	-	12,073
128,171	-	-	404,752
5,769	1,262	3,039	26,419
-	-	1,330,726	11,402,637
23,880,030	3,240,222	3,466,900	87,054,297
69,276	248,400	685,743	3,718,751
1,641,183	20,797,378	993,472	97,885,569
1,779,580	6,359,099	9,134,972	24,511,125
23,362,005	45,887,509	9,175,473	257,326,988
3,996,286	-	-	4,358,409
59,261	284,774	-	41,281,171
(13,925,365)	(17,474,351)	(6,698,806)	(145,196,079)
(974,263)	-	-	(1,206,888)
16,007,963	56,102,809	13,290,854	282,679,046
39,887,993	59,343,031	16,757,754	369,733,343
542,545	122,996	285,578	2,494,624
139,440	20,483	47,235	558,620
681,985	143,479	332,813	3,053,244
1,482,640	92,532	185,797	10,492,801
50,835	-	-	175,577
-	-	-	1,663,286
262,314	-	-	590,588
-	-	-	8,295,281
-	-	69,908	2,565,801
-	-	5,472	104,128
180,077	23,214	53,855	638,528
5,894	2,160	5,554	32,710
-	-	-	752,936
-	-	-	797,282
1,981,760	117,906	320,586	26,108,918
540,230	69,640	161,565	1,915,580
29,802	48,153	126,080	388,005
-	-	1,330,726	1,330,726
-	-	1,217,381	31,710,109
570,032	117,793	2,835,752	35,344,420
2,551,792	235,699	3,156,338	61,453,338
306,693	69,460	162,322	1,411,065
-	1,203,610	-	1,458,629
21,321	8,135	20,688	116,260
328,014	1,281,205	183,010	2,985,954
16,007,963	56,102,809	12,003,565	246,739,850
5,769	1,262	3,039	26,419
	-	-	602,977
-	-	-	5,256,235
-	-	-	3,943,397
21,676,440	1,865,535	1,744,615	51,778,417
$ 37,690,172	$ 57,969,606	$ 13,751,219	$ 308,347,295

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

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds

	Sewer Fund	Electric Fund	Water Fund
OPERATING REVENUES			
Charges for Goods and Services	$ 3,867,623	$ 33,727,513	$ 5,051,988
Miscellaneous	20,538	140,316	301,220
Revenues from Transmission of Electricty	-	868,155	-
Rentals	-	58,595	488,979
Revenue Dedicated to Servicing Debt	3,361,755	-	2,758,965
Total operating revenues	7,249,916	34,794,579	8,601,152
OPERATING EXPENSES			
Personnel Services	1,493,955	-	-
Supplies	170,981	-	-
Utilities	341,748	-	-
Other Charges	524,983	-	-
Production	-	20,823,680	2,320,789
Distribution	-	2,998,613	1,530,103
Transmission	-	3,432,688	-
Accounts and Commercial	-	926,834	161,976
Administrative and General	-	911,438	363,355
Administrative and General - Employer Pension	-	(202,434)	(100,056)
Other Miscellaneous Expense	-	42,323	75,169
Depreciation	1,978,009	1,793,655	1,565,411
Amortization	-	2,968	13,582
Total operating expenses	4,509,676	30,729,765	5,930,329
Operating Income (Loss)	2,740,240	4,064,814	2,670,823
NONOPERATING REVENUES (EXPENSES)			
Tax Revenue	-	-	-
Intergovernmental	-	-	463,791
Interest Revenue	388,915	993,441	443,708
Interest Expense	(201,454)	-	(98,069)
Gain(Loss) on Disposition of Capital Assets	-	7,735	(12,295)
Total nonoperating revenues (expenses)	187,461	1,001,176	797,135
Income (loss) before contributions and transfers	2,927,701	5,065,990	3,467,958
Transfers In	-	-	-
Transfers Out	(967,200)	(1,117,050)	-
Capital Contributions	13,100,649	-	2,009,259
Change in net position	15,061,150	3,948,940	5,477,217
Total net position -- beginning	70,592,306	64,786,454	39,070,231
Total net position -- ending	$ 85,653,456	$ 68,735,394	$ 44,547,448

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

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds (continued)

Gas Fund	Airport Fund	Other Proprietary Funds	Total Proprietary Funds
$ 12,204,602	$ 158,382	$ 6,130,053	$ 61,140,161
89,189	503,655	552,888	1,607,806
-	-	-	868,155
8,119	534,403	-	1,090,096
-	-	-	6,120,720
12,301,910	1,196,440	6,682,941	70,826,938
-	580,819	1,374,678	3,449,452
-	114,536	281,530	567,047
-	138,944	34,823	515,515
-	567,892	1,377,821	2,470,696
5,726,737	-	-	28,871,206
2,026,304	-	-	6,555,020
-	-	-	3,432,688
599,740	-	-	1,688,550
623,389	-	-	1,898,182
(129,786)	-	-	(432,276)
54,636	-	-	172,128
494,718	1,571,865	1,345,783	8,749,441
117,342	-	-	133,892
9,513,080	2,974,056	4,414,635	58,071,541
2,788,830	(1,777,616)	2,268,306	12,755,397
-	23,863	-	23,863
-	-	-	463,791
604,904	-	106,473	2,537,441
-	-	(26,488)	(326,011)
-	-	-	(4,560)
604,904	23,863	79,985	2,694,524
3,393,734	(1,753,753)	2,348,291	15,449,921
-	1,739,030	-	1,739,030
(372,350)	-	(689,000)	(3,145,600)
-	428,031	-	15,537,939
3,021,384	413,308	1,659,291	29,581,290
34,668,788	57,556,298	12,091,928	278,766,005
$ 37,690,172	$ 57,969,606	$ 13,751,219	$ 308,347,295

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

Statement of Cash Flows - Proprietary Funds

	Sewer Fund	Electric Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Customer Including Deposits	$ 7,065,016	$ 32,117,557
Cash Receipts for Interfund Services Provided	44,312	1,733,056
Cash Receipts for Lease Payments	1,291	-
Payments to Suppliers	2,394,321	(23,862,308)
Payments to Employees	(1,520,570)	(4,229,668)
Payments for Interfund Services Used	(331,265)	(45,612)
Other Operating Cash Receipts	20,538	770,046
Net cash provided (used) by operating activities	7,673,643	6,483,071
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments on Interfund Loans	-	-
Tax Revenue	-	-
Intergovernmental Revenue	12,331,285	-
Transfers Out	(967,200)	(1,117,050)
Transfers In	-	-
Net cash provided (used) by noncapital financing activities	11,364,085	(1,117,050)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(27,824,975)	(5,197,634)
Interest payments on Long-Term Debt	(179,985)	-
Unamortized Premiums on Bonds Issued	(12,314)	-
Proceeds from SRF Loan	11,392,048	-
Principal payments on SRF Loan	(945,310)	-
Capital Contribution	-	-
Retirement Work in Progress	-	(100,021)
Proceeds from sales of capital assets	-	17,200
Proceeds from legal settlement	-	-
Net cash provided (used) by capital and related financing activities	(17,570,536)	(5,280,455)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	237,875	993,441
Net cash provided by investing activities	237,875	993,441
Net increase (decrease) in cash and cash equivalents	1,705,067	1,079,007
Pooled Cash and Cash Equivalents - beginning of year	7,290,493	22,230,911
Pooled Cash and Cash Equivalents - end of year	$ 8,995,560	$ 23,309,918
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 2,740,240	$ 4,064,814
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	1,978,009	1,796,623
Changes in assets and Liabilities:		
Accounts Payable - Other	-	17,443
Accounts Payable	3,106,352	960,935
Customer Receivables	(60,723)	(93,254)
Lease Receivables	(5,702)	-
Net Pension Asset	(1,675)	(4,633)
Deferred Outflows Related to Pensions	(56,613)	(130,369)
Deferred Outflows Related to OPEB	7,629	52,458
Inventories	(5,584)	(87,521)
Other Operating Receivables	(59,327)	3,709
Other Post Employment Benefits	2,723	(4,989)
Deferred Inflows Related to Pensions	(2,074)	(67,432)
Deferred Inflows Related to OPEB	(113)	(5,517)
Deferred Inflows Related to Leases	6,993	-
Closure/Post closure costs	-	-
Unearned Revenue	-	(101,817)
Salaries & Benefits Payable	23,508	82,621
Net Cash provided (used) by operating activities	$ 7,673,643	$ 6,483,071
Noncash Investing, Capital, and Financing Activities:		
Capital Assets Purchases in Retainage Payable	$ 1,580,997	$ -
Contributions of Capital Assets	$ 1,422,378	$ -

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

Statement of Cash Flows - Proprietary Funds (continued)

Water Fund	Gas Fund	Airport Fund	Other Proprietary Funds	Total Proprietary Funds
$ 7,566,537	$ 11,857,115	$ 633,664	$ 5,973,475	$ 65,213,364
877,004	405,555	-	-	3,059,927
(10,801)	-	(63,298)	-	(72,808)
(1,924,224)	(6,003,521)	(1,468,611)	(1,612,914)	(32,477,257)
(2,113,174)	(2,792,877)	(592,616)	(1,461,855)	(12,710,760)
(515,824)	(22,160)	-	-	(914,861)
-	-	503,655	552,888	1,847,127
3,879,518	3,444,112	(987,206)	3,451,594	23,944,732
	-	(3,323,859)	-	(3,323,859)
-	-	23,863	-	23,863
324,630	-	-	-	12,655,915
-	(372,350)	-	(689,000)	(3,145,600)
-	-	1,739,030	-	1,739,030
324,630	(372,350)	(1,560,966)	(689,000)	7,949,349
(4,716,618)	(1,295,026)	(264,991)	(2,634,920)	(41,934,164)
(101,248)	-	-	(26,746)	(307,979)
(24,848)	-	-	-	(37,162)
1,162,372	-	-	-	12,554,420
(1,399,573)	-	-	(76,668)	(2,421,551)
1,796,981	-	4,297,145	-	6,094,126
-	-	-	-	(100,021)
13,200	-	-	-	30,400
945,373	-	-	-	945,373
(2,324,361)	(1,295,026)	4,032,154	(2,738,334)	(25,176,558)
443,708	604,904	-	106,473	2,386,401
443,708	604,904	-	106,473	2,386,401
2,323,495	2,381,640	1,483,982	130,733	9,103,924
9,033,045	12,362,910	-	2,765,526	53,682,885
$ 11,356,540	$ 14,744,550	$ 1,483,982	$ 2,896,259	$ 62,786,809
$ 2,670,823	$ 2,788,830	$ (1,777,616)	$ 2,268,306	$ 12,755,397
1,578,993	612,060	1,571,865	1,345,783	8,883,333
-	-	78	730	18,251
(261,678)	135,627	(685,687)	59,932	3,315,481
(151,261)	(39,240)	(59,121)	(120,623)	(524,222)
(258,828)	-	(1,266,908)	-	(1,531,438)
(2,331)	(3,045)	(644)	(1,653)	(13,981)
(66,073)	(90,809)	(15,045)	(44,610)	(403,519)
30,309	33,806	3,457	8,617	136,276
143,613	61,675	38,370	(9,283)	141,270
(6,351)	-	-	(35,954)	(97,923)
(2,882)	(3,215)	1,191	3,063	(4,109)
(31,653)	(35,931)	(12,596)	(11,837)	(161,523)
(3,188)	(3,555)	(50)	(127)	(12,550)
248,026	-	1,203,610	-	1,458,629
-	-	-	29,880	29,880
-	-	-	-	(101,817)
(8,001)	(12,091)	11,890	(40,630)	57,297
$ 3,879,518	$ 3,444,112	$ (987,206)	$ 3,451,594	$ 23,944,732
$ -	$ -	$ -	$ -	$ 1,580,997
$ 1,333,190	$ -	$ -	$ -	$ 2,755,568

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

NOTE 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Watertown is a municipal corporation governed by an elected six-member City Council. An elected mayor presides at the Council meetings and is a voting member. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable or for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is separate from the City.

Discretely Presented Component Unit: The Housing and Redevelopment Commission of the City of Watertown, South Dakota, is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the City Council, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other employees. The City Council, though, retains statutory authority to approve, deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the City Council the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from the entity's administrative office at 24 W. Kemp Ave, Watertown, South Dakota 57201.

B. Basis of Presentation

The financial statements of the City of Watertown have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting. The City follows and implements all applicable GASB standards.

As of January 1, 2025, the City adopted GASB Statement No. 102, *Certain Risk Disclosures,* which requires management to evaluate whether there are risks related to a governments vulnerabilities due to certain concentrations or constraints that require disclosure. There was no significant impact to the City's financial statements with the implementation of this standard.

The first statement issued but not yet implemented that will affect the City is GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing useful information that is essential for decision making and assessing a government's accountability. This statement will be implemented in the fiscal year ending December 31, 2026.

The second statement issued but not yet implemented that will affect the City is GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement will be implemented in the fiscal year ending December 31, 2026.

The third statement issued but not yet implemented that will affect the City is GASB Statement No. 105, *Subsequent Events*. This statement defines subsequent events as transactions or other events that occur after the date of financial statements but before the date the financial statements are available to be issued. The objective of this statement is to improve the financial reporting requirements for subsequent events , thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This statement will be implemented for fiscal years beginning after June 15, 2026.

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.A., above, and may be classified as either governmental or business-type activities.

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

Fund Financial Statements

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

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

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

Governmental Funds:

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

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

The City reports the following major governmental funds:

The *General Fund* is the government's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenue sources include taxes, licenses and permits, intergovernmental revenue, charges for goods and services, fines and forfeits, and miscellaneous revenue. In addition to general government, primary expenditures include public safety, public works, health and welfare, culture and recreation and conservation and development.

The *Parks & Recreation Fund* accounts for the operations and maintenance of the City owned park and recreation facilities and activities except for the Prairie Lakes Wellness Center.

The *Capital Improvement Fund* is a special revenue fund that accounts for the capital improvement projects and debt service funded by the second penny City sales tax.

Other Governmental Funds is a summarization of all of the non-major governmental funds. These include additional special revenue funds, debt service fund and capital projects funds.

Proprietary Funds:

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

The City reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of the government's sanitary sewer collection and treatment operations and storm water management system.

The *Electric Fund* accounts for the activities of the government's electric distribution operations.

The *Water Fund* accounts for the activities of the government's water distribution operations.

The *Gas Fund* accounts for the activities of the government's natural gas distribution operations.

The *Airport Fund* accounts for the activities of the government's airport operations.

Other Proprietary Funds is a summarization of all of the non-major proprietary funds. This includes the Solid Waste Fund.

C. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded, regardless of the measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues and expenditures are recorded when they occur regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 government considers revenues other than sales tax to be available if they are collected within 30 days of the end of the current fiscal period. The availability period for sales tax revenue recognition is 15 days. Sales tax collections received by the City within 15 days of year-end that are derived from underlying transactions that occurred during the reporting period are accrued and recognized as revenue. 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.

Property taxes that have become due and payable, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of the special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then, unrestricted resources as they are needed. Resources restricted to a greater degree are utilized before resources having lesser restrictions.

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

D. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified in order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which, if any, are presented as Internal Balances. However, the interfund services provided and used are not eliminated in the process of consolidation.

Fund Financial Statements

Noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by an assigned fund balance account. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

E. Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e. roads, alleys, sewer lines and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost ranging from $5,000 to $50,000, depending on the type of asset and an estimated useful life of one year or longer.

All land and land rights are considered capital assets regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with accounting principles generally accepted in the United States of America. For capital assets used in business-type activities/proprietary fund's operations, construction period interest is not capitalized in accordance with accounting principles generally accepted in the United States of America.

The City has elected to apply the modified approach to accounting for infrastructure – water storage tanks. The modified approach is an alternative to depreciation that may be applied to infrastructure capital assets that meet certain requirements. Under the modified approach, depreciation expense is not recorded for these assets. Instead, costs for both maintenance and preservation of these assets should be expensed in the period incurred. Additions and improvements are capitalized.

Depreciation/amortization of all exhaustible capital assets is charged as an allocated expense against operations in the government-wide financial statements and in the proprietary fund financial statements. Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings and Structures	25-50
Furniture and Equipment	10
Machinery and Automotive	5-10
Other Capital Assets	20-50

Governmental activities capital assets and related depreciation expenses are only reported in the Governmental Activities columns on the government-wide financial statements. Because their measurement focus is on "current financial resources," capital assets and related depreciation expenses are not recorded in the governmental fund financial statements. In the governmental fund financial statements, capital asset acquisitions are reported as expenditures in the appropriate function.

F. Program Revenues:

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

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

G. Proprietary Funds Revenue and Expense Classifications:

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

H. Assets, Liabilities, and Net Position or Fund Balances

Cash and Cash Equivalents: Cash and cash equivalents include currency on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are included as part of the Pooled Cash and Investments.

The City pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Also, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows. A pooled cash & investments account is maintained for all City funds. Interest earnings are allocated to those funds that have an average positive balance in their cash account pursuant to the City's formal investment policy.

Receivables and Payables: Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. current interfund loans) or "advances to/from other funds" (i.e. non-current interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Restricted Assets and Restricted Net Position: Assets and net position whose use is restricted for construction, debt service, or the payment of specific claims and benefits have been classified as restricted assets and restricted net position as their use is limited by bond covenant or other externally imposed requirements.

Inventories and Prepaid Items: Inventories of supplies for all funds, except the Electric, Water, and Gas, are recorded at cost using the first-in, first-out (FIFO) method. Inventories of supplies for the Electric, Water, and Gas are recorded at cost using the average cost method. The cost of inventory is recognized as an expense in the governmental fund financial statements as well as in the business-type fund and government-wide financial statements when used (consumption method). The inventories reported in the governmental fund financial statements are off-set by a nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of current assets.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City uses the consumption method to record changes in prepaid items, a prepaid asset is reported in the period it is purchased and recognition of expenditure is deferred until it is consumed.

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

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

Unavailable Revenue: As sources of revenue become measurable, even though not currently available, they are generally recorded as receivable and unavailable revenue in governmental funds. When the sources of revenue become available for use, they are recognized as revenue.

Long-Term Obligations: In the government-wide financial statements and proprietary 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.

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 while premiums and discounts on debt issuances are reported as other financing sources (uses). Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Direct borrowing payables represent the City's obligation to make installment payments arising from the agreement. Direct borrowing payables are recognized at the agreement commencement date based on the present value of future payments expected to be made during the contract term.

Net Position/Fund Balance Classifications:
Government-wide Statements: Net position is displayed in three components.

1. Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation/amortization (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net positions with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements: Fund balance is displayed in five components based on the spending constraints placed on them.

The following classifications describe the spending constraints:
1. Nonspendable Fund Balance – amounts that cannot be spent because they are either (a) not in spendable form (such as inventory) or (b) legally or contractually required to be maintained intact.
2. Restricted Fund Balance – amounts restricted that are either (a) externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

3. Committed Fund Balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (ordinance) of the entity's governing board.
4. Assigned Fund Balance – amounts that are constrained by the government's "intent" to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the City Council, Parks, Recreation & Forestry Board, Library Board or Urban Renewal Board which has been granted delegated authority by either the governing body or State statute.
5. Unassigned Fund Balance – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

Net Position/Fund Balances: It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. The City will first use restricted fund balance, committed fund balance will be considered next and assigned fund balance third when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

Leases: The City is also a lessor for noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide, governmental and proprietary fund financial statements. At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Other Post-Employment Benefits (OPEB): The City provides post-employment health insurance benefits. Benefits are provided until the retiree reaches the age of 65. The benefit plan provides access to health benefits, and the majority of the premium payment is the responsibility of the retiree. An actuarially determined other post-employment benefit obligation liability and deferred inflows/outflows of resources related to post-employment benefits has been recorded to account for the implicit subsidy provided under the benefit plan.

Compensated Absences: It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. The accumulation of unused vacation and comp time is limited based upon employee classification and union contracts. Upon separation, the City will reimburse the employee for accumulated vacation and comp time not to exceed established maximums. The amount of unused sick leave accumulation is not limited. Upon retirement, or upon separation in good standing for employees not represented by a bargaining unit, the City reimburses eligible employees a portion of unused sick leave. All compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. As a result of GASB Statement 101, *Compensated Absences*, the full accrual statements including the government-wide and proprietary funds will include both those anticipated to be used in future years as well as those estimated to be paid out at the time of separation.

Accounting Estimates: The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. Stewardship, Compliance, and Accountability

A. Compliance with Finance Related Legal and Contractual Provisions

The City incurred no material violations of finance related legal and contractual provisions.

B. Net Position/Fund Balance Deficits

As of December 31, 2025, the following funds have deficit fund balances in the amount shown:

Tax Increment Financing 5 Fund	$ (2,681,597)

This deficit will be eliminated through future revenues, and if necessary, transfers from other funds.

NOTE 3. Detailed Notes on All Funds

A. Deposits and Investments

The City maintains a pooled cash portfolio that is used by all City funds using the pooled deposit and investment concept. This concept provides the City with the ability to maximize earnings on idle fund monies while ensuring that the liquidity needs of each fund are met and the integrity of the cash balances of each fund are preserved. This pool is governed by an investment policy established by the City Council. Management of the City's investment pool is the responsibility of the Chief Financial Officer. The pool consists of checking accounts and savings accounts. Fund equity in the pool is shown as Pooled Cash and Investments in all financial statements. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

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

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

Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

The City has an adopted investment policy, conforming to all applicable laws of the State of South Dakota, which serves as the guide to the deposit and investment of operating funds which are managed within the City's pooled cash portfolio. This policy sets forth the City's investment objectives as well as authorized and suitable deposits and investments, maturity constraints, internal controls, and performance measures. The foremost objective of the City's investment program as set forth by the investment policy is safety of principal. Investment decisions are made under the assumption that, except under limited circumstances, all investments within the pooled cash portfolio will be held to maturity.

Credit Risk: State law limits eligible investments for the City as discussed above. The City's investment policy follows State Law and does not further limit investment choices. As of December 31, 2025, the City did not have any investments.

Custodial Credit Risk: The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City deposits in excess of depository insurance must be 100 percent collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A. Collateral is required to be segregated by each depository as approved by the South Dakota Public Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City places no limit on the amount that may be invested in any one issuer. Currently, there are no investments that are subject to this risk.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy has been to establish a maturity schedule that has investments maturing in a "laddered" fashion with only a small amount of the total portfolio being reinvested each month. This technique reduces the risk that all or most of the investments will mature and be reinvested at a time of relatively low interest rates.

B. Property Tax

Real property tax levies are established on or before October 1 of each year. Taxes are recorded as receivable, levied, and attached as an enforceable lien on property as of January 1 of each year. Taxes are payable in two installments on or before April 30 and October 31 of that year. The County bills and collects the City taxes and remits collections to the City. No accrual for the property tax levy becoming due in January of 2025 is included in the accompanying financial statements, since such taxes become due and payable on January 1, 2026, and are levied to finance expenditures budgeted for the subsequent period.

The City is permitted by State Statute to levy an increase of no more than the lesser of three percent or the index factor, as defined in the statutes, over the amount of revenue receivable from real property taxes in the preceding year, excluding the amount levied pursuant to an affirmative two-thirds vote of the governing body. After applying the index factor, the City may increase the revenue from real property taxes above the limitations by the percentage increase of value resulting from any improvements or change in use of real property, annexation, minor boundary changes, and any adjustments in taxation of property separately classified and subject to statutory adjustments and reductions, only if assessed the same as property of equal value. Property tax revenue may also be increased for the scheduled payment increases on bonded indebtedness incurred prior to December 31, 1995, and for a levy directed by the order of a court for the purpose of paying a judgment against the City.

The combined tax rate to finance municipal services including principal and interest on long-term debt for the year ended December 31, 2025 was $1.72 per $1,000 of taxable valuation.

The City has fourteen active Tax Increment Financing Districts (TIF). For twelve of these districts, the City has entered into an agreement with the developer of the TIF district. Under each agreement, tax increments received by the City are remitted to the developer or bank to cover initial eligible project expenses. Increments totaling $1,029,788 were received by the City and paid to project developers or banks during 2025.

C. Receivables

Receivables for the City's individual major funds and aggregate nonmajor funds including the applicable allowances for uncollectible accounts are as follows at December 31, 2025:

	Other	Leases	Taxes	Accounts	Special Assessments	Loans	Unbilled Accounts	Total
General Fund	$ -	$ 43,236	$ 1,396,342	$ 1,561,085	$ 379,689	$ -	$ -	$ 3,380,352
Capital Improvement	-	720,096	1,348,803	89,862	237,939	-	-	2,396,700
Park & Recreation	-	261,608	-	48,582	-	-	-	310,190
Sewer	-	5,702	-	570,722	-	-	-	576,424
Electric	-	-	-	2,677,609	-	-	874,201	3,551,810
Water	88,325	258,828	-	581,677	-	-	226,966	1,155,796
Gas	-	-	-	1,822,525	-	-	720,137	2,542,662
Airport	-	1,266,908	-	118,811	-	-	-	1,385,719
Nonmajor Governmental	-	-	238,485	176,956	-	1,795,455	-	2,210,896
Nonmajor Business-Type	-	-	-	488,663	-	-	-	488,663
	$ 88,325	$ 2,556,378	$ 2,983,630	$ 8,136,492	$ 617,628	$ 1,795,455	$1,821,304	$17,999,212

Electric, Water, and Gas are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectible related to electric sales	$ 20,222
Uncollectible related to water sales	4,684
Uncollectible related to gas sales	12,649
Total uncollectible of the current fiscal year	$ 37,555

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

Sales tax receivable (general fund)	$ 1,068,308
Sales tax receivable (special revenue funds)	1,177,068
Special assessments not yet due (general fund)	379,689
Special assessments not yet due (special revenue funds)	237,939
Due from other governments (general fund)	4,989
Due from other governments (special revenue fund)	160,000
Lease receivable – (special revenue fund)	3,428,223
Accounts receivable - Sponsorship agreements (special revenue fund)	60,000
Accounts receivable - E-911 surcharges (special revenue funds)	107,257
Total	$ 6,623,473

D. Due From Other Governments

Amounts due from other governments for the Primary Government include the following at December 31, 2024:

	Due from Federal	Due from State	Total
Governmental Activities			
General Fund	$ 5,877	$ 141,887	$ 147,764
Capital Improvement Fund	-	160,000	160,000
E-911 Fund	-	22,391	22,391
Total Governmental Activities	5,877	324,278	330,155
Business-Type Activities			
Enterprise Funds			
Airport	345,959	19,220	365,179
Total	$ 351,836	$ 343,498	$ 695,334

E. Interfund Receivables and Payables

Interfund receivables and payables result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. Interfund receivables and payables do not include advances which are discussed below. The composition of interfund balances as of December 31, 2025, is as follows:

Receivable Fund	Payable Fund	Amount
Sewer Fund	Electric Fund	$ 59,327
Solid Waste Fund	Electric Fund	35,954
Electric Fund	Water Fund	2,000,000
Gas Fund	Water Fund	6,200,000

F. Interfund Transfers

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

	General Fund	Park & Recreation Fund	Nonmajor Governmental Funds	Airport Fund	Total
Transfers Out					
General Fund	$ -	$ 1,837,000	$ 513,951	$ 793,750	$ 3,144,701
Capital Improvement Fund	-	-	75,000	945,280	1,020,280
Sewer Fund	967,200	-	-	-	967,200
Electric Fund	1,117,050	-	-	-	1,117,050
Gas Fund	372,350	-	-	-	372,350
Nonmajor Governmental Funds	34,116	600,000	1,176,744	-	1,810,860
Nonmajor Business-Type Funds	689,000	-		-	689,000
	$ 3,179,716	$ 2,437,000	$ 1,765,695	$ 1,739,030	$ 9,121,441
	To support the general operating function of the City.	To support the operations of various culture and recreation divisions.	Transfers from General & Capital Improvement Fund support various operations. Transfer from Nonmajor Governmental is to support infrastructure.	General Fund transfer supports operations and Capital Improvement Fund supports infrastructure improvements.	

G. Advances

The City made an interfund loan in 2010 from the Capital Improvement Fund and the Sewer Fund to the TIF 5 Fund in the amount of $1,825,000. As authorized by Resolution No. 10-40, the City used available resources from the Capital Improvement and Sewer Funds to finance public improvement project costs in the TIF 5 district. The loan terms require repayment to the Capital Improvement Fund first, as property taxes are collected by the TIF 5 Fund, over a period not to exceed twenty years at an interest rate of 7.00%. If the Capital Improvement Fund loan is repaid within the twenty-year period, the Sewer Fund will then be repaid at an interest rate of 7.00%.

The City made another interfund loan in 2019 from the Capital Improvement Fund to the TIF 10 Fund in the amount of $1,800,000. As authorized by Resolutions 19-34 and 19-51, the City used available Capital Improvement Fund resources to finance public improvement project costs in the TIF 10 district. The loan is to be repaid from property taxes collected by the TIF 10 Fund over a period not to exceed twenty years, with no interest charged.

H. Capital Assets

Capital asset activity for the Primary Government for the year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Non-Depreciable Assets				
Land	$ 23,142,639	$ 641,424	$ (269,423)	$ 23,514,640
Construction in Progress	42,808,674	520,866	(41,531,045)	1,798,495
Depreciable Assets:				
Buildings & Structures	59,737,646	40,973,553	(545,921)	100,165,278
Improvements other than Buildings	114,777,309	6,800,797	(25,018)	121,553,088
Equipment & Automotive	20,673,854	2,181,375	(430,707)	22,424,522
Totals	261,140,122	51,118,015	(42,802,114)	269,456,023
Less Accumulated Depreciation:				
Buildings & Structures	(19,644,382)	(1,610,692)	449,314	(20,805,760)
Improvements other than Buildings	(29,369,541)	(2,452,355)	-	(31,821,896)
Equipment & Automotive	(12,626,194)	(1,502,815)	414,138	(13,714,871)
Total Accumulated Depreciation	(61,640,117)	(5,565,862)	863,452	(66,342,527)
Governmental Activities Capital Assets, net	$ 199,500,005	$ 45,552,153	$ (41,938,662)	$ 203,113,496
Business-Type Activities				
Non-Depreciable Assets				
Land	$ 3,707,606	$ 11,145	$ -	$ 3,718,751
Construction in Progress	16,568,718	31,060,113	(6,347,660)	41,281,171
Depreciable Assets:				
Intangible Property	3,930,745	427,664	-	4,358,409
Buildings & Structures	96,867,106	1,057,783	(39,320)	97,885,569
Improvements other than Buildings	242,805,502	15,295,999	(774,513)	257,326,988
Equipment & Automotive	22,625,742	3,478,337	(1,592,954)	24,511,125
Totals	386,505,419	51,331,041	(8,754,447)	429,082,013
Less Accumulated Depreciation/Amortization:				
Amortization of Intangible Property	(1,072,996)	(133,892)	-	(1,206,888)
Buildings & Structures	(34,727,677)	(1,985,052)	14,962	(36,697,767)
Improvements other than Buildings	(91,038,641)	(4,743,354)	863,932	(94,918,063)
Equipment & Automotive	(12,724,504)	(2,021,035)	1,165,290	(13,580,249)
Total Accumulated Depreciation/Amortization	(139,563,818)	(8,883,333)	2,044,184	(146,402,967)
Business-Type Activities Capital Assets, net	$ 246,941,601	$ 42,447,708	$ (6,710,263)	$ 282,679,046

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

Governmental Activities:		**Depreciation Expense**
General Government	$	193,061
Public Safety		765,817
Public Works		2,093,974
Culture & Recreation		2,346,085
Conservation & Development		166,925
Total Depreciation Expense - Governmental Activities		5,565,862
Business-Type Activities:		
Sewer	$	1,978,009
Solid Waste		1,345,783
Airport		1,571,865
Electric		1,796,623
Water		1,578,993
Gas		612,060
Total Depreciation/Amortization Expense - Business-Type Activities		8,883,333

Projects included in construction in progress for the primary government are as follows:

Project		Contracted		Expended in 12/31/2025		Committed
Governmental Funds:						
Street Facility (Design Phase)	$	-	$	-	$	1,190,940
5th Ave N (Design Phase)		164,770		32,135		150,198
Wolf Exhibit Design/Construction		750,000		429,392		457,357
	$	914,770	$	461,527	$	1,798,495
Enterprise Funds:						
Wastewater Treatment Facility Improvemen	$	58,319,500	$	29,085,543	$	38,294,025
10th Ave. NW - Street Facility Sewer		-		-		165,972
Taxiway A (Design Phase)		545,163		20,478		20,478
Taxiway C & B (Design Phase)		697,030		43,771		213,417
Airport Hangar Expansion (Design Phase)		-		14,397		50,879
Electric System Forece Account Projects		-		463,920		463,920
Water System Force Account Projects		-		2,013,219		2,013,219
Gas System Force Account Projects		-		59,261		59,261
	$	59,561,693	$	31,700,589	$	41,281,171

I. Long-Term Debt

Long-term debt consists of bonded indebtedness, compensated absences, and other post-employment benefits. A summary of long-term debt issued and retired during 2024 and outstanding balances as of December 31, 2025 follows:

	Balance Outstanding 01/01/2025	Additions During 2025	Deletions During 2025	Balance Outstanding 12/31/2025	Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Loans Payable:					
State Revolving Fund-Loan #5; Original Issue $2,055,000; 3.5% interest, due in 2025	$ 37,534	$ -	$ 37,534	$ -	$ -
State Revolving Fund-Loan #7 CW; Original Issue $847,170; 2.25% interest; due in 2029	203,592	-	46,172	157,420	47,220
State Revolving Fund-Loan #7 NPS; Original Issue $81,205; 2.25% interest; due in 2029	20,427	-	4,633	15,794	4,738
State Revolving Fund-Loan #12 CW; Original Issue $5,000,000; 2.25% interest; due in 2042	3,908,307	-	181,270	3,727,037	185,383
State Revolving Fund-Loan #13 CW; Original Issue $2,500,000; 2.00% interest; due in 2043	1,929,314	-	85,701	1,843,613	87,428
State Revolving Fund-Loan #14 CW; Original Issue $19,819,800; 2.125% interest; due in 2055	4,853,973	11,392,048	-	16,246,021	-
State Revolving Fund- Loan #2 DW; Original Issue $699,748; 1.875% interest, due 2045	682,516	17,232	21,253	678,495	29,556
State Revolving Fund- Loan #4 DW; Original Issue $3,403,610; 1.875% interest, due 2056	412,075	574,748	-	986,823	-
State Revolving Fund- Loan #5 DW; Original Issue $2,339,050; 1.875% interest, due 2055	1,177,715	570,392	523,320	1,224,787	29,406
Wastewater Revenue Refunding Bonds, 2020C & 2020D $6,330,000; 0.5-2.00% interest, due in 2031	4,300,000	-	590,000	3,710,000	595,000
Water Revenue Refunding Bonds, 2020A & 2020B $11,060,000; .85-2.25% interest, due in 2028	5,130,000	-	855,000	4,275,000	1,480,000
State Revolving Fund Loan #2018G Landfill Stormwater Issue $108,000; 2.0% interest; due in 2026	24,425	-	16,202	8,223	8,223
State Revolving Fund Loan #461029-15 Landfill Cell #7 Issue $1,428,000; 2.0% interest; due in 2043	1,339,532	-	60,466	1,279,066	61,685
Total Loans Payable	24,019,410	12,554,420	2,421,551	34,152,279	2,528,639
***Compensated Absences Payable**	2,522,181	31,927	-	2,554,108	638,528
Other Post-Employment Benefits (OPEB)	424,825	6,976	11,086	420,715	32,710
Closure/Post Closure Costs	1,300,846	29,880	-	1,330,726	-
Unamortized Premium on Bonds	160,792	-	37,161	123,631	37,162
TOTAL BUSINESS-TYPE ACTIVITIES				38,581,459	3,237,039

	Balance Outstanding 01/01/2025	Additions During 2025	Deletions During 2025	Balance Outstanding 12/31/2025	Due Within One Year
LONG-TERM DEBT (continued)					
GOVERNMENTAL ACTIVITIES					
2015 Sales Tax Revenue - Refunding					
Bond - Library Expansion Project; Original Issue					
$3,375,000; 0.30-3.25% interest; due in 2026	610,000	-	315,000	295,000	295,000
2020 Sales Tax Revenue - Refunding					
Bond - 2012, 2014, 2015B & 2015C					
$21,760,000; 2.0-4.00% interest; due in 2034	15,565,000	-	1,340,000	14,225,000	1,400,000
2021 Sales Tax Revenue - Series 2021					
Bond - 10th Ave and City Hall Remodel					
$7,370,000; 2.0-3.00% interest; due in 2041	6,350,000	-	310,000	6,040,000	320,000
2022 Sales Tax Revenue - Series 2022					
Bond - Ice Arena					
$18,570,000; 3.0-5.00% interest; due in 2051	17,405,000	-	350,000	17,055,000	365,000
2022 Sales Tax Revenue - Series 2022B					
Bond - Street Facility					
$7,310,000; 3.375-5.00% interest; due in 2042	6,715,000	-	250,000	6,465,000	265,000
2022 Sales Tax Revenue - Series 2022C					
Bond - Ice Arena					
$10,050,000; 1.90-5.00% interest; due in 2051	9,760,000	-	200,000	9,560,000	210,000
Total Sales Revenue Bonds	56,405,000	-	2,765,000	53,640,000	2,855,000
Bond Issued:					
2021 Tax Increment Bonds					
TIF #11 - Project, $2,000,000; 3.55% interest; due in 2041	1,783,087	-	77,678	1,705,409	80,499
Total Tax Increment Bonds	1,783,087	-	77,678	1,705,409	80,499
Loans Payable:					
State Revolving Fund Loan #6-CW; Original Issue					
$1,189,145; 2.25% interest; due in 2029	308,828	-	65,960	242,868	67,456
State Revolving Fund Loan #6-NPS; Original Issue					
$113,985; 2.25% interest; due in 2028	25,440	-	6,576	18,864	6,726
State Revolving Fund-Loan #8-CW; Original Issue					
$612,877; 2.25% interest; due in 2029	132,074	-	29,953	102,121	30,632
State Revolving Fund-Loan #8-NPS; Original Issue					
$58,747; 2.25% interest; due in 2029	14,778	-	3,351	11,427	3,427
State Revolving Fund-Loan #10-CW; Original Issue					
$3,330,000; 3.0% interest; due in 2031	1,053,932	-	149,121	904,811	153,645
State Revolving Fund-Loan #11-CW; Original Issue					
$815,000; 3.0% interest; due in 2032	85,819	-	10,362	75,457	10,676
Total Loans Payable	1,620,871	-	265,323	1,355,548	272,562
Direct Financing Leases					
Street Equipment - 5.09-5.89% interest; due in 2030	734,405	-	122,931	611,474	129,492
Recreation Equipment - 5.49-17.09% interest; due in 2029	-	712,362	145,613	566,749	126,035
Total Direct Financing Leases	734,405	712,362	268,544	1,178,223	255,527
***Compensated Absences Payable**	3,249,887	257,531	-	3,507,418	876,855
Other Post-Employment Benefits (OPEB)	1,510,767	34,031	-	1,544,798	61,717
Unamortized Premium on Bonds	3,349,730	-	201,277	3,148,453	201,277
				8,200,669	1,139,849
TOTAL GOVERNMENTAL ACTIVITIES				66,079,849	4,603,437
TOTAL OF BONDS AND INSTALLMENT CONTRACTS				$ 104,661,308	$ 7,840,476

** Change in compensated absences is presented as net.*

Compensated absences and OPEB Liability in the Governmental Funds have typically been liquidated from the General, Park & Recreation, Prairie Lakes Wellness Center and E-911 Funds.

Loans – Business-Type Activities

The City has several State Revolving Fund (SRF) loans outstanding for various sewer and water projects. These loans will be repaid with pledged sewer user fees from the Sewer Enterprise Fund and pledged water user fees from the Water Fund.

SRF Loan No. 14 was approved for $19,819,800 for various improvements to the Wastewater collection systems and treatment facilities. The drawdown amount on this loan was $16,246,021 and had not been completed before December 31, 2025. No amortization schedule was available for SRF Loan No. 14.

SRF Loan No. 4 Drinking Water was approved for $3,403,610 for various improvements to the Water system. The drawdown amount on this loan was $986,823 and had not been completed before December 31, 2025. No amortization schedule was available for SRF Loan No. 4.

Annual debt service requirements to maturity for SRF loans are as follows:

SRF Loan #7

Year	Principal	Interest	Total
2026	$ 47,220	$ 3,145	$ 50,365
2027	48,291	2,074	50,365
2028	49,387	978	50,365
2029	12,522	71	12,593
Totals	$ 157,420	$ 6,268	$ 163,688

SRF Loan #7-NPS

Year	Principal	Interest	Total
2026	$ 4,738	$ 316	$ 5,054
2027	4,845	208	5,053
2028	4,955	98	5,053
2029	1,256	7	1,263
Totals	$ 15,794	$ 629	$ 16,423

Wastewater System Revenue Bonds Series 2020 - Refunding

Year	Principal	Interest	Total
2026	$ 595,000	$ 55,073	$ 650,073
2027	605,000	47,075	652,075
2028	615,000	40,975	655,975
2029	620,000	31,700	651,700
2030	630,000	19,200	649,200
2031	645,000	6,450	651,450
Totals	$ 3,710,000	$ 200,473	$ 3,910,473

Water System Revenue Bonds Series 2020 - Refunding

Year	Principal	Interest	Total
2026	$ 1,480,000	$ 76,325	$ 1,556,325
2027	1,510,000	42,688	1,552,688
2028	1,285,000	12,850	1,297,850
Totals	$ 4,275,000	$ 131,863	$ 4,406,863

SRF Loan #12

Year	Principal	Interest	Total
2026	$ 185,383	$ 82,301	$ 267,684
2027	189,589	78,095	267,684
2028	193,891	73,793	267,684
2029	198,291	69,394	267,685
2030	202,790	64,894	267,684
2031-35	1,085,094	253,326	1,338,420
2036-40	1,213,917	124,505	1,338,422
2041-42	458,082	10,365	468,447
Totals	$ 3,727,037	$ 756,673	$ 4,483,710

SRF Loan #13

Year	Principal	Interest	Total
2026	$ 87,428	$ 36,219	$ 123,647
2027	89,189	34,458	123,647
2028	90,987	32,660	123,647
2029	92,820	30,827	123,647
2030	94,690	28,957	123,647
2031-35	502,853	115,381	618,234
2036-40	555,600	62,634	618,234
2041-43	330,046	9,983	340,029
Totals	$ 1,843,613	$ 351,119	$ 2,194,732

SRF Loan #2 - Drinking Water

Year	Principal	Interest	Total
2026	$ 29,556	$ 12,515	$ 42,071
2027	30,114	11,957	42,071
2028	30,683	11,388	42,071
2029	31,262	10,809	42,071
2030	31,852	10,218	42,070
2031-35	168,514	41,841	210,355
2036-40	185,038	25,318	210,356
2041-45	171,476	7,274	178,750
Totals	$ 678,495	$ 131,320	$ 809,815

SRF Loan #5 - Drinking Water

Year	Principal	Interest	Total
2026	$ 29,406	$ 21,032	$ 50,438
2027	32,416	22,186	54,602
2028	33,028	21,574	54,602
2029	33,652	20,951	54,603
2030	34,287	20,315	54,602
2031-35	181,398	91,617	273,015
2036-40	199,182	73,832	273,014
2041-45	218,711	54,303	273,014
2046-50	240,153	32,861	273,014
2051-55	222,554	9,067	231,621
Totals	$ 1,224,787	$ 367,738	$ 1,592,525

SRF Loan #15 - Solid Waste

Year	Principal	Interest	Total
2026	$ 61,685	$ 25,121	$ 86,806
2027	62,928	23,877	86,805
2028	64,196	22,610	86,806
2029	65,489	21,316	86,805
2030	66,809	19,996	86,805
2031-35	354,790	79,237	434,027
2036-40	392,006	42,021	434,027
2041-43	211,163	5,850	217,013
Totals	$ 1,279,066	$ 240,028	$ 1,519,094

Solid Waste Management Loan Series 2018

Year	Principal	Interest	Total
2026	$ 8,223	$ 82	$ 8,305

Revenue Bonds Payable

The City also issues bonds where the City pledges specific revenue streams or income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for governmental activities.

Annual debt service requirements to maturity for revenue bonds are as follows:

2015 Sales Tax Revenue Bonds - Refunding

Year	Principal	Interest	Total
2026	$ 295,000	$ 9,588	$ 304,588

2020 Sales Tax Revenue Bonds – Refunding

Year	Principal	Interest	Total
2026	$ 1,400,000	$ 389,400	$ 1,789,400
2027	1,450,000	333,400	1,783,400
2028	1,490,000	289,900	1,779,900
2029	1,540,000	245,200	1,785,200
2030	1,580,000	199,000	1,779,000
2031-34	6,765,000	358,500	7,123,500
Totals	$ 14,225,000	$ 1,815,400	$ 16,040,400

2021 Sales Tax Revenue Bonds

Year	Principal	Interest	Total
2026	$ 320,000	$ 135,735	$ 455,735
2027	325,000	129,335	454,335
2028	330,000	122,835	452,835
2029	340,000	116,235	456,235
2030	345,000	109,435	454,435
2031-35	1,850,000	418,675	2,268,675
2036-40	2,085,000	185,965	2,270,965
2041	445,000	9,790	454,790
Totals	$ 6,040,000	$ 1,228,005	$ 7,268,005

2022 Sales Tax Revenue Bonds

Year	Principal	Interest	Total
2026	$ 365,000	$ 648,850	$ 1,013,850
2027	385,000	630,600	1,015,600
2028	405,000	611,350	1,016,350
2029	425,000	591,100	1,016,100
2030	445,000	569,850	1,014,850
2031-35	2,570,000	2,507,900	5,077,900
2036-40	3,140,000	1,934,600	5,074,600
2041-45	3,825,000	1,254,000	5,079,000
2046-50	4,510,000	561,600	5,071,600
2051	985,000	29,550	1,014,550
Totals	$ 17,055,000	$ 9,339,400	$ 26,394,400

2022 Sales Tax Revenue Bonds - 2022B

Year	Principal	Interest	Total
2026	$ 265,000	$ 253,269	$ 518,269
2027	280,000	240,019	520,019
2028	290,000	226,019	516,019
2029	305,000	211,519	516,519
2030	320,000	196,268	516,268
2031-35	1,830,000	636,281	2,466,281
2036-40	2,190,000	404,193	2,594,193
2041-42	985,000	51,975	1,036,975
Totals	$ 6,465,000	$ 2,219,543	$ 8,684,543

2022 Sales Tax Revenue Bonds - 2022C

Year	Principal	Interest	Total
2026	$ 210,000	$ 389,713	$ 599,713
2027	220,000	379,213	599,213
2028	230,000	368,213	598,213
2029	240,000	356,712	596,712
2030	255,000	344,713	599,713
2031-35	1,435,000	1,549,613	2,984,613
2036-40	1,740,000	1,249,882	2,989,882
2041-45	2,105,000	884,000	2,989,000
2046-50	2,550,000	429,000	2,979,000
2051	575,000	23,000	598,000
Totals	$ 9,560,000	$ 5,974,059	$ 15,534,059

State Revolving Fund (SRF) Loan Covenants

SRF Loan documents require that various "funds" and sub-accounts be used within the Sewer or Solid Waste Fund for the purpose of application and proper allocation of revenue of the sewer and landfill and to secure the payment of principal and interest on the SRF Loans. In the past, sewer and solid waste rates were increased in anticipation of the debt service payments on the SRF Loans and other costs related to the sewer system improvements. Under the SRF loan documents, the additional revenues resulting from these rate increases are identified as special charges or surcharges and are used within the Sewer Fund to finance costs in the following priority:

1. Operation and Maintenance of Improvements
2. Replacement and Depreciation of Improvements
3. Debt Service Payments on the SRF Loan
4. Unrestricted Surplus Fund

SRF Loan documents require that various “funds” and sub-accounts be used within the Water Fund for the purpose of application and proper allocation of revenue of the water system and to secure the payment of principal and interest on the SRF Loan. The water system users were charged a surcharge rate to cover the debt service payments on the Drinking Water SRF Loan. The surcharge rate collected within the Water Fund to finance debt service payments may not be used for any other purpose other than debt reduction of the Drinking Water SRF Loan.

The various revenue bond documents authorized the City to proceed with various wastewater, solid waste and water system improvement projects and permitted the City to borrow money through the SRF program to finance these various improvements. The City has complied with all requirements of the various revenue bond resolutions and with all applicable requirements of the SRF Loan agreements entered into pursuant to these resolutions.

Loans – Governmental Activities

SRF Loans No. 6 and 8 consist of two portions: Clean Water (CW) and Non Point Source (NPS). The CW portions of the loans were used for storm sewer improvement projects. The NPS portions of the loans were used for watershed improvements. The draw downs for the CW and NPS portion of both loans are complete and annual debt service requirements to maturity for these projects have been established. SRF Loan No. 10 was used for two storm sewer improvement projects. SFR Loan No. 11 was used to complete the Watertown Police Departments "Green" Parking Lot. Payments are made from the Capital Improvement Sales Tax Fund with annual debt service requirements to maturity for the SRF loans as follows:

SRF Loan #6 CW

Year	Principal	Interest	Total
2026	$ 67,456	$ 4,898	$ 72,354
2027	68,987	3,367	72,354
2028	70,552	1,802	72,354
2029	35,873	303	36,176
Totals	$ 242,868	$ 10,370	$ 253,238

SRF Loan #6 NPS

Year	Principal	Interest	Total
2026	$ 6,726	$ 368	$ 7,094
2027	6,878	215	7,093
2028	5,260	60	5,320
Totals	$ 18,864	$ 643	$ 19,507

SRF Loan #8 CW

Year	Principal	Interest	Total
2026	$ 30,632	$ 2,040	$ 32,672
2027	31,328	1,345	32,673
2028	32,038	635	32,673
2029	8,123	45	8,168
Total	$ 102,121	$ 4,065	$ 106,186

SRF Loan #8 NPS

Year	Principal	Interest	Total
2026	$ 3,427	$ 228	$ 3,655
2027	3,505	151	3,656
2028	3,585	71	3,656
2029	910	5	915
Total	$ 11,427	$ 455	$ 11,882

SRF Loan #10

Year	Principal	Interest	Total
2026	$ 153,645	$ 25,427	$ 179,072
2027	158,306	20,765	179,071
2028	163,109	15,962	179,071
2029	168,058	11,014	179,072
2030	173,156	5,915	179,071
2031	88,537	997	89,534
Totals	$ 904,811	$ 80,080	$ 984,891

SRF Loan #11

Year	Principal	Interest	Total
2026	$ 10,676	$ 2,144	$ 12,820
2027	11,000	1,820	12,820
2028	11,334	1,487	12,821
2029	11,678	1,143	12,821
2030	12,032	786	12,818
2031-32	18,737	495	19,232
Totals	$ 75,457	$ 7,875	$ 83,332

Tax Increment Bonds

The City approved Tax Increment Revenue Bonds (TIF #11), Series 2021 on November 22, 2021. Bonds were issued in the amount of $2,000,000 with repayment of the debt to be provided by Tax Increment property tax revenue generated in district #11. Any shortfall of property tax revenue to debt payment is the responsibility of the developer.

2021 TIF #11 Bond

Year	Principal	Interest	Total
2026	$ 80,499	$ 60,662	$ 141,161
2027	83,423	57,738	141,161
2028	86,298	54,863	141,161
2029	89,587	51,574	141,161
2030	92,840	48,321	141,161
2031-35	517,160	188,643	705,803
2036-40	618,159	87,645	705,804
2041	137,443	3,718	141,161
Totals	$ 1,705,409	$ 553,164	$ 2,258,573

Direct Financing Leases

The City approved multiple direct financing leases for the purchase of various street maintenance equipment and recreation equipment. Annual debt service requirements to maturity for the direct financing leases are as follows:

Direct Financing Leases - Public Works

Year	Principal	Interest	Total
2026	$ 129,492	$ 30,565	$ 160,057
2027	136,404	26,021	162,425
2028	143,688	18,737	162,425
2029	151,362	11,063	162,425
2030	50,528	2,976	53,504
Totals	$ 611,474	$ 89,362	$ 700,836

Direct Financing Leases - Recreation

Year	Principal	Interest	Total
2026	$ 126,035	$ 37,566	$ 163,601
2027	103,100	26,454	129,554
2028	269,805	20,650	290,455
2029	67,809	4,679	72,488
Totals	$ 566,749	$ 89,349	$ 656,098

Legal Debt Limit

The City is subject to Article XIII, Section 4, of the South Dakota Constitution which limits the amount of bonded debt to a percent of the assessed valuation of the taxable property therein for the year preceding that in which said indebtedness is incurred.

	"No-Limit" Debt	Debt Capacity at 5% (Unrestricted)	Additional 10% Debt Capacity (Water/Sewer)
2025 Assessed Value $2,991,190,314			
Maximum Debt Capacity:	$ -	$ 149,559,516	$ 299,119,031
Existing Bonds:			
SRF Loan No. 6-CW (Sales Tax)	-	242,868	-
SRF Loan No. 6-NPS (Sales Tax)	-	18,864	-
SRF Loan No. 7-CW (Wastewater Revenue Surcharge)	157,420	-	-
SRF Loan No. 7-NPS (Wastewater Revenue Surcharge)	15,794	-	-
SRF Loan No. 8-CW (Sales Tax)	-	102,121	-
SRF Loan No. 8-NPS (Sales Tax)	-	11,427	-
SRF Loan No. 10-CW (Sales Tax)	-	904,811	-
SRF Loan No. 11-CW (Sales Tax)	-	75,457	-
SRF Loan No. 12-CW (Wastewater Revenue Surcharge)	3,727,037	-	-
SRF Loan No. 13-CW (Wastewater Revenue Surcharge)	1,843,613	-	-
SRF Loan No. 14-CW (Wastewater Revenue Surcharge)	16,246,021	-	-
Wastewater Revenue Bonds - 2020 Refunding	3,710,000	-	-
Water Revenue Bonds - 2020 Refunding	4,275,000	-	-
SRF Loan No. 2 - DW (Water Revenue Surcharge)	678,495	-	-
SRF Loan No. 4 - DW (Water Revenue Surcharge)	986,823	-	-
SRF Loan No. 5 - DW (Water Revenue Surcharge)	1,224,787	-	-
SRF Loan Solid Waste Management Loan (Solid Waste Revenue	8,223	-	-
SRF Loan No. 15 Solid Waste Management Loan (Solid Waste R	1,279,066	-	-
2015 Sales Tax Revenue Bonds - Refunding	-	295,000	-
2020 Sales Tax Revenue Bonds - Refunding	-	14,225,000	-
2021 Sales Tax Revenue Bonds	-	6,040,000	-
2022 Sales Tax Revenue Bonds	-	17,055,000	-
2022 Sales Tax Revenue Bonds - 2022B	-	6,465,000	-
2022 Sales Tax Revenue Bonds - 2022C	-	9,560,000	-
2021 Tax Increment Bond	-	1,705,409	-
Direct Financing Leases - Public Works	-	611,474	-
Direct Financing Leases - Culture & Recreation	-	566,749	
Total Bonded Debt	34,152,279	57,879,180	-
Total Debt	34,152,279	57,879,180	-
Available Debt Capacity	N/A	$ 91,680,336	$ 299,119,031

The State Constitution sets two legal debt limits on municipalities. The City has an unrestricted (i.e. for any legally authorized purpose) legal debt limit equal to 5% of the total assessed value of taxable property. In addition, the Constitution permits the City to issue debt for water or sewer improvements in an amount up to 10% of the total assessed value of taxable property. Water or sewer debt that applies against the 10% limit does not apply against the 5% limit. However, certain requirements, including a public vote, must be met in order for water or sewer debt to apply against the 10% limit. Also, revenue bonded indebtedness that is secured by a surcharge on utility charges as well as annual appropriation leases have been determined not to be debt in determining municipal debt capacity and is referred to above as ”no-limit” debt. The table above summarizes the legal debt limit and available debt capacity for the City as of December 31, 2025.

Compensated Absences
Annual leave is earned by all full-time employees and appointed officers. Upon termination, officers and employees are entitled to receive compensation for their eligible unused accrued annual leave. The amount reported for the current portion is an estimate based on past historical use.

Conduit Debt
In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City, State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as a liability in the accompanying financial statements. As of December 31, 2025, there was one series of conduit bonds outstanding, with an aggregate unpaid principal amount of $314,055.

K. Leases (as lessor)

The leases have receipts that range from $403 to $487,805 and interest rates that range from 1.41 percent to 4.47 percent. As of December 31, 2025, the total combined value of the lease receivable is $2,556,378, the total combined value of the short-term lease receivable is $900,111, and the combined value of the deferred inflow of resources is $4,886,853. The City received lease and interest revenue of $749,781 and $65,500 respectively, during the year ended December 31, 2025. Remaining principal and interest payments to be received on leases is as follows:

Governmental Funds			
Year	Principal	Interest	Total
2026	$ 612,503	$ 28,697	$ 641,200
2027	129,793	12,207	142,000
2028	134,277	7,723	142,000
2029	99,587	3,398	102,985
2030	48,780	1,220	50,000
Totals	$ 1,024,940	$ 53,245	$1,078,185

Enterprise Funds			
Year	Principal	Interest	Total
2026	287,608	52,641	340,249
2027	249,245	42,200	291,445
2028	252,982	32,885	285,867
2029	175,352	24,110	199,462
2030	22,628	21,224	43,851
2031-35	131,132	96,052	227,184
2036-40	169,619	77,698	247,317
2041-45	153,368	53,028	206,396
2046-49	89,504	21,768	111,271
Totals	$ 1,531,438	$ 421,605	$ 1,953,043

L. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the City to place a final cover on the landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. A new survey of the landfill was done and changes in estimates were made. The information presented in the financial statements use these new estimates. The $1,330,726 reported as a liability for landfill closure and postclosure care costs at December 31, 2025, represents the cumulative amount reported to date based on the use of 41% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of $1,894,884 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2025. The City expects to close the landfill in the year 2057. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City is required by state and federal laws and regulations to set aside funds to finance closure and postclosure care. The City is in compliance with these requirements, and at December 31, 2025, investments of $1,330,726 are held for these purposes. These are reported as restricted assets on the balance sheet. However, if these funds are inadequate or additional care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

	2025	2024	2023
Closure/Postclosure Liability	$1,330,726	$1,300,846	$1,300,846

M. Retirement Plan

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

Benefits Provided
SDRS has four different classes of 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 long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
    - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
    - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

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 calendar years ended December 31, 2025, 2024, and 2023 were $1,559,067, $1,454,864 and $1,360,159, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2025, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2025, and reported by the Municipality as of December 31, 2025, are as follows:

Proportionate share of total pension liability	$ 133,298,453
Less proportionate share of net position restricted for pension benefits	(133,372,728)
Proportionate share of net pension liability (asset)	$ (74,275)

At December 31, 2025, the City reported an asset of $74,275 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2025 and the total pension liability used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025 the City's proportion was .873343%, which is an increase of .00009050% from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025, the City recognized a reduction of pension expense of $1,517,681. At December 31, 2025 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,543,106	$ -
Changes in assumption	-	3,942,814
Net Difference between projected and actual earnings on pension plan investments	3,619,100	-
Changes in proportion and difference between the City contributions and proportionate share of contributions	24,181	18,228
City contributions subsequent to the measurement date	803,686	-
Total	$ 6,989,973	$ 3,961,042

$803,686 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 liability in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2026	1,716,124
2027	186,181
2028	118,724
2029	198,363
Total	$ 2,219,392

Actuarial Assumptions

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

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

Mortality Rates:

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020.

Active and Terminated Vested Members:

- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

Retired Members:

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

Beneficiaries:

- PubG-2010 contingent survivor mortality table

Disabled Members:

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

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

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.9%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.5 percent. 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 asset.

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset)	$ 18,204,236	$ (74,275)	$ (15,048,752)

Pension Plan Fiduciary Net Position

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

N. Other Postemployment Benefits

Plan Description - The City, under the authority of SDCL 9-14-35 and SDCL 6-1-16, operates a single-employer defined benefit healthcare plan. The plan provides medical benefits to eligible active and retired employees and their spouses. All full-time employees are allowed upon meeting the eligibility requirements, to participate in the retiree health insurance plan. The City contributes $60.00/month for single coverage and $140/month for single plus spouse coverage. The Municipal Utilities contributes $100.00/month for single coverage and $150.00/month for family coverage. The benefit provisions for employees are established and amended by the governing body either through the Personnel Policy Manual or the collective bargaining contracts. The City's plan is a self-funded plan. The OPEB plan is not administered through a trust or equivalent arrangement and no assets are accumulated.

Obligations of Plan Members and Sponsoring Organization - The governing board of the City of Watertown determines the contribution amounts for the plan. Future amendments to the funding mechanism of the benefit plan are determined by the governing board.

Funding Policy - The City has elected to fund the plan on a pay-as-you-go method.

Plan Participation - At December 31, 2025, the following number of current and former employees were covered by the benefit terms:

Active Employees	268
Actives waiving coverage	17
Retirees electing coverage	9
Total	294

Total OPEB Liability- The City's total OPEB liability of $1,965,513 was measured as of December 31, 2024 and was determined by an actuarial valuation as of December 31, 2023.

Actuarial Assumptions - The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Discount Rate	4.08%
Health Care Cost Trend Rate	6.90% - 3.9% over 51 years
Mortality	Pub-2010 headcount-weighted mortality tables – projected generationally with MP-2020

Discount Rate - The discount rate used to measure the total OPEB liability was 4.08%, which reflects the Fidelity 20-year tax-exempt general obligation municipal bonds with an average rating AA index.

Mortality Rates - The mortality rates used to measure the total OPEB liability were based on the Pub-2010 headcount-weighted mortality tables, projected generationally with MP-2020, and other adjustments.

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study using the "lookback" method. The measurement date is December 31, 2024.

	Total OPEB Liability
Total OPEB Liability Beginning of Year	$1,935,592
Changes for the Year:	
Service Cost	97,374
Interest	75,067
Differences between expected and actual experience	(1,695)
Changes of assumptions	(57,213)
Changes of benefit terms	-
Employer Contributions	(83,612)
Total OPEB Liability End of Year	$1,965,513

Changes of assumptions reflect a change in the discount rate from 3.77% in 2023 to 4.08% in 2024.

Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.08%) or 1% higher (5.08%) than the current discount rate of 4.05%.

	1% Decrease (3.08%)	Discount Rate (4.08%)	1% Increase (5.08%)
Total OPEB Liability	$ 2,157,642	$ 1,965,513	$ 1,794,474

Sensitivity of City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates -The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.90% decreasing to 2.90%) or 1% higher (7.90% decreasing to 4.90%) than the current healthcare cost trend rates.

	1% Decrease (5.90% decreasing to 2.90%)	Discount Rate (6.90% decreasing to 3.90%)	1% Increase (7.90% decreasing to 4.90%)
Total OPEB Liability	$ 1,747,715	$ 1,965,513	$ 2,226,742

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2025, the City recognized OPEB expense of $28,653. At December 31, 2025, the City reported deferred outflows (inflows) of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumption	$ 615,368	$ 44,349
Difference between expected and actual liability	381,164	316,583
City contributions between measurement date and reporting date	121,655	-
Total	$ 1,118,187	$ 360,932

The $121,655 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended December 31,	
2026	$ 180,693
2027	179,446
2028	135,022
2029	93,347
2030	31,270
Thereafter	33,664
Total	$ 653,442

O. Segment Information for Enterprise Funds

For the Sewer and Water Funds, this requirement is effectively met by the statements in this report because the funds are reported as major business-type funds; therefore the required segment information has already been disclosed in the fund financial statements.

NOTE 4. 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 period ended December 31, 2025, the City managed its risks as follows:

A. Unemployment

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

The City has no fund balance set aside in the General Fund for the payment of future unemployment benefits. Unemployment benefits are appropriated on an annual basis.

During the year ended December 31, 2025, two claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of $3,724. The City does not anticipate any changes in employment practices or elimination of any positions currently held. The history of unemployment payments indicates that most benefits were paid on temporary personnel.

B. Employee Health Insurance

The City purchases health insurance for its employees from a commercial insurance carrier.

C. 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 for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Municipality pays an annual premium to the pool to provide coverage for:

The City carries the coverage below:

Coverage	Limit	Deductible
General Liability	$ 5,000,000	None
Automobile Coverage	$ 2,000,000	$ 1,000
Law Enforcement Liability	$ 2,000,000	$ 3,000
Buildings, Contents, Boiler & Machinery	Replacement Cost	$ 10,000
Enhanced Crime Coverage (included in General Liability Premium)	$ 1,000,000	None

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

D. Workmen's Compensation

The City is a member of South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage to obtain lower costs for 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 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 never exceeded the liability coverage.

NOTE 5. Subsequent Events

SRF Loan No. 16 was approved for $25,000,000 for various improvements to the Wastewater Collection Facility and systems. An initial drawdown amount on this loan of $1,064,642 was made in February 2026.

Required Supplementary Information - Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund

	Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Tax Revenue				
Property	$ 4,463,200	$ 4,463,200	$ 4,477,828	$ 14,628
Sales	10,771,000	10,771,000	11,272,523	501,523
Other Taxes	285,000	285,000	254,434	(30,566)
Licenses & Permits	449,200	449,200	535,411	86,211
Intergovernmental	1,149,200	1,149,200	1,214,024	64,824
Charges for Goods and Services	1,761,620	1,761,620	1,868,152	106,532
Fines and Forfeits	35,000	35,000	38,776	3,776
Interest Revenue	350,000	350,000	420,043	70,043
Rentals	2,500	2,500	1,914	(586)
Special Assessments	30,700	30,700	30,991	291
Donations/Contributions	29,000	29,000	44,134	15,134
Miscellaneous	115,500	115,500	260,232	144,732
Total Revenues	19,441,920	19,441,920	20,418,462	976,542
EXPENDITURES				
General Government				
Legislative	359,150	334,650	165,863	168,787
Executive	545,040	545,040	441,118	103,922
Financial Administration	1,370,880	1,420,880	1,158,793	262,087
Other	2,904,850	3,109,700	2,873,626	236,074
Public Safety				
Police	5,393,590	5,572,220	5,495,160	77,060
Fire Fighting & Prevention	1,342,400	1,484,500	1,469,564	14,936
Ambulance Service	3,837,850	3,907,420	3,825,537	81,883
Public Works				
Administration	318,960	230,960	78,918	152,042
Highways, Streets and Roadways	1,976,540	2,132,540	2,031,546	100,994
Snow Removal	430,100	430,100	332,511	97,589
Street Lighting	920,000	920,000	908,825	11,175
Storm Sewer/Flood/Control	57,400	57,400	29,811	27,589
Cemetery	327,350	327,350	315,718	11,632
Health and Welfare				
Mosquito Control	114,500	157,600	192,700	(35,100)
Animal Control	239,610	239,610	231,492	8,118
Culture and Recreation				
Forestry	495,810	531,360	496,141	35,219
Library	1,074,510	1,074,510	1,067,986	6,524
Conservation and Development				
Building Services	565,100	574,100	554,768	19,332
Total Expenditures	22,273,640	23,049,940	21,670,077	1,379,863
Excess of revenues over (under) expenditures	(2,831,720)	(3,608,020)	(1,251,615)	2,356,405
OTHER FINANCING SOURCES (USES)				
Sale of Municipal Property	-	-	840,937	840,937
Transfers In	3,145,600	3,145,600	3,179,716	34,116
Transfers (Out)	(2,630,750)	(3,144,750)	(3,144,701)	49
Total other financing sources (uses)	514,850	850	875,952	875,102
Net Change in fund balances	(2,316,870)	(3,607,170)	(375,663)	3,231,507
Fund Balances - beginning	13,931,341	13,931,341	13,931,341	-
Fund Balances - ending	$ 11,614,471	$ 10,324,171	$ 13,555,678	$ 3,231,507

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Park and Recreation Fund

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	**Final**	**Actual**	**(Negative)**
REVENUES				
Charges for Goods and Services	$ 2,005,300	$ 2,005,300	$ 2,487,085	$ 481,785
Interest Revenue	108,000	108,000	109,697	1,697
Rentals	677,050	677,050	746,986	69,936
Donations/Contributions	51,500	51,500	54,900	3,400
Miscellaneous	41,250	41,250	52,596	11,346
Total revenues	2,883,100	2,883,100	3,451,264	568,164
EXPENDITURES				
Culture and Recreation	5,956,840	6,992,740	6,698,552	294,188
Total expenditures	5,956,840	6,992,740	6,698,552	294,188
Excess of revenues over (under) expenditures	(3,073,740)	(4,109,640)	(3,247,288)	862,352
OTHER FINANCING SOURCES (USES)				
Sale of Municipal Property	5,000	5,000	210,050	205,050
Transfers In	2,437,000	2,437,000	2,437,000	-
Total other financing sources (uses)	2,442,000	2,442,000	2,647,050	205,050
Net change in fund balances	(631,740)	(1,667,640)	(600,238)	1,067,402
Fund balances -- beginning	2,427,101	2,427,101	2,427,101	-
Fund balances -- ending	$ 1,795,361	$ 759,461	$ 1,826,863	$ 1,067,402

Required Supplementary Information - Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Capital Improvement Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	$ 10,771,000	$ 10,771,000	$ 11,272,523	$ 501,523
Intergovernmental	1,676,000	1,676,000	859,547	(816,453)
Interest Revenue	450,000	450,000	1,156,677	706,677
Special Assessments	-	-	1,559	1,559
Donations/Contributions	829,710	829,710	1,196,683	366,973
Miscellaneous	108,000	108,000	475,288	367,288
Total Revenues	13,834,710	13,834,710	14,962,277	1,127,567
EXPENDITURES				
Public Safety				
Public Safety Equipmet/Vehicls	862,500	1,031,540	656,319	375,221
Public Works				
Public Works Equipment/Vehciles	323,000	403,580	214,126	189,454
Street System Improvements	3,860,000	3,971,030	3,001,878	969,152
Storm Sewer/Flood Projects	-	165,000	1,902	163,098
Culture and Recreation				
Park & Recreation Equipment/Vehicles	299,000	342,000	722,145	(380,145)
Recreational Facility Improvements	2,790,000	4,085,030	2,380,170	1,704,860
Conservation and Development				
Industrial Park & Other Infrastructure	57,400	75,500	68,569	6,931
Debt Service	5,446,030	5,461,030	5,458,050	2,980
Total Expenditures	13,637,930	15,534,710	12,503,159	3,031,551
Excess of revenues over (under) expenditures	196,780	(1,700,000)	2,459,118	4,159,118
OTHER FINANCING SOURCES (USES)				
Direct Financing Lease Proceeds	-	-	712,362	712,362
Transfers Out	(1,020,280)	(1,020,280)	(1,020,280)	-
Total other financing sources (uses)	(1,020,280)	(1,020,280)	(307,918)	712,362
Net Change in fund balances	(823,500)	(2,720,280)	2,151,200	4,871,480
Fund Balances - beginning	21,201,682	21,201,682	21,201,682	-
Fund Balances - ending	$ 20,378,182	$ 18,481,402	$ 23,352,882	$ 4,871,480

The Schedule

The Budgetary Comparison Schedules provide comparisons of the original and legally amended budget with actual amounts on a sub-function level for the General Fund and Capital Improvement Fund. In addition to the required general fund presentation, the special revenue funds presented have a legally adopted annual budget and are reported as major funds in the financial statements.

The City follows legally prescribed procedures in establishing the budgetary data reflected in the financial statements as follows:

1. On or before the first regular meeting in November, the Finance Officer submits to the City Council a proposed operating budget for the General, Special Revenue, Debt Service, and Capital Project Funds based on budget requests submitted and presented by the various department heads of the City for the fiscal year commencing the following January. The operating budget includes proposed expenditures and the means of financing them. The budget is introduced by the City Council as a formal ordinance by the first meeting in September or within ten days thereafter.

2. Public hearings are conducted to obtain taxpayers comments.

3. Prior to November 30, the budget is legally enacted through passage of an ordinance. A separate ordinance certifying the tax levies to the county auditor is approved and submitted on or before October 1.

4. After adoption by the governing body, the expenditures incorporated in the budget for the General, Special Revenue, Debt Service, and Capital Project Funds become legally binding and the actual expenditures must be held to budgeted amounts at the department level (i.e., Finance, Police, Fire, Street, etc.) unless amended as permitted by state law or home rule charter. (See item No. 7 below).

5. The governing board may include in the General Fund an operating budget line item for contingencies pursuant to South Dakota Codified Law that cannot exceed five percent of the total operating budget. The governing board may transfer, by resolution, such amounts appropriated for contingencies to any other appropriation category in which insufficient amounts were provided or for items for which no appropriation was originally provided.

6. Every appropriation, except an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent that it has not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until expended, revised or repealed; the purpose of any such appropriation shall be deemed abandoned if three years pass without any disbursement from, or encumbrance of, the appropriation.

7. If it is determined during the year that sufficient amounts have not been budgeted for a particular department within the General, Special Revenue, Debt Service, and Capital Project Funds, South Dakota Codified Law allows the passage of a supplemental budget appropriation ordinance by the governing board to increase legal spending authority. Any such supplements must be adopted in accordance with the same laws governing the adoption of the annual appropriations ordinance. The budget may also be amended to appropriate state or federal grant funds that were not anticipated within the original budget. Such grant funds may be appropriated by approval of a motion to do so by a simple majority of the City Council. Bond proceeds are deemed to be formally appropriated upon bond issuance and require no further formal action by the City Council. Home Rule Charter allows the City Council to transfer unencumbered appropriation balance from one department to the appropriation of another department. Home Rule Charter also allows the finance officer to transfer part or all of any unencumbered appropriation balance among programs within a department upon approval by the council.

8. The South Dakota Codified Laws do not allow city financial officers or other appointed officers to amend the budget. The legal spending authority can be amended only by the steps described in item No. 5 and No. 7 above.

9. Budgets are prepared for the City's funds on the same basis and using the same accounting practices as are used to prepare financial statements of the funds, which is capital outlay expenditures, are reported within the function of which they relate.

Budget Compliance

There were no material violations of the annual appropriated budget for the fiscal year ending December 31, 2025.

GAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with United States GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function of which they relate.

Required Supplementary Information - Schedule of Changes in Total OPEB Liability, Related Ratios and Notes

	2018	2019	2020	2021	2022	2023	2024	2025
Service Cost	$ 56,742	$ 65,202	$ 63,076	$ 85,138	$ 100,697	$ 153,970	$ 76,645	$ 97,374
Interest	48,505	43,994	47,636	54,529	42,236	54,514	60,080	75,067
Differences Between Expected and Actual Experience	-	-	682,830	-	413,831	(67,163)	266,069	(1,695)
Changes of Assumptions	49,791	(41,154)	1,906	109,071	408,282	(377,436)	156,416	(57,213)
Changes of Benefit Terms	-	-	-	-	-	(1,042,168)	-	-
Employer Contributions	(107,794)	(107,184)	(114,885)	(122,357)	(148,428)	(186,383)	(60,871)	(83,612)
Benefit Payments	-	-	-	-	-	-	-	-
Net Change in Total OPEB Liability	47,244	(39,142)	680,563	126,381	816,618	(1,464,666)	498,339	29,921
Total OPEB Liability Beginning of Year	1,270,255	1,317,499	1,278,357	1,958,920	2,085,301	2,901,919	1,437,253	1,935,592
Total OPEB Liability End of Year	$ 1,317,499	$ 1,278,357	$ 1,958,920	$ 2,085,301	$ 2,901,919	$ 1,437,253	$ 1,935,592	$ 1,965,513
OPEB-eligble payroll for measurment period	$ 15,783,830	$ 16,008,107	$ 15,235,843	$ 15,480,869	$ 18,532,529	$ 19,377,019	$ 22,798,648	$ 25,209,237
Net OPEB Liability as a % of eligible payroll	8.3%	8.0%	12.9%	13.5%	15.7%	7.4%	8.5%	7.8%

* Due to the unavailability of historical data, we were not able to present ten years of data.
There are no assets accumulated in a trust to pay related benefits for the OPEB Plan.

Changes in Assumptions and other inputs reflect the effects of changes in the discount rate each period.
The following are the discount rates used in each period.

Year ended December 31, 2025	4.08%
Year ended December 31, 2024	3.77%
Year ended December 31, 2023	4.05%
Year ended December 31, 2022	1.84%
Year ended December 31, 2021	2.00%
Year ended December 31, 2020	2.75%
Year ended December 31, 2019	3.71%
Year ended December 31, 2018	3.31%
Year ended December 31, 2017	3.81%

Required Supplementary Information - Schedule of Net Pension Liability (Asset)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Municipality's proportion of the net pension liability (asset)	0.879573%	0.852118%	0.844764%	0.846238%	0.850938%	0.868843%	0.870292%	0.878872%	0.864293%	0.873343%
Municipality's proportionate share of net pension liability (asset)	$ 2,971,110	$ (77,328)	$ (19,701)	$ (89,678)	$ (36,956)	$ (6,653,845)	$ (82,242)	$ (85,777)	$ (34,982)	$ (74,275)
Municipality's covered payroll	$ 15,315,794	$ 15,916,651	$ 16,138,625	$ 16,540,327	$ 17,162,381	$ 18,074,254	$ 19,049,317	$ 20,732,465	$ 22,148,185	$ 23,743,759
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	19.40%	-0.49%	-0.12%	-0.54%	-0.22%	-36.81%	-0.43%	-0.41%	-0.16%	-0.31%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.89%	100.10%	100.02%	100.09%	100.04%	105.52%	100.10%	100.10%	100.00%	100.10%

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

Changes from Prior Valuation

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

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

Benefit Provision Changes

During the 2025 Legislative Session no significant SDRS benefit changes were made.

Actuarial Assumption Changes

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

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

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

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

Actuarial Method Changes

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

Required Supplementary Information - Schedule of Contributions

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required contribution	$ 1,023,748	$ 1,046,362	$ 1,057,951	$ 1,100,867	$ 1,146,862	$ 1,208,844	$ 1,306,514	$ 1,360,159	$ 1,454,864	$ 1,559,067
Contributions in relation to the contractually required contribution	1,023,748	1,046,362	1,057,951	1,100,867	1,146,862	1,208,844	1,306,514	1,360,159	1,454,864	1,559,067
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipality's covered payroll	$ 15,626,287	$ 16,030,066	$ 16,209,660	$ 16,872,147	$ 17,545,720	$ 18,464,642	$ 19,930,135	$ 21,348,506	$ 22,618,820	$ 24,909,498
Contributions as a percentage of covered payroll	6.55%	6.53%	6.53%	6.52%	6.54%	6.55%	6.56%	6.37%	6.43%	6.26%

Water Storage Tanks

Measurement Scale

Watertown Municipal Utilities (WMU) has water storage tanks which are infrastructure assets. The Board of Directors has determined that preserving the value of these assets is in the best interest of WMU. WMU has incorporated in its water storage tank maintenance contracts an asset management system to manage these assets. WMU has consulted with water storage tank industry experts on assessing the infrastructure condition of those assets. WMU maintains six water storage tanks using Utility Service Group's Tank Assessment Index (TAI). The condition of WMU's water storage tanks is determined using their maintenance program. The tank condition rating, TAI, is a weighted average of an assessment of the ability of individual water storage tanks to function structurally, such that water is stored safely and securely, uses a numerical condition scale ranging from 1.0 (unacceptable) to 10.0 (very good). All water storage tanks are inspected every year and washed out every other year. Repairs are done as needed.

Established Condition Level

It is WMU's policy to keep all the water storage tanks at a condition level of not less than 5 (satisfactory).

Assessed Conditions

The following table presents the average TAI of all rated water storage tanks.

For the Year Ended	Tank Assessment Index	For the Year Ended	Tank Assessment Index
December 31, 2016	8.9	December 31, 2021	9.3
December 31, 2017	9.4	December 31, 2022	9.3
December 31, 2018	9.2	December 31, 2023	9.4
December 31, 2019	9.4	December 31, 2024	9.4
December 31, 2020	9.4	December 31, 2025	9.0

Estimated and Actual Costs to Maintain

The following table presents WMU's estimate of spending to preserve and maintain the water storage tanks at or above, the "Established Condition Level" cited above, and the actual amount spent:

For the Year Ended	Estimated	Actual
December 31, 2016	$278,527	$231,368
December 31, 2017	$232,447	$232,485
December 31, 2018	$233,607	$233,607
December 31, 2019	$234,807	$235,077
December 31, 2020	$236,051	$236,051
December 31, 2021	$237,338	$237,338
December 31, 2022	$238,671	$238,671
December 31, 2023	$240,620	$240,620
December 31, 2024	$242,069	$242,069
December 31, 2025	$243,569	$262,179

Combining Balance Sheet - Nonmajor Governmental Funds

	Special Revenue Funds	Capital Projects Funds	Total Governmental Funds
ASSETS			
Pooled Cash and Investments	$ 2,752,169	$ 6,910,594	$ 9,662,763
Property Taxes Receivable	108,342	-	108,342
Sales Tax Receivable	130,143	-	130,143
Accounts Receivable	176,956	-	176,956
Loans Receivable	1,795,455	-	1,795,455
Due From Other Governments	22,391	-	22,391
Restricted Assets:			
Pooled Cash and Investments	3,058	-	3,058
Total assets	$ 4,988,514	$ 6,910,594	$ 11,899,108
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 126,480	$ -	$ 126,480
Advance From Other Fund	4,479,161	-	4,479,161
Total liabilities	4,605,641	-	4,605,641
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	216,017	-	216,017
Total Deferred Inflows of Resources	216,017	-	216,017
FUND BALANCES			
Restricted for:			
Capital Projects	-	6,910,594	6,910,594
BBB Sales Tax	1,508,461	-	1,508,461
Event Center	3,058	-	3,058
E-911 Services	932,060	-	932,060
Library	236,582	-	236,582
Assigned for:			
Other Purposes	168,292	-	168,292
Unassigned	(2,681,597)	-	(2,681,597)
Total fund balances	166,856	6,910,594	7,077,450
Total liabilities, deferred inflows of resources and fund balances	$ 4,988,514	$ 6,910,594	$ 11,899,108

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

	Special Revenue Funds	Capital Projects Funds	Total Governmental Funds
REVENUES			
Tax Revenue			
Property	$ 1,648,541	$ -	$ 1,648,541
Sales	1,339,147	-	1,339,147
Charges for Goods and Services	2,654,371	-	2,654,371
Fines and Forfeits	12,641	-	12,641
Interest Revenue	118,625	198,284	316,909
Rentals	67,105	-	67,105
Donations/Contributions	226,851	-	226,851
Miscellaneous	28,002	-	28,002
Total revenues	6,095,283	198,284	6,293,567
EXPENDITURES			
Current:			
General Government	122,362	-	122,362
Public Safety	1,336,480	-	1,336,480
Public Works	-	2,292,383	2,292,383
Culture and Recreation	1,754,316	38,133	1,792,449
Conservation and Development	1,518,337	-	1,518,337
Debt Service	344,583	-	344,583
Total expenditures	5,076,078	2,330,516	7,406,594
Excess of revenues over (under) expenditures	1,019,205	(2,132,232)	(1,113,027)
OTHER FINANCING SOURCES (USES)			
Transfers In	75,000	1,690,695	1,765,695
Transfers Out	(634,116)	(1,176,744)	(1,810,860)
Total other financing sources (uses)	(559,116)	513,951	(45,165)
Net Change in Fund Balances	460,089	(1,618,281)	(1,158,192)
Fund balances -- beginning	(293,233)	8,528,875	8,235,642
Fund balances -- ending	$ 166,856	$ 6,910,594	$ 7,077,450

Nonmajor Special Revenue Funds

BBB Sales Tax Fund – to account for the revenues and expenditures of the special one percent (1%) city gross receipts tax on lodging, alcoholic beverages, prepared food and admissions. Revenues are restricted by State Law for the purpose of land acquisition, architectural fees, construction costs, payment for civic center, auditorium, or athletic facility buildings (including the maintenance, staffing and operation of such facilities) and the promotion and advertising of the City.

Prairie Lakes Wellness Center Fund – to account for the operations and maintenance of the Wellness Center facilities and activities. Financing is provided by revenues from memberships, program fees and inter-fund transfers.

Casualty Reserve Fund – to account for the revenues and expenditures to replace and repair property of the City which was damaged or lost as a result of a casualty loss that was not covered by insurance.

E-911 Emergency Fund – to account for the $1.25 per phone line surcharge assessed to customers of private phone companies operating within Codington County. These funds are used to defray the costs incurred by the City in providing emergency dispatch services.

Library Fines Fund – to account for the revenue derived from library fines and other allowed charges. Expenditures are authorized by the Library Board.

Tax Increment Financing 5 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #5. This TID was created to capture the incremental tax revenue generated by development of the 1st Avenue North Extension area and to pay for road construction costs.

Tax Increment Financing 7 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #7. This TID was created to capture the incremental tax revenue generated by development of the new Terex Facility and to pay for site improvements, land costs and improvements.

Tax Increment Financing 8 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #8. This TID was created to capture the incremental tax revenue generated by development of the Calvin Industrial Park and to pay for site improvements and public use areas.

Tax Increment Financing 9 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #9. This TID was created to capture the incremental tax revenue generated by development of the Calvin Industrial Park and to pay for site improvements and public use areas.

Tax Increment Financing 10 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #10. This TID was created to capture the incremental tax revenue generated by development of The Lofts and to pay for site improvements and public use areas.

Tax Increment Financing 11 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #11. This TID was created to capture the incremental tax revenue generated by development of the Marketplace and to pay for site improvements and public use areas.

Tax Increment Financing 12 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #12. This TID was created to capture the incremental tax revenue generated by development of Parkside Place and to pay for site improvements and public use areas.

Tax Increment Financing 13 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #13. This TID was created to capture the incremental tax revenue generated by development of Generations on 1st and to pay for site improvements and public use areas.

Tax Increment Financing 14 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #14. This TID was created to capture the incremental tax revenue generated by development of Stony Point and to pay for site improvements and public use areas.

Tax Increment Financing 15 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #15. This TID was created to capture the incremental tax revenue generated by development of the Plains and to pay for site improvements and public use areas.

Tax Increment Financing 16 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #16. This TID was created to capture the incremental tax revenue generated by development of the Ruins and to pay for site improvements and public use areas.

Tax Increment Financing 17 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #17. This TID was created to capture the incremental tax revenue generated by development of Prairie Haven and to pay for site improvements and public use areas.

Tax Increment Financing 19 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #19. This TID was created to capture the incremental tax revenue generated by development of Willow Creek Development and to pay for site improvements and public use areas.

Tax Increment Financing 20 Fund – to account for the revenues and expenditures of the Tax Increment District (TID) #20. This TID was created to capture the incremental tax revenue generated by development of Sinclair Square and to pay for site improvements and public use areas.

THE CITY OF WATERTOWN

SOUTH DAKOTA

Combining Balance Sheet - Nonmajor Special Revenue Funds

	BBB Sales Tax Fund	Prairie Lakes Wellness Center Fund	Casualty Reserve Fund	E-911 Emergency Fund	Library Fines Fund	Tax Increment Financing 5 Fund	Tax Increment Financing 7 Fund
ASSETS							
Current assets:							
Pooled Cash and Investments	$ 1,536,337	$ 98,586	$ -	$ 847,187	$ 239,430	$ 2,109	$ -
Property Tax Receivable	-	-	-	-	-	-	-
Sales Tax Receivable	130,143	-	-	-	-	-	-
Accounts Receivable	-	-	-	176,956	-	-	-
Loans Receivable	-	-	-	-	-	-	-
Due From Other Governments	-	-	-	22,391	-	-	-
Restricted Cash	3,058	-	-	-	-	-	-
Total assets	$ 1,669,538	$ 98,586	$ -	$ 1,046,534	$ 239,430	$ 2,109	$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITES							
Accounts Payable	$ 49,259	$ 67,156	$ -	$ 7,217	$ 2,848	$ -	$ -
Advance From Other Fund	-	-	-	-	-	2,683,706	-
Total liabilities	49,259	67,156	-	7,217	2,848	2,683,706	-
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue	108,760	-	-	107,257	-	-	-
Total Deferred Inflows of Resources	108,760	-	-	107,257	-	-	-
FUND BALANCES							
Restricted for:							
BBB Sales Tax	1,508,461	-	-	-	-	-	-
Event Center	3,058	-	-	-	-	-	-
E-911 Services	-	-	-	932,060	-	-	-
Library	-	-	-	-	236,582	-	-
Assigned for:							
Other Purposes	-	31,430	-	-	-	-	-
Unassigned	-	-	-	-	-	(2,681,597)	-
Total fund balances	1,511,519	31,430	-	932,060	236,582	(2,681,597)	-
Total liabilities, deferred inflows of resources and fund balance	$ 1,669,538	$ 98,586	$ -	$ 1,046,534	$ 239,430	$ 2,109	$ -

Combining Balance Sheet - Nonmajor Special Revenue Funds(continued)

Tax Increment Financing 8 Fund	Tax Increment Financing 9 Fund	Tax Increment Financing 10 Fund	Tax Increment Financing 11 Fund	Tax Increment Financing 12 Fund	Tax Increment Financing 13 Fund	Tax Increment Financing 14 Fund
$ -	$ -	$ -	$ 1,935	$ -	$ -	$ 11,081
-	-	-	-	-	-	20,721
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,795,455	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ -	$ -	$ 1,795,455	$ 1,935	$ -	$ -	$ 31,802
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	1,795,455	-	-	-	-
-	-	1,795,455	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,935	-	-	31,802
-	-	-	-	-	-	-
-	-	-	1,935	-	-	31,802
$ -	$ -	$ 1,795,455	$ 1,935	$ -	$ -	$ 31,802

Combining Balance Sheet - Nonmajor Special Revenue Funds (continued)

	Tax Increment Financing 15 Fund	Tax Increment Financing 16 Fund	Tax Increment Financing 17 Fund	Tax Increment Financing 19 Fund	Tax Increment Financing 20 Fund	Total
ASSETS						
Current assets:						
Pooled Cash and Investments	$ -	$ -	$ 3,224	$ 1,909	$ 10,371	$ 2,752,169
Property Tax Receivable	-	87,621	-	-	-	108,342
Sales Tax Receivable	-	-	-	-	-	130,143
Accounts Receivable	-	-	-	-	-	176,956
Loans Receivable	-	-	-	-	-	1,795,455
Due From Other Governments	-	-	-	-	-	22,391
Restricted Cash	-	-	-	-	-	3,058
Total assets	$ -	$ 87,621	$ 3,224	$ 1,909	$ 10,371	$ 4,988,514
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITES						
Accounts Payable	$ -	$ -	$ -	$ -	$ -	$ 126,480
Advance From Other Fund	-	-	-	-	-	4,479,161
Total liabilities	-	-	-	-	-	4,605,641
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	-	-	-	-	-	216,017
Total Deferred Inflows of Resources	-	-	-	-	-	216,017
FUND BALANCES						
Restricted for:						
BBB Sales Tax	-	-	-	-	-	1,508,461
Event Center	-	-	-	-	-	3,058
E-911 Services	-	-	-	-	-	932,060
Library	-	-	-	-	-	236,582
Assigned for:						
Other Purposes	-	87,621	3,224	1,909	10,371	168,292
Unassigned	-	-	-	-	-	(2,681,597)
Total fund balances	-	87,621	3,224	1,909	10,371	166,856
Total liabilities, deferred inflows of resources and fund balance	$ -	$ 87,621	$ 3,224	$ 1,909	$ 10,371	$ 4,988,514

THE CITY OF WATERTOWN

SOUTH DAKOTA

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2025

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Nonmajor Special Revenue Funds

	BBB Sales Tax Fund	Prairie Lakes Wellness Center Fund	Casualty Reserve Fund	E-911 Emergency Fund	Library Fines Fund	Tax Increment Financing 5 Fund	Tax Increment Financing 7 Fund
REVENUES							
Tax Revenue							
Property	$ -	$ -	$ -	$ -	$ -	$ 474,215	$ 311,451
Sales	1,339,147	-	-	-	-	-	-
Charges for Goods and Services	-	1,541,805	-	1,112,566	-	-	-
Fines and Forfeits	-	-	-	-	12,641	-	-
Interest Revenue	58,649	9,762	-	40,652	9,562	-	-
Rentals	-	67,105	-	-	-	-	-
Donations/ Contributions	25,950	123,174	-	62,537	15,190	-	-
Miscellaneous	-	1,492	-	3,669	22,841	-	-
Total revenues	1,423,746	1,743,338	-	1,219,424	60,234	474,215	311,451
EXPENDITURES							
Current:							
General Government	122,362	-	-	-	-	-	-
Public Safety	-	-	-	1,336,480	-	-	-
Culture and Recreation	-	1,721,853	-	-	32,463	-	-
Conservation and Development	488,549	-	-	-	-	21,729	311,451
Debt Service	-	-	-	-	-	202,014	-
Total expenditures	610,911	1,721,853	-	1,336,480	32,463	223,743	311,451
Excess of revenues over (under)expenditures	812,835	21,485	-	(117,056)	27,771	250,472	-
OTHER FINANCING SOURCES (USES)							
Transfers In	-	-	-	-	-	-	-
Transfers Out	(600,000)	-	(34,116)	-	-	-	-
Total other financing sources (uses)	(600,000)	-	(34,116)	-	-	-	-
Net change in fund balances	212,835	21,485	(34,116)	(117,056)	27,771	250,472	-
Fund balances -- beginning	1,298,684	9,945	34,116	1,049,116	208,811	(2,932,069)	-
Fund balances -- ending	$ 1,511,519	$ 31,430	$ -	$ 932,060	$ 236,582	$ (2,681,597)	$ -

City of Watertown
Annual Comprehensive Financial Report
Year Ended December 31, 2025

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Nonmajor Special Revenue Funds (continued)

Tax Increment Financing 8 Fund	Tax Increment Financing 9 Fund	Tax Increment Financing 10 Fund	Tax Increment Financing 11 Fund	Tax Increment Financing 12 Fund	Tax Increment Financing 13 Fund	Tax Increment Financing 14 Fund
$ 39,426	$ 29,515	$ 1,408	$ 66,829	$ 40,530	$ 75,560	$ 278,736
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
39,426	29,515	1,408	66,829	40,530	75,560	278,736
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
39,426	29,515	-	-	40,530	75,560	252,304
-	-	1,408	141,161	-	-	-
39,426	29,515	1,408	141,161	40,530	75,560	252,304
-	-	-	(74,332)	-	-	26,432
-	-	-	75,000	-	-	-
-	-	-	-	-	-	-
-	-	-	75,000	-	-	-
-	-	-	668	-	-	26,432
-	-	-	1,267	-	-	5,370
$ -	$ -	$ -	$ 1,935	$ -	$ -	$ 31,802

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Nonmajor Special Revenue Funds (continued)

	Tax Increment Financing 15 Fund	Tax Increment Financing 16 Fund	Tax Increment Financing 17 Fund	Tax Increment Financing 19 Fund	Tax Increment Financing 20 Fund	Total
REVENUES						
Tax Revenue						
Property	$ 195,271	$ 56,094	$ 39,357	$ 19,407	$ 20,742	$ 1,648,541
Sales	-	-	-	-	-	1,339,147
Charges for Goods and Services	-	-	-	-	-	2,654,371
Fines and Forfeits	-	-	-	-	-	12,641
Interest Revenue	-	-	-	-	-	118,625
Rentals	-	-	-	-	-	67,105
Donations/ Contributions	-	-	-	-	-	226,851
Miscellaneous	-	-	-	-	-	28,002
Total revenues	195,271	56,094	39,357	19,407	20,742	6,095,283
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	122,362
Public Safety	-	-	-	-	-	1,336,480
Culture and Recreation	-	-	-	-	-	1,754,316
Conservation and Development	195,271	-	36,133	17,498	10,371	1,518,337
Debt Service	-	-	-	-	-	344,583
Total expenditures	195,271	-	36,133	17,498	10,371	5,076,078
Excess of revenues over (under) expenditures	-	56,094	3,224	1,909	10,371	1,019,205
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	-	-	75,000
Transfers Out	-	-	-	-	-	(634,116)
Total other financing sources (uses)	-	-	-	-	-	(559,116)
Net change in fund balances	-	56,094	3,224	1,909	10,371	460,089
Fund balances -- beginning	-	31,527	-	-	-	(293,233)
Fund balances -- ending	$ -	$ 87,621	$ 3,224	$ 1,909	$ 10,371	$ 166,856

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - BBB Sales Tax Fund

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Tax Revenue				
Sales	$ 1,250,000	$ 1,250,000	$ 1,339,147	$ 89,147
Interest Revenue	20,000	20,000	58,649	38,649
Donation	-	-	25,950	
Total revenues	1,270,000	1,270,000	1,423,746	127,796
EXPENDITURES				
General Government	229,500	229,500	122,362	107,138
Conservation and Development	487,000	487,000	488,549	(1,549)
Total expenditures	716,500	716,500	610,911	105,589
Excess of revenues over (under) expenditures	553,500	553,500	812,835	233,385
OTHER FINANCING SOURCES (USES)				
Transfers Out	(600,000)	(600,000)	(600,000)	-
Total other financing sources (uses)	(600,000)	(600,000)	(600,000)	-
Net change in fund balances	(46,500)	(46,500)	212,835	233,385
Fund balances -- beginning	1,298,684	1,298,684	1,298,684	-
Fund balances -- ending	$ 1,252,184	$ 1,252,184	$ 1,511,519	$ 233,385

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Prairie Lakes Wellness Center Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	**Final**	**Actual**	
REVENUES				
Charges for Goods and Services	$ 1,608,500	$ 1,608,500	$ 1,541,805	$ (66,695)
Interest Revenue	6,000	6,000	9,762	3,762
Rentals	73,000	73,000	67,105	(5,895)
Donations/Contributions	21,500	21,500	123,174	101,674
Miscellaneous	9,000	9,000	1,492	(7,508)
Total revenues	1,718,000	1,718,000	1,743,338	25,338
EXPENDITURES				
Culture and Recreation	1,667,450	1,825,650	1,721,853	103,797
Total expenditures	1,667,450	1,825,650	1,721,853	103,797
Excess of revenues over (under) expenditures	50,550	(107,650)	21,485	129,135
Net change in fund balances	50,550	(107,650)	21,485	129,135
Fund balances -- beginning	9,945	9,945	9,945	-
Fund balances -- ending	$ 60,495	$ (97,705)	$ 31,430	$ 129,135

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Casualty Reserve Fund

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget - Positive (Negative)**
REVENUES				
Interest Revenue	$ -	$ -	$ -	$ -
Total revenues	-	-	-	-
EXPENDITURES				
General Government	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers Out	34,120	34,120	34,116	4
Total other financing sources (uses)	34,120	34,120	34,116	4
Net change in fund balances	(34,120)	(34,120)	(34,116)	-
Fund balances -- beginning	34,116	34,116	34,116	-
Fund balances -- ending	$ (4)	$ (4)	$ -	$ -

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - E-911 Emergency Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for Goods and Services	$ 1,411,000	$ 1,411,000	$ 1,112,566	$ (298,434)
Interest Revenue	20,000	20,000	40,652	20,652
Donations/Contributions	62,500	62,500	62,537	37
Miscellaneous	1,000	1,000	3,669	2,669
Total revenues	1,494,500	1,494,500	1,219,424	(275,076)
EXPENDITURES				
Public Safety	1,471,850	1,479,050	1,336,480	142,570
Total expenditures	1,471,850	1,479,050	1,336,480	142,570
Excess of revenues over (under) expenditures	22,650	15,450	(117,056)	(132,506)
Net change in fund balances	22,650	15,450	(117,056)	(132,506)
Fund balances -- beginning	1,049,116	1,049,116	1,049,116	-
Fund balances -- ending	$ 1,071,766	$ 1,064,566	$ 932,060	$ (132,506)

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Library Fines Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	**Final**	**Actual**	
REVENUES				
Fines and Forfeits	$ 8,000	$ 8,000	$ 12,641	$ 4,641
Interest Revenue	3,000	3,000	9,562	6,562
Donations/Contributions	7,000	7,000	15,190	8,190
Miscellaneous	1,000	1,000	22,841	21,841
Total revenues	19,000	19,000	60,234	41,234
EXPENDITURES				
Culture and Recreation	39,450	39,450	32,463	6,987
Total expenditures	39,450	39,450	32,463	6,987
Excess of revenues over (under) expenditures	(20,450)	(20,450)	27,771	48,221
Net change in fund balances	(20,450)	(20,450)	27,771	48,221
Fund balances -- beginning	208,811	208,811	208,811	-
Fund balances -- ending	$ 188,361	$ 188,361	$ 236,582	$ 48,221

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 5 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	$ 512,600	$ 512,600	$ 474,215	$ (38,385)
Total revenues	512,600	512,600	474,215	(38,385)
EXPENDITURES				
Conservation and Development	-	15,000	21,729	(6,729)
Debt Service	512,600	512,600	202,014	310,586
Total expenditures	512,600	527,600	223,743	303,857
Excess of revenues over (under) expenditures	-	(15,000)	250,472	265,472
Net change in fund balances	-	(15,000)	250,472	265,472
Fund balances -- beginning	(2,932,069)	(2,932,069)	(2,932,069)	-
Fund balances -- ending	$ (2,932,069)	$ (2,947,069)	$ (2,681,597)	$ 265,472

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 7 Fund

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Tax Revenue	$ 332,800	$ 332,800	$ 311,451	$ (21,349)
Total revenues	332,800	332,800	311,451	(21,349)
EXPENDITURES				
Conservation and Development	332,800	332,800	311,451	21,349
Total expenditures	332,800	332,800	311,451	21,349
Excess of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	$ -	$ -	$ -	$ -

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 8 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	$ 42,200	$ 42,200	$ 39,426	$ (2,774)
Total revenues	42,200	42,200	39,426	(2,774)
EXPENDITURES				
Conservation and Development	42,200	42,200	39,426	2,774
Total expenditures	42,200	42,200	39,426	2,774
Excess of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	$ -	$ -	$ -	$ -

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 9 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	$ 31,600	$ 31,600	$ 29,515	$ (2,085)
Total revenues	31,600	31,600	29,515	(2,085)
EXPENDITURES				
Conservation and Development	31,600	31,600	29,515	2,085
Total expenditures	31,600	31,600	29,515	2,085
Excess of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	$ -	$ -	$ -	$ -

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 10 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	$ 1,600	$ 1,600	$ 1,408	$ (192)
Total revenues	1,600	1,600	1,408	(192)
EXPENDITURES				
Debt Service	1,600	1,600	1,408	192
Total expenditures	1,600	1,600	1,408	192
Excess of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	$ -	$ -	$ -	$ -

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 11 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	$ 71,300	$ 71,300	$ 66,829	$ (4,471)
Total revenues	71,300	71,300	66,829	(4,471)
EXPENDITURES				
Debt Service	141,170	141,170	141,161	9
Total expenditures	141,170	141,170	141,161	9
Excess of revenues over (under) expenditures	(69,870)	(69,870)	(74,332)	(4,462)
OTHER FINANCING SOURCES (USES)				
Transfer In	75,000	75,000	75,000	-
Total other financing sources (uses)	75,000	75,000	75,000	-
Net change in fund balances	5,130	5,130	668	(4,462)
Fund balances -- beginning	1,267	1,267	1,267	-
Fund balances -- ending	$ 6,397	$ 6,397	$ 1,935	$ (4,462)

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 12 Fund

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Tax Revenue	$ 43,350	$ 43,350	$ 40,530	$ (2,820)
Total revenues	43,350	43,350	40,530	(2,820)
EXPENDITURES				
Conservation and Development	43,350	43,350	40,530	2,820
Total expenditures	43,350	43,350	40,530	2,820
Excess of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	$ -	$ -	$ -	$ -

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 13 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	$ 80,750	$ 80,750	$ 75,560	$ (5,190)
Total revenues	80,750	80,750	75,560	(5,190)
EXPENDITURES				
Conservation and Development	80,750	80,750	75,560	5,190
Total expenditures	80,750	80,750	75,560	5,190
Excess of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	$ -	$ -	$ -	$ -

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 14 Fund

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Tax Revenue	$ 307,700	$ 377,700	$ 278,736	$ (98,964)
Total revenues	307,700	377,700	278,736	(98,964)
EXPENDITURES				
Conservation and Development	307,700	377,700	252,304	125,396
Total expenditures	307,700	377,700	252,304	125,396
Excess of revenues over (under) expenditures	-	-	26,432	26,432
Net change in fund balances	-	-	26,432	26,432
Fund balances -- beginning	-	-	5,370	-
Fund balances -- ending	$ -	$ -	$ 31,802	$ 26,432

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 15 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	$ 208,700	$ 210,300	$ 195,271	$ (15,029)
Total revenues	208,700	210,300	195,271	(15,029)
EXPENDITURES				
Conservation and Development	208,700	210,300	195,271	15,029
Total expenditures	208,700	210,300	195,271	15,029
Excess of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	$ -	$ -	$ -	$ -

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 16 Fund

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Tax Revenue	$ 60,000	$ 60,000	$ 56,094	$ (3,906)
Total revenues	60,000	60,000	56,094	(3,906)
EXPENDITURES				
Conservation and Development	60,000	60,000	-	60,000
Total expenditures	60,000	60,000	-	60,000
Excess of revenues over (under) expenditures	-	-	56,094	56,094
Net change in fund balances	-	-	56,094	56,094
Fund balances -- beginning	-	-	31,527	-
Fund balances -- ending	$ -	$ -	$ 87,621	$ 56,094

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 17 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	$ 42,000	$ 42,000	$ 39,357	$ (2,643)
Total revenues	42,000	42,000	39,357	(2,643)
EXPENDITURES				
Conservation and Development	42,000	42,000	36,133	5,867
Total expenditures	42,000	42,000	36,133	5,867
Excess of revenues over (under) expenditures	-	-	3,224	3,224
Net change in fund balances	-	-	3,224	3,224
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	$ -	$ -	$ 3,224	$ 3,224

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 19 Fund

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Tax Revenue	$ 20,800	$ 20,800	$ 19,407	$ (1,393)
Total revenues	20,800	20,800	19,407	(1,393)
EXPENDITURES				
Conservation and Development	20,800	20,800	17,498	3,302
Total expenditures	20,800	20,800	17,498	3,302
Excess of revenues over (under) expenditures	-	-	1,909	1,909
Net change in fund balances	-	-	1,909	1,909
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	$ -	$ -	$ 1,909	$ 1,909

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual -Tax Increment Financing 20 Fund

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Tax Revenue	$ 22,200	$ 22,200	$ 20,742	$ (1,458)
Total revenues	22,200	22,200	20,742	(1,458)
EXPENDITURES				
Conservation and Development	22,200	22,200	10,371	11,829
Total expenditures	22,200	22,200	10,371	11,829
Excess of revenues over (under) expenditures	-	-	10,371	10,371
Net change in fund balances	-	-	10,371	10,371
Fund balances -- beginning	-	-	-	-
Fund balances -- ending	$ -	$ -	$ 10,371	$ 10,371

Nonmajor Capital Projects Funds

Capital Project Fund (505) – to account for the Sales Tax Revenue Bond proceeds that will be used for the purchase and renovation of a new City Hall, 10^{th} Ave. NE street reconstruction and land purchase and construction of a new Street Facility.

Capital Project Fund (506) – to account for the Sales Tax Revenue Bond proceeds that will be used for the construction of a new two sheet Ice Arena and land purchase.

Combining Balance Sheet - Nonmajor Capital Projects Funds

	Capital Projects Fund (505)	Capital Projects Fund (506)	Total Capital Projects Funds
ASSETS			
Current assets:			
Pooled Cash and Investments	$ 6,910,594	$ -	$ 6,910,594
Total assets	6,910,594	-	6,910,594
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	-	-	-
Total Liabilities	-	-	-
FUND BALANCES			
Restriced for:			
Capital Projects	6,910,594	-	6,910,594
Total fund balances	6,910,594	-	6,910,594
Total liabilities, deferred inflow of resources and fund balances	$ 6,910,594	$ -	$ 6,910,594

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-
Nonmajor Capital Projects Funds

	Capital Projects Fund (505)	Capital Projects Fund (506)	Total Capital Projects Funds
REVENUES			
Interest Revenue	$ 129,589	$ 68,695	$ 198,284
Total revenues	129,589	68,695	198,284
EXPENDITURES			
Public Works	2,292,383	-	2,292,383
Culture and Recreation	-	38,133	38,133
Total expenditures	2,292,383	38,133	2,330,516
Excess of revenues over (under) expenditures	(2,162,794)	30,562	(2,132,232)
OTHER FINANCING SOURCES (USES)			
Transfer In	1,690,695	-	1,690,695
Transfer Out	-	(1,176,744)	(1,176,744)
Total other financing sources (uses)	1,690,695	(1,176,744)	513,951
Net Change in Fund Balance	(472,099)	(1,146,182)	(1,618,281)
Fund balances -- beginning	7,382,693	1,146,182	8,528,875
Fund balances -- ending	$ 6,910,594	-	$ 6,910,594

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual- Capital Projects Fund (505)

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	**Final**	**Actual**	
REVENUES				
Interest Revenue	$ 50,000	$ 50,000	$ 129,589	$ 79,589
Total Revenues	50,000	50,000	129,589	79,589
EXPENDITURES				
General Government	-	2,377,940	2,292,383	85,557
Public Works	-	5,572,540	-	5,572,540
Total Expenditures	-	7,950,480	2,292,383	5,658,097
Excess of revenues over (under) expenditures	50,000	(7,900,480)	(2,162,794)	5,737,686
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	1,690,695	1,690,695
Total other financing sources (uses)	-	-	1,690,695	1,690,695
Net Change in fund balances	50,000	(7,900,480)	(472,099)	7,428,381
Fund Balances - beginning	7,382,693	7,382,693	7,382,693	-
Fund Balances - ending	$ 7,432,693	$ (517,787)	$ 6,910,594	$ 7,428,381

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual- Capital Projects Fund (506)

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Interest Revenue	$ -	$ -	$ 68,695	$ 68,695
Total Revenues	-	-	68,695	68,695
EXPENDITURES				
Culture and Recreation	-	527,850	38,133	489,717
Total Expenditures	-	527,850	38,133	489,717
Excess of revenues over (under) expenditures	-	(527,850)	30,562	558,412
OTHER FINANCING SOURCES (USES)				
Transfers Out		(1,177,000)	(1,176,744)	256
Total other financing sources (uses)	-	(1,177,000)	(1,176,744)	256
Net Change in fund balances	-	(1,704,850)	(1,146,182)	558,668
Fund Balances - beginning	1,146,182	1,146,182	1,146,182	-
Fund Balances - ending	$ 1,146,182	$ (558,668)	$ -	$ 558,668

Nonmajor Enterprise Funds

Solid Waste Fund – to account for solid waste services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, billing and collection.

Combining Statement of Net Position - Nonmajor Proprietary Funds

	Enterprise Funds	
	Solid Waste Fund	**Total**
ASSETS		
Current assets:		
Pooled Cash and Cash Equivalents	$ 1,565,533	$ 1,565,533
Accounts Receivable	488,663	488,663
Due from Other Funds	35,954	35,954
Inventory	42,985	42,985
Net Pension Asset	3,039	3,039
Restricted Cash and Cash Equivalents	1,330,726	1,330,726
Total Current assets:	3,466,900	3,466,900
Noncurrent assets:		
Land	685,743	685,743
Buildings and Structures	993,472	993,472
Furniture Equipment Machinery	9,134,972	9,134,972
Improvements Other Than Buildings	9,175,473	9,175,473
Accumulated Depreciation	(6,698,806)	(6,698,806)
Total Noncurrent assets:	13,290,854	13,290,854
Total assets	16,757,754	16,757,754
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	285,578	285,578
OPEB Related Deferred Outflows	47,235	47,235
Total Deferred Outflows of Resources	332,813	332,813
LIABILITIES		
Current liabilities:		
Accounts Payable	185,797	185,797
Loans Payable	69,907	69,907
Accrued interest payable	5,472	5,472
Compensated Absences	53,855	53,855
OPEB Liability	5,554	5,554
Total Current liabilities:	320,585	320,585
Noncurrent liabilities:		
Compensated Absences	161,565	161,565
Net OPEB Liability	126,080	126,080
Closure/Post Closure Liability	1,330,726	1,330,726
Loans Payable	1,217,382	1,217,382
Total Noncurrent liabilities:	2,835,753	2,835,753
Total liabilities	3,156,338	3,156,338
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	162,322	162,322
OPEB Related Deferred Inflows	20,688	20,688
Total Deferred Inflows of Resources	183,010	183,010
NET POSITION		
Net Investment in Capital Assets	12,003,565	12,003,565
Restricted for SDRS Pension Purposes	3,039	3,039
Unrestricted	1,744,615	1,744,615
Total net position	$ 13,751,219	$ 13,751,219

Combining Statement of Revenues, Expenses, and Changes in Net Position-
Nonmajor Proprietary Funds

	Enterprise Funds	
	Solid Waste Fund	Total
OPERATING REVENUES		
Charges for Goods and Services	$ 6,130,053	$ 6,130,053
Miscellaneous	552,888	552,888
Total Operating revenues	6,682,941	6,682,941
OPERATING EXPENSES		
Personnel Services	1,374,678	1,374,678
Supplies	281,530	281,530
Utilities	34,823	34,823
Other Charges	1,377,821	1,377,821
Depreciation	1,345,783	1,345,783
Total operating expenses	4,414,635	4,414,635
Operating Income (Loss)	2,268,306	2,268,306
NONOPERATING REVENUES (EXPENSES)		
Interest Revenue	106,473	106,473
Interest Expense	(26,488)	(26,488)
Total nonoperating revenues (expenses)	79,985	79,985
Income (loss) before contributions and transfers	2,348,291	2,348,291
Transfers Out	(689,000)	(689,000)
Change in net position	1,659,291	1,659,291
Total net position -- beginning	12,091,928	12,091,928
Total net position -- ending	$ 13,751,219	$ 13,751,219

Combining Statement of Cash Flows - Nonmajor Proprietary Funds

	Enterprise Funds	
	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customer including deposits	$ 5,973,475	$ 5,973,475
Payments to suppliers	(1,612,914)	(1,612,914)
Payments to employees	(1,461,855)	(1,461,855)
Other Operating Cash Receipts	552,888	552,888
Net cash provided (used) by operating activities	3,451,594	3,451,594
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers Out	(689,000)	(689,000)
Net cash provided (used) by noncapital financing activities	(689,000)	(689,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,634,920)	(2,634,920)
Interest payments on SRF Loan	(26,746)	(26,746)
Principal payments on SRF Loan	(76,669)	(76,669)
Net cash provided (used) by capital and related financing activities	(2,738,335)	(2,738,335)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	106,473	106,473
Net cash provided by investing activities	106,473	106,473
Net increase (decrease) in cash and cash equivalents	130,732	130,732
Pooled Cash and Cash Equivalents - beginning of year	2,765,526	2,765,526
Pooled Cash and Cash Equivalents - end of year	2,896,258	2,896,258
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 2,268,306	$ 2,268,306
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,345,783	1,345,783
Changes in Assets and Liabilities:		
Accounts Payable - Other	730	730
Accounts Payable - Supplier	59,932	59,932
Customer Receivables	(120,623)	(120,623)
Net Pension Asset	(1,653)	(1,653)
Deferred Outflows Related to Pensions	(44,610)	(44,610)
Deferred Outflows Related to OPEB	8,617	8,617
Inventory	(9,283)	(9,283)
Other operating receivables	(35,954)	(35,954)
Other Post Employment Benefits	3,063	3,063
Deferred Inflows Related to Pensions	(11,837)	(11,837)
Deferred Inflows Related to OPEB	(127)	(127)
Closure/Post closure costs	29,880	29,880
Salaries & Benefits Payable	(40,630)	(40,630)
Net Cash provided (used) by operating activities	$ 3,451,594	$ 3,451,594

Statistical Section

This part of the City of Watertown's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

Contents Page

Table 1

Net Position by Component (accrual basis of accounting)

Last Ten Fiscal Years

	2016	2017	2018	2019
Governmental Activities				
Net Investment in Capital Assets	$ 106,608,222	$ 107,518,102	$ 111,229,268	$ 113,700,057
Restricted	14,965,449	14,607,671	17,388,981	17,223,431
Unrestricted	17,255,717	23,286,242	21,131,466	22,545,867
Total Governmental Activities Net Position	138,829,388	145,412,015	149,749,715	153,469,355
Business-Type Activities				
Net Investment in Capital Assets	139,508,003	149,623,847	153,019,100	159,199,656
Restricted	4,526,651	5,514,896	4,418,429	3,372,870
Unrestricted	19,525,178	20,132,551	25,132,526	25,567,692
Total Business-Type Activities Net Position	163,559,832	175,271,294	182,570,055	188,140,218
Primary Government				
Net Investment in Capital Assets	246,116,225	257,141,949	264,248,368	272,899,713
Restricted	19,492,100	20,122,567	21,807,410	20,596,301
Unrestricted	36,780,895	43,418,793	46,263,992	48,113,559
Total Primary Government Net Position	$ 302,389,220	$ 320,683,309	$ 332,319,770	$ 341,609,573

2020	2021	2022	2023	2024	2025
$ 118,593,087	$ 115,413,286	$ 124,189,936	$ 121,698,341	$ 135,465,029	$ 145,396,192
12,741,599	17,419,596	17,414,936	26,513,513	16,568,343	10,880,861
30,994,061	33,607,408	29,958,313	33,002,973	28,362,942	31,390,157
162,328,747	166,440,290	171,563,185	181,214,827	180,396,314	187,667,210
169,097,484	180,859,077	201,244,854	207,544,963	222,491,746	246,739,850
3,419,974	4,918,341	6,632,402	8,149,203	7,727,318	9,829,028
28,119,438	35,768,665	39,008,313	47,116,707	48,546,941	51,778,417
200,636,896	221,546,083	246,885,569	262,810,873	278,766,005	308,347,295
287,690,571	296,272,363	325,434,790	329,243,304	357,956,775	392,136,042
16,161,573	22,337,937	24,047,338	34,662,716	24,295,661	20,709,889
59,113,499	69,376,073	68,966,626	80,119,680	76,909,883	83,168,574
$ 362,965,643	$ 387,986,373	$ 418,448,754	$ 444,025,700	$ 459,162,319	$ 496,014,505

Table 2
Changes in Net Position (accrual basis of accounting)
Last Ten Fiscal Years

	2016	2017	2018	2019
Expenses				
Governmental Activities				
General Government	$ 3,138,731	$ 2,356,577	$ 2,613,083	$ 3,308,409
Public Safety	9,365,921	8,380,361	10,403,846	10,369,825
Public Works	3,596,147	3,485,238	5,068,385	5,335,085
Health and Welfare	109,777	110,281	79,903	145,679
Culture and Recreation	7,693,870	7,624,568	7,419,209	8,591,415
Conservation and Development	1,352,512	1,350,323	1,636,273	1,376,610
Interest on Long-Term Debt	1,685,639	1,568,771	1,521,295	1,469,197
Total Governmental Activities	26,942,597	24,876,119	28,741,994	30,596,220
Business-Type Activities				
Sewer	3,801,618	3,648,938	3,812,308	4,070,394
Solid Waste	2,490,138	2,761,842	2,681,029	2,834,399
Airport	1,151,179	1,158,046	1,308,566	1,538,969
Electric	27,092,700	27,456,170	27,902,630	27,135,117
Water	4,737,445	4,647,793	4,787,833	4,434,092
Gas	7,205,132	7,806,526	8,936,492	8,471,455
Total Business-Type Activities Expenses	46,478,212	47,479,315	49,428,858	48,484,426
Total Primary Government Expenses	73,420,809	72,355,434	78,170,852	79,080,646
Program Revenues				
Governmental Activities				
Charges for Services				
General Government	146,528	149,222	127,405	138,067
Public Safety	1,856,099	1,884,313	2,886,937	1,946,933
Public Works	433,935	43,764	421,795	199,613
Health and Welfare	1,930	1,720	1,100	2,300
Culture and Recreation	2,300,732	3,005,717	2,164,808	3,184,984
Conservation and Development	165,258	209,793	238,725	270,846
Operating Grants and Contributions	671,135	191,410	218,041	451,291
Capital Grants and Contributions	3,515,470	2,749,396	2,012,698	2,699,979
Total Governmental Activities Program Revenues	9,091,087	8,235,335	8,071,509	8,894,013
Business-Type Activities				
Charges for Services				
Sewer	3,504,218	3,546,261	5,262,918	3,550,926
Solid Waste	2,731,339	2,945,081	3,138,110	3,099,848
Airport	188,967	237,293	284,076	226,646
Electric	29,760,309	30,057,059	31,513,261	31,232,113
Water	5,963,127	6,076,701	6,245,709	5,936,773
Gas	8,983,270	8,472,781	9,804,397	10,205,593
Operating Grants and Contributions	-	8,771	8,655	7,110
Capital Grants and Contributions	2,201,090	8,390,956	1,123,489	508,093
Total Business-Type Activities Program Revenues	53,332,320	59,734,903	57,380,615	54,767,102
Total Primary Government Program Revenues	62,423,407	67,970,238	65,452,124	63,661,115
Net (Expenses) Revenues				
Governmental Activities	(17,851,510)	(16,640,784)	(20,670,485)	(21,702,207)
Business-Type Activities	6,854,108	12,255,588	7,951,757	6,282,676
Total Primary Government Net Expense	$ (10,997,402)	$ (4,385,196)	$ (12,718,728)	$ (15,419,531)

Statistics (Unaudited)

2020	2021	2022	2023	2024	2025
$ 3,087,636	$ 3,199,088	$ 2,410,054	$ 3,810,878	$ 550,156	$ 2,594,496
10,590,948	9,695,183	10,410,900	11,514,981	12,891,096	11,936,041
5,825,177	5,201,069	8,951,937	8,613,891	12,510,024	10,446,552
205,308	205,704	331,709	306,237	344,384	422,092
8,044,152	9,194,331	9,442,881	10,835,050	12,902,008	13,794,739
1,455,131	1,439,827	3,370,056	2,147,252	2,347,141	2,309,541
1,779,364	1,232,150	2,460,778	2,445,302	3,197,092	2,214,522
30,987,716	30,167,352	37,378,315	39,673,591	44,741,901	43,717,983
4,150,889	3,941,358	4,199,653	4,208,887	4,584,157	4,711,130
2,946,347	2,666,097	3,233,371	3,028,052	3,683,534	4,441,123
1,501,903	2,116,350	2,062,067	2,585,891	2,700,852	2,974,056
26,180,250	26,656,782	27,724,681	28,120,639	29,262,325	30,729,765
4,745,301	4,501,664	4,957,186	5,041,180	5,870,413	6,028,398
7,016,826	6,954,058	11,908,351	8,976,321	8,340,422	9,513,080
46,541,516	46,836,309	54,085,309	51,960,970	54,441,703	58,397,552
77,529,232	77,003,661	91,463,624	91,634,561	99,183,604	102,115,535
137,903	226,918	186,795	229,454	176,722	191,644
1,999,036	1,908,992	2,087,242	2,698,662	2,857,206	2,715,587
284,610	282,221	299,091	218,599	18,679	258,758
-	-	-	-	-	-
2,383,412	3,550,830	3,710,276	3,844,393	4,482,512	4,859,897
263,846	188,746	404,876	320,729	401,886	373,065
5,618,140	793,916	3,312,041	1,298,541	1,098,683	1,711,472
3,506,625	4,176,389	1,034,911	5,496,035	1,662,834	5,311,113
14,193,572	11,128,012	11,035,232	14,106,413	10,698,522	15,421,536
3,867,202	4,668,162	4,673,915	5,620,978	5,958,336	7,249,916
3,366,551	3,584,235	3,786,514	3,940,430	4,308,891	6,172,941
285,580	388,147	924,434	437,898	396,241	1,194,790
31,761,072	30,141,427	32,515,228	33,311,253	33,629,480	34,794,579
6,648,977	7,336,939	7,548,860	8,666,952	8,276,397	8,601,152
8,973,584	9,297,405	11,650,481	12,580,642	11,895,685	12,301,910
649,459	758,978	1,005,627	1,031,373	945,985	463,791
4,839,500	8,967,908	18,262,515	2,652,609	5,335,978	15,537,939
60,391,925	65,143,201	80,367,574	68,242,135	70,746,993	86,317,018
74,585,497	76,271,213	91,402,806	82,348,548	81,445,515	101,738,554
(16,794,144)	(19,039,340)	(26,343,083)	(25,567,178)	(34,043,379)	(28,296,447)
13,850,409	18,306,892	26,282,265	16,281,165	16,305,290	27,919,466
$ (2,943,735)	$ (732,448)	$ (60,818)	$ (9,286,013)	$ (17,738,089)	$ (376,981)

Statistics (Unaudited)

Table 2 (continued)
Changes in Net Position (accrual basis of accounting)
Last Ten Fiscal Years

	2016	2017	2018	2019
Governmental Activities				
Taxes				
Property Taxes	$ 4,298,434	$ 4,372,781	$ 4,518,618	$ 4,705,100
Sales and Use Taxes	15,150,394	15,629,115	16,119,594	17,098,037
Other Taxes	359,308	345,843	330,268	320,936
State Shared Revenues	1,040,492	933,928	222,829	232,355
Investment Earnings	616,542	666,920	1,016,385	1,216,468
Miscellaneous	291,392	485,811	994,703	361,482
Sales of Capital Assets	32,338	(266)	7,145	18,221
Special Items/Extraordinary Items/Changes in Accounting Estimat	-	(30,189)	68,650	-
Transfers	959,975	819,468	1,394,422	1,469,248
Total Governmental Activities	22,748,875	23,223,411	24,672,614	25,421,847
Business-Type Activities				
Taxes				
Other Taxes	10,839	5,144	3,368	6,357
Investment Earnings	193,311	284,058	561,610	750,378
Sales of Capital Assets	65,127	(13,860)	174,784	-
Special Items/Extraordinary Items/Changes in Accounting Estimat	-	-	409,011	-
Transfers	(959,975)	(819,468)	(1,394,422)	(1,469,248)
Total Business-Type Activities	(690,698)	(544,126)	(245,649)	(712,513)
Total Primary Government General Revenues	22,058,177	22,679,285	24,426,965	24,709,334
Change in Net Position				
Governmental Activities	4,897,365	6,582,627	4,002,129	3,719,640
Business-Type Activities	6,163,410	11,711,462	7,706,108	5,570,163
Total Primary Government	$ 11,060,775	$ 18,294,089	$ 11,708,237	$ 9,289,803

Statistics (Unaudited)

2020	2021	2022	2023	2024	2025
$ 5,073,849	$ 5,290,954	$ 5,266,687	$ 5,102,864	$ 5,768,826	$ 6,126,369
17,431,110	19,632,529	21,573,383	22,454,880	22,595,254	24,010,688
314,757	292,651	315,491	274,162	246,432	237,606
280,834	281,908	279,182	244,839	227,366	210,457
617,013	426,652	1,623,998	4,272,183	3,233,882	2,003,327
440,707	517,100	390,139	437,324	429,578	816,118
(8,534)	12,691	179,661	12,018	146,934	756,208
-	(472,746)	(154,163)	-	-	-
1,503,800	(2,830,856)	1,991,600	2,420,550	2,538,500	1,406,570
25,653,536	23,150,883	31,465,978	35,218,820	35,186,772	35,567,343
2,731	7,178	14,823	25,872	25,433	23,863
330,496	229,269	994,976	2,393,440	2,614,419	2,537,441
-	14,314	39,022	(354,623)	79,471	507,090
(183,158)	(479,322)	-	-	-	-
(1,503,800)	2,830,856	(1,991,600)	(2,420,550)	(2,538,500)	(1,406,570)
(1,353,731)	2,602,295	(942,779)	(355,861)	180,823	1,661,824
24,299,805	25,753,178	30,523,199	34,862,959	35,367,595	37,229,167
8,859,392	4,111,543	5,122,895	9,651,642	1,143,393	7,270,896
12,496,678	20,909,187	25,339,486	15,925,304	16,486,113	29,581,290
$ 21,356,070	$ 25,020,730	$ 30,462,381	$ 25,576,946	$ 17,629,506	$ 36,852,186

Table 3
Fund Balances of Governmental Funds (modified accrual basis of accounting)
Last Ten Fiscal Years

	2016	2017	2018	2019
General Fund				
Nonspendable	$ 131,519	$ 117,441	$ 289,878	$ 408,631
Restricted	20,588	20,701	20,925	21,344
Assigned	1,810,538	1,853,390	2,236,060	2,491,661
Unassigned	7,239,354	7,226,669	6,782,280	6,171,141
Total General Fund	9,201,999	9,218,201	9,329,143	9,092,777
All Other Governmental Funds				
Nonspendable	$ 39,392	$ 31,231	$ 294,034	$ 331,620
Restricted	11,551,269	9,487,772	12,916,223	14,154,947
Assigned	18,505,930	19,858,874	18,515,914	20,481,603
Unassigned	(6,250,872)	(6,193,540)	(6,063,266)	(5,888,462)
Total All Other Governmental Funds	$ 23,845,719	$ 23,184,337	$ 25,662,905	$ 29,079,708

Statistics (Unaudited)

2020	2021	2022	2023	2024	2025
$ 441,625	$ 292,393	$ 284,042	$ 336,699	$ 363,509	$ 343,103
21,488	21,541	21,821	22,632	23,471	24,166
1,894,211	473,706	2,537,182	422,267	22,065	42,139
10,756,357	12,878,424	10,323,022	12,697,476	13,522,296	13,146,270
13,113,681	13,666,064	13,166,067	13,479,074	13,931,341	13,555,678
$ 349,564	$ 52,353	$ 90,745	$ 85,411	$ 74,226	$ 247,535
10,339,568	14,708,617	47,707,396	22,933,943	15,266,190	13,740,536
25,648,334	25,897,154	23,422,373	24,881,122	19,456,078	20,950,721
(5,490,976)	(5,005,470)	(4,608,853)	(4,621,380)	(2,932,069)	(2,681,597)
$ 30,846,490	$ 35,652,654	$ 66,611,661	$ 43,279,096	$ 31,864,425	$ 32,257,195

Statistics (Unaudited)

Table 4
Changes in Fund Balances of Governmental Funds (modified accrual basis of accounting)
Last Ten Fiscal Years

	2016	2017	2018	2019	2020
Revenues					
Taxes	$ 19,804,161	$ 20,295,735	$ 20,923,892	$ 22,052,308	$ 22,744,922
Licenses and Permits	262,968	318,695	341,040	376,762	327,018
Intergovernmental	1,969,753	2,120,676	2,148,338	1,905,491	7,900,601
Charges for Goods and Services	4,051,700	4,672,145	5,052,441	5,134,622	4,414,534
Fines and Forfeitures	71,005	56,066	58,981	74,929	39,499
Interest	623,599	657,823	916,432	1,356,533	630,382
Miscellaneous Revenue	1,826,332	1,474,620	2,593,269	1,298,693	2,375,806
Total Revenues	28,609,518	29,595,760	32,034,393	32,199,338	38,432,762
Expenditures					
General Government	2,998,713	2,464,210	2,473,232	3,208,693	2,956,992
Public Safety	8,213,485	8,615,963	9,571,209	8,793,926	9,552,921
Public Work	6,261,400	5,346,412	6,355,562	6,484,294	5,995,892
Health and Welfare	104,055	116,875	74,043	139,203	199,868
Culture and Recreation	22,871,337	9,278,066	7,064,630	6,702,341	7,703,220
Conservation and Development	1,320,712	1,226,378	1,443,638	1,169,595	1,295,007
Debt Service					
Principal	2,446,287	2,486,947	2,394,832	2,520,809	4,406,952
Interest	1,599,995	1,569,444	1,572,520	1,470,399	1,989,745
Administrative Charges	3,400	3,300	3,300	3,500	3,500
Bond Issuance Costs	50,948	-	-	-	251,127
Total Expenditures	45,870,332	31,107,595	30,952,966	30,492,760	34,355,224
Revenues Over (Under) Expenditures	(17,260,814)	(1,511,835)	1,081,427	1,706,578	4,077,538
Other Financing Sources (Uses)					
Sales of Municipal Property	48,265	77,376	45,011	4,611	8,585
Long-Term Debt Issued	3,205,000	-	-	-	21,760,000
Premium on Bonds Issued	-	-	-	-	1,515,332
Pmt To Refunded Debt Escrow Agent	(3,151,739)	-	-	-	(23,077,569)
Direct Financing	-	-	-	-	-
Transfer In	5,028,975	4,233,118	6,274,422	4,780,748	6,589,800
Transfer Out	(4,069,000)	(3,413,650)	(4,880,000)	(3,311,500)	(5,086,000)
Total Other Financing Sources (Uses)	1,061,501	896,844	1,439,433	1,473,859	1,710,148
Special Items/Extraordinary Items/ Change in Accounting Estimate	-	(30,189)	68,650	-	-
Net Change in Fund Balances	$ (16,199,313)	$ (645,180)	$ 2,589,510	$ 3,180,437	$ 5,787,686
Debt service as a % of noncapital expenditure	15.6%	15.8%	16.1%	15.3%	21.0%

Statistics (Unaudited)

2021	2022	2023	2024	2025
$ 24,898,220	$ 27,151,757	$ 27,702,226	$ 28,638,983	$ 30,264,996
374,143	561,098	505,758	544,565	535,411
2,396,344	3,735,071	2,786,560	2,603,536	2,073,571
5,490,254	5,851,289	6,337,573	6,628,550	7,009,608
45,645	30,590	40,764	50,778	51,417
426,668	1,625,053	4,272,183	3,233,882	2,003,326
1,236,772	2,971,783	2,056,731	3,682,441	3,187,241
34,868,046	41,926,641	43,701,795	45,382,735	45,125,570
4,623,321	3,623,367	3,887,420	3,699,777	4,761,762
9,710,939	9,987,797	10,926,295	13,017,749	12,783,060
6,131,015	13,302,039	9,752,486	13,994,027	9,207,618
208,713	331,104	302,159	334,349	424,192
9,869,686	15,397,351	36,441,402	18,225,616	13,157,443
1,283,855	3,229,170	2,012,298	2,163,672	2,141,674
2,583,266	3,444,556	3,148,760	3,378,054	3,255,764
1,321,431	1,946,303	2,675,423	2,690,044	2,326,165
3,000	8,320	14,020	11,790	4,100
106,665	495,799	-	-	216,604
35,841,891	51,765,806	69,160,263	57,515,078	48,278,382
(973,845)	(9,839,165)	(25,458,468)	(12,132,343)	(3,152,812)
27,039	217,382	18,360	41,724	1,050,987
9,370,000	35,930,000	-	-	-
238,955	2,313,356	-	-	-
-	-	-	-	-
-	-	-	-	712,362
4,644,144	10,363,208	6,279,030	7,731,117	7,382,411
(7,475,000)	(8,371,608)	(3,858,480)	(5,192,617)	(5,975,841)
6,805,138	40,452,338	2,438,910	2,580,224	3,169,919
(472,746)	(154,163)	-	-	-
$ 5,358,547	$ 30,459,010	$ (23,019,558)	$ (9,552,119)	$ 17,107
13.1%	14.9%	15.9%	14.5%	14.4%

Statistics (Unaudited)

Table 5
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year	Residential Property	Commercial Property	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a % of Actual Value
2016	1,148,339,553	464,167,108	1,612,506,661	2.58	1,897,066,660	85%
2017	1,202,278,065	506,302,536	1,708,580,601	2.51	2,010,094,824	85%
2018	1,242,183,322	520,910,919	1,763,094,241	2.53	2,074,228,519	85%
2019	1,300,091,167	572,915,119	1,873,006,286	2.47	2,203,536,807	85%
2020	1,368,586,607	594,644,568	1,963,231,175	2.43	2,309,683,735	85%
2021	1,435,253,493	637,771,729	2,073,025,222	2.04	2,438,853,202	85%
2022	1,614,025,498	719,159,286	2,333,184,784	1.86	2,744,923,275	85%
2023	1,875,363,107	732,658,201	2,608,021,308	1.76	3,068,260,362	85%
2024	2,076,504,505	782,768,483	2,859,272,988	1.69	3,363,850,574	85%
2025	2,163,085,242	828,105,072	2,991,190,314	1.71	3,519,047,428	85%

Source: Codington County Board of Equalization.

Table 6
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	City of Waterown			Overlapping Rates: County			Overlapping Rates: Watertown School District			
Fiscal Year	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Total School Millage	Special Districts	Total Direct & Overlapping Rates
2016	2.24	0.34	2.58	3.20	0.00	3.20	12.09	12.09	0.84	18.71
2017	2.19	0.32	2.51	3.15	0.00	3.15	11.13	11.13	0.84	17.63
2018	2.21	0.32	2.53	3.17	0.00	3.17	11.49	11.49	0.49	17.68
2019	2.15	0.31	2.47	3.11	0.00	3.11	11.29	11.29	0.80	17.67
2020	2.12	0.31	2.43	3.10	0.00	3.10	11.25	11.25	0.77	17.54
2021	2.04	0.00	2.04	3.07	0.00	3.07	11.06	11.06	0.74	16.91
2022	1.86	0.00	1.86	2.84	0.00	2.84	10.55	10.55	0.70	15.95
2023	1.76	0.00	1.76	2.67	0.00	2.67	10.21	10.21	0.64	15.28
2024	1.69	0.00	1.69	2.53	0.00	2.53	9.48	9.48	0.54	14.24
2025	1.71	0.00	1.71	2.51	0.57	3.08	9.13	9.13	0.54	14.46

Statistics (Unaudited)

Table 7
Principal Taxpayers
Current Year and Ten Years Ago

Taxpayer	2025 Assessed Value	2025 Rank	2025 Percentage of Total Assessed Value	2016 Assessed Value	2016 Rank	2016 Percentage of Total Assessed Value
Terex South Dakota Inc	$ 26,202,642	1	0.88%	$ -		-
Glacial Lakes Energy	25,779,327	2	0.86%	13,566,129	1	0.84%
The Plains Apartments LLC	16,391,872	3	0.55%	-		-
Watertown Co-op Elevator	15,112,334	4	0.51%	10,176,033	3	0.63%
Watertown Lodging Associates LLC	12,916,217	5	0.43%	6,784,552	5	0.42%
Wal-Mart Real Estate Business Trust	12,435,844	6	0.42%	10,279,090	2	0.64%
Menards	11,330,080	7	0.38%	7,063,870	4	0.44%
38th ST Investment Co.	9,799,445	8	0.33%	-		-
Watertown Crop Nutrients LLC	9,368,758	9	0.31%			
David E & Charlotte M McElhany	9,104,805	10	0.30%	-		-
DBI Holdings LLC	-		-	6,227,989	6	0.39%
Watertown Plaza LLC	-		-	5,931,844	7	0.37%
Les McElhany & David McElhany	-		-	4,948,902	8	0.31%
McFleeg Inc	-		-	4,761,749	9	0.30%
Watertown Development Co.	-		-	4,516,201	10	0.28%
Totals	148,441,324		4.96%	74,256,359		4.61%

Entire City Assessed Valuation for 2025: $ 2,991,190,314

Data Source: Office of the Director of Equalization
Note: The Codington County Director of Equalization(DOE) is the tax assessor for the property within the City of Watertown.

Table 8
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended Dec. 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Collection to Date: Amount	Total Collection to Date: Percentage of Levy
2016	4,360,043	4,350,019	99.77	10,123	4,360,142	100.00
2017	4,510,995	4,490,289	99.54	20,706	4,510,995	100.00
2018	4,700,455	4,682,960	99.63	17,495	4,700,455	100.00
2019	5,067,710	5,019,133	99.04	48,577	5,067,710	100.00
2020	5,288,253	5,073,849	95.95	214,404	5,288,253	100.00
2021	5,264,064	5,228,803	99.33	35,261	5,264,064	100.00
2022	5,746,224	5,712,662	99.42	16,206	5,728,868	99.70
2023	5,693,831	5,640,079	99.06	39,083	5,679,162	99.74
2024	6,165,149	6,080,335	98.62	-	6,080,335	98.62
2025	6,445,926	(see note below)				

Note: (1) The year shown on this table indicates the year of the levy for collection in the next year, the 2025 tax levy will be collected in the year 2026, so such information is not available at the time of preparing this table.

Statistics (Unaudited)

Table 9
Historical Sales and Use Tax Receipts
Last Ten Fiscal Years

Year	General Sales Tax	Capital Improvement Sales Tax	Pledged Revenues (1)
2016	7,171,463	7,168,539	7,168,539
2017	7,347,223	7,347,277	7,347,277
2018	7,578,691	7,578,690	7,578,690
2019	8,037,632	8,037,632	8,037,632
2020	8,227,088	8,227,088	8,227,088
2021	9,115,593	9,115,593	9,115,593
2022	10,211,856	10,211,856	10,211,856
2023	10,549,895	10,549,895	10,549,895
2024	10,662,829	10,662,829	10,662,829
2025	11,272,523	11,272,523	11,272,523

(1) Pledged revenues for 2015, 2020, 2021 and 2022 Sales Tax Bonds are that portion of the proceeds of the Sales Tax in excess of the proceeds produced by the first one percent (1%) of the Sales Tax. All of the Capital Improvement Sales Tax revenues are pledged for the repayment of SRF Loans No. 6, 8, 10 and 11.

Table 10
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities						Business Type Activities					
Fiscal Year	General Obligation Bonds	Direct Financing Leases	Sales Tax Revenue Bonds	SRF Loans #6, #8, #10, & #11	Tax Increment Bonds	Unamortized Premium on Bonds	SRF Loan Payables	Unamortized Premium on Bonds	Total Primary Government	% of Personal Income	Personal Income	Per Capita
2016	2,765,000	77,932	34,405,000	3,505,202	-	-	25,547,559	-	66,300,693	12.79%	518,446,588	3,086
2017	2,320,000	-	32,655,000	3,291,187	-	-	23,769,259	-	62,035,446	11.97%	518,446,588	2,888
2018	1,870,000	-	30,880,000	3,071,355	-	-	21,933,773	-	57,755,128	11.14%	518,446,588	2,689
2019	1,395,000	-	29,060,000	2,845,546	-	-	20,140,030	-	53,440,576	10.31%	518,446,588	2,488
2020	900,000	-	23,550,000	2,613,592	-	-	20,559,005	-	47,622,597	9.19%	518,446,588	2,217
2021	380,000	-	29,095,000	2,375,328	2,000,000	1,613,781	21,492,695	272,276	57,229,080	11.04%	518,446,588	2,526
2022	-	-	62,275,000	2,130,573	1,930,199	3,752,282	21,619,871	235,115	91,943,040	17.73%	518,446,588	4,058
2023	-	-	59,450,000	1,879,149	1,857,863	3,551,007	22,348,803	197,953	89,284,775	17.22%	518,446,588	3,941
2024	-	734,405	56,405,000	1,620,871	1,783,087	3,349,730	24,019,410	160,792	88,073,295	16.99%	518,446,588	3,888
2025	-	1,178,223	53,640,000	1,355,548	1,705,409	3,272,084	34,152,279	123,631	95,427,174	18.41%	518,446,588	4,212

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Statistics (Unaudited)

Table 11
Ratio of Net General Obligation Bonded Debt
Last Ten Fiscal Years

Fiscal Year	Population(1)	Value (2)	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Assessed Value of Property	Percentage of Personal Income	Per Capita
2016	21,482	1,612,506,661	2,765,000	358,130	2,406,870	0.15%	0.46%	112
2017	21,482	1,708,580,601	2,320,000	386,629	1,933,371	0.11%	0.37%	90
2018	21,482	1,763,094,241	1,870,000	419,247	1,450,753	0.08%	0.28%	68
2019	21,482	1,873,006,286	1,395,000	462,569	932,431	0.05%	0.18%	43
2020	21,482	1,963,231,175	900,000	494,082	405,918	0.02%	0.08%	19
2021	22,655	2,073,025,222	380,000	523,205	(143,205)	-0.01%	-0.03%	(6)
2022	22,655	2,333,184,784	-	150,945	(150,945)	-0.01%	-0.03%	(7)
2023	22,655	2,608,021,308	-	-	-	0.00%	0.00%	-
2024	22,655	2,859,272,988	-	-	-	0.00%	0.00%	-
2025	23,736	2,991,190,314	-	-	-	0.00%	0.00%	-

Table 12
Direct and Overlapping Governmental Activities Debt
As of December 31, 2025

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
School District	$ 25,295,000	80.0%	$ 20,236,000
Subtotal, overlapping debt			20,236,000
City of Watertown direct debt			-
Total direct and overlapping debt			$ 20,236,000

Sources: Assessed value data used to estimate applicable percentages provided by the County Auditors Office. Debt outstanding data provided by the Watertown School District.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Watertown. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Watertown. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying debt, of each overlapping government.

Note: The percentage of overlapping debt applicable is estimated by using taxable assessed property values. Applicable percentages were estimated by determining the portion of the schools taxable assessed value that is within the City's boundaries and dividing it by the School's total taxable assessed value.

Statistics (Unaudited)

Table 13
Legal Debt Margin Information
Last Ten Fiscal Years

	2016	2017	2018	2019	2020	2021
Debt Limit (5% limit)	$ 80,625,333	$ 85,429,030	$ 88,154,712	$ 93,650,314	$ 98,161,559	$ 103,651,261
Total net debt applicable to limit	40,675,202	38,266,187	35,821,355	33,300,546	27,063,594	33,850,328
Legal debt margin	39,950,131	47,162,843	52,333,357	60,349,768	71,097,965	69,800,933
Total net debt applicable to the limit as a percentage of debt limit	50.45%	44.79%	40.63%	35.56%	27.57%	32.66%

Note: The State of South Dakota Constitution sets two legal debt limits on municipalities. The City has an unrestricted (i.e. for any legally authorized purpose) legal debt limit equal to 5% of the total assessed value of taxable property. In addition the Constitution permits the City to issue debt for water or sewer improvements in an amount equal to 10% of the total value of taxable property. Water or sewer debt that applies against the 10% limit does not apply against the 5% limit.

Statistics (Unaudited)

	2022	2023	2024	2025
Debt Limit (5% limit)	$ 116,659,239	$ 130,401,065	$ 142,963,649	$ 149,559,516
Total net debt applicable to limit	66,335,772	63,187,012	60,543,363	57,879,180
Legal debt margin	50,323,467	67,214,053	82,420,286	91,680,336
Total net debt applicable to the limit as a percentage of debt limit	56.86%	48.46%	42.35%	38.70%

Legal Debt Margin Calculation for Fiscal Year 2024

		"No-Limit" Debt	Debt Capacity at 5% (Unrestricted)	Additional 10% Debt Capacity (Water/Sewer)
2025 Assessed Value	$2,991,190,314			
Maximum Debt Capacity:		$ -	$ 149,559,516	$ 299,119,031
Existing Bonds:				
SRF Loan No. 6-CW (Sales Tax)		-	242,868	-
SRF Loan No. 6-NPS (Sales Tax)		-	18,864	-
SRF Loan No. 7-CW (Wastewater Revenue Surcharge)		157,420	-	-
SRF Loan No. 7-NPS (Wastewater Revenue Surcharge)		15,794	-	-
SRF Loan No. 8-CW (Sales Tax)		-	102,121	-
SRF Loan No. 8-NPS (Sales Tax)		-	11,427	-
SRF Loan No. 10-CW (Sales Tax)		-	904,811	-
SRF Loan No. 11-CW (Sales Tax)		-	75,457	-
SRF Loan No. 12-CW (Wastewater Revenue Surcharge)		3,727,037	-	-
SRF Loan No. 13-CW (Wastewater Revenue Surcharge)		1,843,613	-	-
SRF Loan No. 14-CW (Wastewater Revenue Surcharge)		16,246,021	-	-
Wastewater Revenue Bonds - 2020 Refunding		3,710,000	-	-
Water Revenue Bonds - 2020 Refunding		4,275,000	-	-
SRF Loan No. 2 - DW (Water Revenu Surcharge)		678,495	-	-
SRF Loan No. 4 - DW (Water Revenu Surcharge)		986,823	-	-
SRF Loan No. 5 - DW (Water Revenu Surcharge)		1,224,787	-	-
SRF Loan Solid Waste Management Loan (Solid Waste Revenue)		8,223	-	-
SRF Loan No. 15 Solid Waste Management Loan (Solid Waste Revenue)		1,279,066	-	-
2015 Sales Tax Revenue Bonds - Refunding		-	295,000	-
2020 Sales Tax Revenue Bonds - Refunding		-	14,225,000	-
2021 Sales Tax Revenue Bonds		-	6,040,000	-
2022 Sales Tax Revenue Bonds		-	17,055,000	-
2022 Sales Tax Revenue Bonds - 2022B		-	6,465,000	-
2022 Sales Tax Revenue Bonds - 2022C		-	9,560,000	-
2021 Tax Increment Bond		-	1,705,409	-
Direct Financing Leases - Public Works		-	611,474	
Direct Financing Leases - Recreation		-	566,749	
Total Bonded Debt		34,152,279	57,879,180	-
Total Debt		34,152,279	57,879,180	-
Available Debt Capacity		N/A	$ 91,680,336	$ 299,119,031

Statistics (Unaudited)

Table 14
Pledged-Revenue Coverage
Last Ten Fiscal Year

	State Revolving Fund Loans						Sales Tax Revenue Bonds			
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2016	9,023,985	4,862,541	4,161,444	2,418,524	855,600	1.27	7,168,539	1,720,000	1,029,634	2.61
2017	9,273,485	4,612,051	4,661,434	1,778,300	785,450	1.82	7,347,277	1,750,000	1,001,403	2.67
2018	9,350,336	4,922,268	4,428,068	1,835,486	728,264	1.73	7,578,690	2,225,000	970,665	2.37
2019	9,040,972	4,920,268	4,120,704	1,901,744	669,231	1.60	8,037,632	2,295,000	933,705	2.49
2020	10,035,273	5,373,114	4,662,159	564,170	184,047	6.23	8,227,088	770,000	499,272	6.48
2021	12,005,101	8,005,429	3,999,672	2,123,734	162,885	1.75	9,115,593	1,825,000	802,373	3.47
2022	12,222,775	8,717,156	3,505,619	2,237,506	267,826	1.40	10,211,856	2,750,000	1,462,398	2.42
2023	18,228,359	11,729,497	6,498,862	2,431,520	326,122	2.36	10,549,895	2,825,000	2,284,022	2.06
2024	18,543,624	13,257,447	5,286,177	2,560,226	306,907	1.84	10,662,829	3,045,000	2,047,104	2.09
2025	22,024,009	16,366,387	5,657,622	2,421,551	326,011	2.06	11,272,523	3,376,545	2,328,128	1.98

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating Expenses do not include interest, depreciation, amortization, and other post employment benefit expenses.

The Sales Tax Revenue Bonds are backed by 50% of the sales tax collected in the Capital Improvement Fund.
The SRF Loans are backed by 100% of all sales tax collected in the Capital Improvement Fund.

Statistics (Unaudited)

Table 15
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Income (1)	Median Age (1)	Education in Years of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate (3)
2016	21,482	24,134	36.6	13.0	3,954	2.8%
2017	21,482	24,134	36.6	13.0	3,931	3.4%
2018	21,482	24,134	36.6	13.0	3,908	3.2%
2019	21,482	24,134	36.6	13.0	3,775	3.1%
2020	21,482	24,134	36.6	13.0	3,867	5.2%
2021	22,655	29,346	37.6	13.0	3,850	2.8%
2022	22,655	29,346	37.6	13.0	3,728	1.8%
2023	22,655	29,346	37.6	13.0	3,584	1.9%
2024	22,655	29,346	39.4	13.0	3,535	1.9%
2025	23,736	39,939	39.5	13.0	3,606	2.0%

DATA SOURCE:

(1) U.S. Dept of Commerce, Bureau of Census
Education: U.S. Department of Commerce, Bureau of Census

(2) Annual School Census by the Board of Education. (Kindergarten through Grade 12-Public Schools only- does not include Private or Vocational School)

(3) South Dakota Labor Bulletin.

Table 16
Principal Employers
Current Year and Ten Years Ago

	2025			2016		
Employer	Employees	Rank	Percentage of Total City Employed	Employees	Rank	Percentage of Total City Employed
Watertown School District	900	1	3.97%	910	1	4.24%
Prairie Lakes Healthcare System	734	2	3.24%	547	3	2.55%
Terex Utilities	670	3	2.96%	567	2	2.64%
HyVee	414	4	1.83%	485	4	2.26%
City of Watertown	350	5	1.54%	336	6	1.56%
Walmart Supercenter	350	6	1.54%	-		-
Crenlo	323	7	1.43%	320	7	1.49%
Persona, Inc	285	8	1.26%	-		-
Premier Bankcard	270	9	1.19%	380	5	1.77%
Spartronics	265	10	1.17%	272	8	1.27%
Dakota Bodies	-		-	242	10	1.13%
Jenkins Living Center	-		-	270	9	1.26%
Total	4,561		20.13%	4,329		20.15%

Source: Watertown Development Company

Table 17
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	Full-Time Equivalent Employees as of December 31									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function/Program										
General Government										
Mayor/City Council	11.50	11.50	11.50	11.50	11.50	7.00	7.00	7.00	7.00	7.00
City Manager	-	-	-	-	-	1.50	1.50	2.00	4.00	4.00
Attorney	1.50	1.50	1.50	1.50	1.50	1.50	1.50	-	-	-
Human Resources	-	-	-	1.00	2.00	3.00	3.00	3.00	3.00	3.00
Finance	7.00	7.11	7.00	6.11	5.59	5.00	5.00	5.00	5.00	5.00
Information Technology	3.00	3.00	3.12	3.36	3.36	3.60	3.60	4.00	4.00	4.00
City Hall	-	-	0.50	0.60	0.40	0.40	0.40	-	-	-
Engineering	7.00	7.58	7.58	7.58	7.58	7.58	7.58	6.81	6.00	6.00
Facilities Management	-	-	0.50	0.60	0.60	0.40	0.40	-	-	7.00
Public Safety										
Police	42.05	42.40	42.40	42.70	45.36	45.70	45.70	45.33	46.00	45.00
E-911	12.81	13.30	13.30	13.60	12.34	15.60	15.60	13.76	14.00	14.00
Fire/Ambulance	38.00	39.20	39.00	39.49	40.15	39.49	39.49	40.45	40.00	40.00
Public Works										
Admin	-	-	-	-	-	-	-	-	2.00	2.00
Streets	14.51	16.18	16.55	17.02	17.55	17.02	17.02	17.45	16.00	16.00
Cemetery	2.63	3.08	3.12	3.20	3.80	3.20	3.20	3.67	2.00	2.00
Community Development	4.47	4.48	5.00	5.00	6.00	6.00	6.00	5.00	5.00	5.00
Health and Welfare										
Mosquito Control	-	-	-	0.48	0.48	0.48	0.48	0.36	-	-
Animal Control/Code Enforcement	-	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00
Culture and Recreation										
Park and Recreation	52.40	59.19	61.80	61.09	61.78	63.79	63.79	58.34	33.50	31.50
Prairie Lakes Wellness Center	14.11	22.82	28.33	27.35	26.10	23.95	24.95	23.13	7.00	5.00
Forestry	3.22	3.48	3.48	3.48	4.37	5.48	5.48	4.25	4.50	4.50
Library	11.01	11.97	11.97	12.29	12.80	12.29	12.29	11.15	9.00	7.00
Conservation & Development										
Sioux River Watershed Project	1.66	1.65	1.65	1.65	1.00	1.00	1.00	-	-	-
Urban Renewal	-	-	-	-	-	-	-	-	-	-
Wastewater	14.50	14.50	14.50	14.50	14.50	14.50	14.50	13.48	15.00	15.00
Refuse Collection	16.58	16.76	16.76	16.76	16.76	16.76	16.76	17.50	17.00	17.00
Airport	4.05	4.63	4.63	7.63	6.63	8.00	8.00	8.39	7.00	7.00
Electric	30.00	30.00	30.00	30.00	30.00	30.00	30.00	28.75	29.30	29.30
Gas	15.00	15.00	15.00	15.00	15.00	15.00	15.00	16.50	17.60	17.60
Water	17.00	17.00	17.00	17.00	17.00	17.00	17.00	18.75	18.10	18.10

Source: City Departments

Statistics (Unaudited)

Table 18
Operating Indicators by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function/Program										
Police										
Physical Arrests	2,289	2,374	3,004	3,520	2,401	2,212	1,671	2,619	2,724	2,163
Accidents	737	694	771	886	639	651	674	641	615	631
Traffic Violations	1,647	1,697	1,372	1,536	1,639	1,707	1,178	1,606	2,265	2,575
Fire										
Emergency Responses	2,392	2,514	2,674	2,752	2,873	2,956	3,024	2,968	3,016	3,251
Fire Calls	456	466	577	730	770	778	880	894	1,053	1,094
Inspections	543	329	269	241	285	300	463	561	490	523
Solid Waste										
Refuse Deposited (tons per day)	142	164	182	181	207	181	192	200	204	211
Recyclables collected (tons per day)	3	3	3	3	3	3	3	3	3	3
Other Public Works										
Crack Sealed Streets (blocks)	130	272	143	184	111	111	96	48	72	69
Seal Coat Streets (blocks)	160	63	65	112	83	83	49	41	67	60
Street Resurfacing (blocks)	50	50	109	32	56	3	9	9	9	34
Parks and Recreation										
Prairie Lakes Wellnes Center Members	4,897	7,514	8,110	8,119	8,307	8,455	10,457	11,228	10,433	11,232
Participants in Youth Programs	5,913	5,408	5,706	5,814	2,673	5,916	6,123	6,424	6,690	6,531
Library										
Items in Collection	148,505	155,468	163,040	175,210	177,766	178,274	176,854	201,875	190,033	184,933
Total Items Loaned	252,448	250,614	237,579	251,675	192,374	236,927	219,484	226,579	234,569	232,956
Wastewater										
Avg sewage treatment (mill gal per day)	2.44	3.06	2.83	4.47	3.46	3.00	3.22	2.80	3.32	3.73
Airport										
Boardings per year	2,770	10,600	12,084	11,681	7,225	18,265	14,526	15,073	14,161	14,028

Source: City Departments

Statistics (Unaudited)

Table 19
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Function/Program										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	14	14	14	14	14	14	14	13	13	13
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse collection										
Collection Trucks	8	8	8	8	8	8	8	8	8	8
Other public works										
Streets (miles)	175	220	220	202	204	205	205	206	206	211
Streetlights	2,691	2,707	2,795	2,830	2,854	2,854	2,842	2,933	2,933	2,933
Traffic signals	35	32	32	30	24	24	24	24	24	24
Parks and Recreation										
Acreage	712	712	717	717	725	725	775	775	714	714
Derby Downs clubhouse & arena (acres)	80	80	80	80	80	80	65	65	65	65
Playgrounds	21	21	21	22	23	23	23	23	23	23
Baseball/softball fields	23	23	23	23	23	23	23	23	26	26
Soccer/football fields	16	16	16	16	16	16	16	16	16	16
Wellness Center	1	1	1	1	1	1	1	1	1	1
Airport										
Runways	2	2	2	2	2	2	2	2	2	2

Source: City Departments

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 Honorable Mayor and Members of the City Council
City of Watertown
Watertown, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Watertown (the City), as of and for the year then ended December 31, 2025, and the related notes to the financial statements, which collectively comprise City of Watertown' basic financial statements and have issued our report thereon dated June 26, 2026.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

Purpose of this Report

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

Eide Bailly LLP

Fargo, North Dakota
June 26, 2026

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 Honorable Mayor and Members of the City Council
City of Watertown
Watertown, South Dakota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Watertown's (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 of Watertown's major federal program for the year ended December 31, 2025. The City of Watertown's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the Major Federal Program

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance 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.

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Other Matter – Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include the operations of the Watertown Housing and Redevelopment Commission (discretely presented component unit), which expended $1,378,885 in federal awards which is not included in the City's schedule of expenditures of federal awards during the year ended December 31, 2025. Our compliance audit, described in the "Opinion on the Major Federal Program" does not include the operations of the Watertown Housing and Redevelopment Commission because the component unit has a separately issued audit in accordance with 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).

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-003 to be a material weakness.

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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance 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
June 26, 2026

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures		
Department of Justice					
Direct Federal Funding:					
Office of Justice Programs					
Bulletproof Vest Partnership Program	16.607	N/A			$ 7,447
Department of Transportation					
Indirect Federal Funding passed through:					
State of South Dakota Department of Transportation					
Airport Improvement Program	20.106	3-46-0058-38-2021	$ 78,606		
Airport Improvement Program	20.106	3-46-0058-43-2023	194,874		
Airport Improvement Program	20.106	3-46-0058-45-2024	51,724		
Airport Improvement Program	20.106	3-46-0058-46-2024	63,357		
Airport Improvement Program	20.106	3-46-0058-47-2024	21,080		
				$ 409,641	
State of South Dakota Department of Game, Fish & Parks					
Recreational Trails Program	20.219	Unknown		160,000	
State of South Dakota Department of Public Safety					
Office of Highway Safety					
Highway Safety Grant	20.608	2025-00118		13,446	
State of South Dakota Office of Emergency Management					
Hazardous Materials Public Sector Training & Planning Grant	20.703	693JK322NF0011HMEP		20,303	
Total Department of Transportation					603,390
Department of Treasury					
Indirect Federal Funding passed through:					
South Dakota Department of Agriculture and Natural Resources					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	11,678,271		
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	821,068		
				12,499,339	
South Dakota Department of Health					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown		31,199	
Total Department of Treasury					12,530,538
Department of Homeland Security					
Indirect Federal Funding passed through:					
South Dakota Department of Public Safety					
Homeland Security Grant Program	97.067	HLS-2024-RR1106	3,230		
Homeland Security Grant Program	97.067	69A37522300004020SD0	16,941		
Total Department of Homeland Security					20,171
Total Federal Financial Assistance					$ 13,161,546

Note A – Basis of Presentation

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

Note B – Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal awards 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 City has not elected to use the de minimis cost rate of up to 15 percent.

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
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 programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

Identification of major programs:

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

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

Section II – Financial Statement Findings

2025-001 **Material Journal Entries**
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition – During the course of our engagement, we proposed audit adjustments and also identified areas that management needed to correct, including accounts receivable, direct finance leases, construction in progress, and bond prepaid insurance, that would not have been corrected as a result of the City's existing internal controls, and therefore could have resulted in a misstatement of the City's financial statements.

Cause – The City does not have an internal control system designed to identify all necessary adjustments.

Effect – This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

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

2025-002 Segregation of Duties – Year-end Account Reconciliations and Related Journal Entries Material Weakness

Criteria – Management is responsible for monitoring year-end reconciliations and journal entries posted to the general ledger.

Condition – During the process to gain an understanding over the City's financial reporting process and the testing of individual journal entries and year-end reconciliations, it was noted that most year-end journal entries are prepared and posted by the same individual within the City's financial reporting system.

Cause – A lack of segregation of duties and review process over year-end journal entries and reconciliations allows for potentially unapproved entries to be posted to the general ledger or balances to be improperly adjusted.

Effect – This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation – We recommend the City implement policies and procedures that restricts the same individual from have the ability to prepare and post year-end entries into the general ledger, as well as a formal review process for year-end reconciliations.

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

Section III – Federal Award Findings and Questioned Costs

2025-003 **Department of Treasury, Passed through South Dakota Department of Agriculture and Natural Resources**
Federal Financial Assistance Listing No. 21.027
COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Reporting
Material Weakness in Internal Control over Compliance

Criteria – A good system of internal accounting control contemplates an adequate system for ensuring that all reports are completed accurately and reviewed appropriately.

Condition – During the course of our engagement, we noted that the annual project and expenditure report submitted during the year ended December 31, 2025, was not reviewed prior to submission and had amounts reported that did not agree to the general ledger system of the City.

Cause – The City's internal control procedures were not designed or operating effectively to require an independent review and reconciliation of the annual project and expenditure report to the City's general ledger before submission. The amounts reported during 2025 were adjusted to correct cumulative project expenditure differences identified in the prior-year audit.

Effect – The control deficiency could result in the City's project and expenditure report 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, prior year finding 2024-003.

Recommendation – Management should put procedures in place to ensure that the annual project and expenditure is reviewed for accuracy prior to submission.

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

CITY OF WATERTOWN SOUTH DAKOTA

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

Prepared by Management of

City of Watertown

Finding 2024-001 Material Journal Entries, Including Correction of Errors

Finding Summary: During the engagement, Eide Bailly LLP proposed audit adjustments and identified areas that needed corrections, including accounts payable, compensated absences under GASB Statement No. 101, and leases under GASB Statement No. 87. Additionally, Eide Bailly LLP proposed adjustments to beginning lease receivable, deferred inflows of resources, and fund balance/net position to correct an error on reporting a transaction in previous years.

Status: Partially corrected. Prior-period errors identified in the previous audit were corrected and no similar errors were noted in the current year. The City has taken steps to improve its financial reporting and review process; however, material audit adjustments were still needed. See finding 2025-001.

Finding 2024-002 Segregation of Duties – Year-end Account Reconciliations and Related Journal Entries

Finding Summary: During the engagement, Eide Bailly LLP noted that most year-end journal entries are prepared and posted by the same individual within the City's financial reporting system.

Status: Ongoing. See finding 2025-002.

Finding 2024-003 Department of Treasury, Passed through the Department of Agriculture and Natural Resources
Federal Financial Assistance Listing No. 21.027
COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Initial Fiscal Year Finding Occurred: 2024

Finding Summary: During the engagement, Eide Bailly LLP noted the annual project and expenditure report submitted during the year ended December 31, 2024, was not reviewed prior to submission and had amounts reported that did not agree to the general ledger system of the City.

Status: Ongoing. See finding 2025-003.

Finding 2025-001 Material Journal Entries

Finding Summary: During the course of the engagement, Eide Bailly LLP proposed audit adjustments and also identified areas that management needed to correct, including accounts receivable, direct finance leases, construction in progress, and bond prepaid insurance, that would not have been corrected as a result of the City's existing internal controls, and therefore could have resulted in a misstatement of the City's financial statements.

Responsible Individuals: Kristen Bobzien, Chief Financial Officer

Corrective Action Plan: The City will revise procedures to ensure a thorough review and reconciliation of accounts in each fund are done prior to the beginning of the audit and will ensure all transactions are recorded in accordance with the City's policies.

Anticipated Completion Date: December 31, 2026

Finding 2025-002 Segregation of Duties – Year-end Account Reconciliations and Related Journal Entries

Finding Summary: During the process to gain an understanding over the City's financial reporting process and the testing of individual journal entries and year-end reconciliations, it was noted that most year-end journal entries are prepared and posted by the same individual within the City's financial reporting system.

Responsible Individuals: Kristen Bobzien, Chief Financial Officer

Corrective Action Plan: The City will revise procedures to implement policies that restrict the same individual from having the ability to prepare and post year-end entries into the general ledger system of the City, as well as a formal review process for year-end reconciliations.

Anticipated Completion Date: December 31, 2026

Finding 2025-003 Department of Treasury, Passed through the Department of Agriculture and Natural Resources
Federal Financial Assistance Listing No. 21.027
COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Finding Summary: During the engagement, Eide Bailly LLP noted the annual project and expenditure report submitted during the year ended December 31, 2025, was not reviewed prior to submission and had amounts reported that did not agree to the general ledger system of the City.

Responsible Individuals: Kristen Bobzien, Chief Financial Officer

Corrective Action Plan: The City will put procedures in place to ensure the annual project and expenditure report is reviewed for accuracy prior to submission.

Anticipated Completion Date: December 31, 2026