

# BLACK HAWK WATER USER DISTRICT

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Financial Statements

December 31, 2025



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December 31, 2025**

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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*

Board of Directors  
Black Hawk Water User District  
Black Hawk, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Black Hawk Water User District (the District), which comprise the statement of net position - modified cash basis as of December 31, 2025, and the statements of receipts, disbursements, and changes in net position - modified cash basis and cash flows - modified cash basis for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 30, 2026.

#### **Report on Internal Control over Financial Reporting**

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

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

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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*.

## **Black Hawk Water User District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Management's Response. The District'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Casey Peterson, LTD*

Casey Peterson, LTD

Rapid City, South Dakota  
April 30, 2026

**Black Hawk Water User District  
Schedule of Findings and Management's Response  
December 31, 2025**

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Material Weakness

Internal Control over Financial Reporting

Drafting the Financial Statements and Related Notes

2025-001 *Condition:* The District requests its auditor to draft the year-end financial statements and related notes for the sake of efficiency.

*Criteria:* The District should have an internal control system designed for drafting the financial statements and related notes.

*Cause:* The District does not have an internal control system in place to prepare the financial statements and related notes. This condition is common in an organization of this size due to the limited number of office staff.

*Effect:* The District engages its auditor to draft the financial statements and related notes to the financial statements. The possibility of fraud or errors occurring and not being detected or corrected is present.

*Auditor's Recommendation:* It is the responsibility of management and those charged with governance to decide whether to accept the degree of risk associated with the District's auditor drafting the financial statements and related notes, because of cost or other considerations.

*Management's Response:* Management agrees with the finding and will accept the risk associated with this finding.

## Independent Auditor's Report

Board of Directors  
Black Hawk Water User District  
Black Hawk, South Dakota

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of Black Hawk Water User District (the District), which comprise the statement of net position - modified cash basis and the related statements of receipts, disbursements, and changes in net position - modified cash basis and cash flows - modified cash basis as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the modified cash basis financial position of the District as of December 31, 2025, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District 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 opinion.

#### *Emphasis of Matter - Basis of Accounting*

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

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal 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 District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of the District's Proportionate Share of the Net Pension Liability (Asset), the Schedule of Pension Contributions, and the Notes to the Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Casey Peterson, LTD*

Casey Peterson, LTD

Rapid City, South Dakota

April 30, 2026

## FINANCIAL STATEMENTS

**Black Hawk Water User District**  
**Statement of Net Position - Modified Cash Basis**  
**December 31, 2025**

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**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 654,431
Investments	<u>2,424,255</u>
Total Current Assets	<u>3,078,686</u>

Noncurrent Assets:

Capital Assets:

Land	8,756
Buildings	59,853
Improvements Other than Buildings	11,515,194
Machinery and Equipment	892,877
Less: Accumulated Depreciation	<u>(4,945,914)</u>
	7,530,766
Construction in Progress	<u>143,534</u>
Total Noncurrent Assets	<u>7,674,300</u>

**TOTAL ASSETS**

**\$ 10,752,986**

**LIABILITIES**

Amounts Due in One Year	\$ 240,584
Amounts Due in More than One Year	<u>4,426,076</u>
Total Liabilities	<u>4,666,660</u>

**NET POSITION**

Net Investment in Capital Assets	3,007,640
Restricted for:	
Capital Project Purposes	950,000
Customer Deposits	387,069
Unrestricted	<u>1,741,617</u>
Total Net Position	<u>6,086,326</u>

**TOTAL LIABILITIES AND NET POSITION**

**\$ 10,752,986**

The accompanying notes are an integral part of this statement.

**Black Hawk Water User District**  
**Statement of Receipts, Disbursements, and Changes in Net Position -**  
**Modified Cash Basis**  
**For the Year Ended December 31, 2025**

<b>OPERATING RECEIPTS</b>	
Receipts Dedicated to Servicing Debt	\$ 1,186,974
Miscellaneous	<u>1,230</u>
Total Operating Receipts	<u>1,188,204</u>
<b>OPERATING DISBURSEMENTS</b>	
Depreciation	501,433
Personal Services	182,426
Water System Maintenance	149,365
Professional Fees	61,968
Office Expenses	44,716
Insurance	40,544
Contract Labor	19,668
Minor Improvements	9,168
Directors Fees	8,700
Vehicle Expense	3,363
Travel	<u>1,049</u>
Total Operating Disbursements	<u>1,022,400</u>
Operating Income	<u>165,804</u>
<b>NONOPERATING RECEIPTS (DISBURSEMENTS)</b>	
Interest Income	70,548
Grant Receipts	473,305
Insurance Proceeds	66,529
Interest Expense	<u>(94,424)</u>
Net Nonoperating Receipts (Disbursements)	<u>515,958</u>
<b>CHANGE IN NET POSITION</b>	681,762
<b>NET POSITION - BEGINNING</b>	<u>5,404,564</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 6,086,326</u></u>

The accompanying notes are an integral part of this statement.

**Black Hawk Water User District**  
**Statement of Cash Flows - Modified Cash Basis**  
**For the Year Ended December 31, 2025**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Receipts from Customers	\$ 1,186,974
Other Operating Cash Receipts	1,230
Cash Payments to Employees for Services	(191,126)
Cash Payments to Suppliers of Goods and Services	<u>(329,841)</u>
Net Cash Provided by Operating Activities	<u>667,237</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Principal Paid on Long-term Debt	(220,977)
Purchase of Capital Assets	(898,370)
Capital Grants	473,305
Insurance Proceeds	66,529
Interest Paid on Long-term Debt	<u>(94,424)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(673,937)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Investment Securities	(59,387)
Cash Received for Interest	<u>70,548</u>
Net Cash Provided by Investing Activities	<u>11,161</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

4,461

**BALANCE - BEGINNING**

649,970

**BALANCE - ENDING**

\$ 654,431

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 165,804
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	<u>501,433</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES**

\$ 667,237

**SUPPLEMENTAL CASH FLOW DISCLOSURES**

Property and Equipment Purchased with Debt	<u><u>\$ 1,130,918</u></u>
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The accompanying notes are an integral part of this statement.

**Black Hawk Water User District**  
**Notes to the Financial Statements**  
**December 31, 2025**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

Black Hawk Water User District (the District) was formed under Chapter 46-16 of South Dakota Codified Laws. The basic operations of the District are financed by water service charges and hook-up fees. These operations are accounted for and reported as an enterprise fund.

The reporting entity of the Black Hawk Water User District includes all accounts of the District.

Board members of the District are elected by the members of the District and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units that are required to be included in the District's reporting entity.

**B. BASIS OF PRESENTATION**

All activities of the District are accounted for within a single proprietary (enterprise) fund.

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

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
2. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "how" transactions are recorded in the financial statements. Basis of accounting refers to "when" revenues and expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus.

*Measurement Focus*

All activities of the District are presented using the economic resources measurement focus, applied on the modified cash basis of accounting.

**Black Hawk Water User District**  
**Notes to the Financial Statements**  
**December 31, 2025**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Basis of Accounting*

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed, and assets and liabilities are recognized to the extent that cash has been received or disbursed.

Modifications to the cash basis of accounting include recording investments arising from cash transactions, property and equipment, depreciation on property and equipment, and long-term debt. Under this method, revenue is recorded when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred.

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

**D. CASH AND CASH EQUIVALENTS**

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments or deposits with a term to maturity of three months or less, at the date of acquisition, to be cash equivalents. Money market funds held as a portion of the District's investment portfolio are classified as short-term investments and are not considered to be cash equivalents for purposes of the Statement of Cash Flows.

**E. CAPITAL ASSETS**

Capital assets include land, buildings, improvements other than buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital assets are recorded at historical cost. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense and accumulated depreciation is reported on the Statement of Net Position.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 1	N/A	N/A
Improvements Other than Buildings	500	Straight-line	5 - 20 years
Buildings	500	Straight-line	39 years
Machinery and Equipment	500	Straight-line	3 - 20 years

Land is an inexhaustible capital asset and is not depreciated.

**Black Hawk Water User District**  
**Notes to the Financial Statements**  
**December 31, 2025**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. LONG-TERM LIABILITIES**

All long-term liabilities are reported as liabilities in the financial statements. Liabilities consist of revenue bonds payable.

**G. REVENUE RECEIVED IN ADVANCE**

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

**H. RECEIPTS AND DISBURSEMENTS CLASSIFICATION**

Operating receipts and disbursements result from providing services and producing and delivering goods and services.

**I. EQUITY CLASSIFICATIONS**

Equity is classified as Net Position and is displayed in three components:

*Net Investment in Capital Assets* - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

*Unrestricted Net Position* - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**J. APPLICATION OF NET POSITION**

It is the District'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.

**NOTE 2 - DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK**

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits**

The District's cash deposits are made in qualified depositories as defined by SDCL 4-6A-1, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100% of the public deposit accounts that exceed deposit insurance, such as 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.

**Black Hawk Water User District  
Notes to the Financial Statements  
December 31, 2025**

**NOTE 2 - DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK (CONTINUED)**

Investments

In general, SDCL 4-5-6 permits District 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.

As of December 31, 2025, the District had the following investments:

Investment	Credit Rating	Cost Basis	Maturities		
			< 1 Year	1 - 5 Years	> 5 Years
Government Bonds	AA or Better	\$ 471,982	\$ 363,750	\$ 100,000	\$ 8,232
Marketable Certificates of Deposit	FDIC Insured	1,567,000	1,497,000	70,000	-
Money Market	Not Rated	385,273	385,273	-	-
		<u>\$ 2,424,255</u>	<u>\$ 2,246,023</u>	<u>\$ 170,000</u>	<u>\$ 8,232</u>

Fair Value Measurement

The District reports its investments based on cash paid for such investments and not the fair market value.

As explained previously, investments are reported at cost basis. As of December 31, 2025, the investments had unrealized losses of over \$14,000. If the investments are liquidated, the actual proceeds are expected to be less than the cost-basis carrying value.

Credit Risk

State law limits eligible investments for the District as discussed above. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - Deposit

The risk that, in the event of a depository failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2025, all of the District's deposits are fully collateralized.

Custodial Credit Risk - Investments

The risk that, in the event of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of December 31, 2025, all of the District's investments were held by its agents.

Concentration of Credit Risk

The District places no limit on the amount that may be deposited with any one issuer.

**Black Hawk Water User District**  
**Notes to the Financial Statements**  
**December 31, 2025**

**NOTE 2 - DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK (CONTINUED)**

Interest Rate Risk

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

**NOTE 3 - CHANGES IN GENERAL CAPITAL ASSETS**

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

	<u>Balance 12/31/2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 12/31/2025</u>
<b>Non-depreciable Capital Assets:</b>				
Land	\$ 8,756	\$ -	\$ -	\$ 8,756
Construction in Progress	<u>434,218</u>	<u>2,004,497</u>	<u>(2,295,181)</u>	<u>143,534</u>
Subtotal	<u>442,974</u>	<u>2,004,497</u>	<u>(2,295,181)</u>	<u>152,290</u>
<b>Depreciable Capital Assets:</b>				
Buildings	59,853	-	-	59,853
Improvements Other than Buildings	9,198,070	2,317,124	-	11,515,194
Machinery and Equipment	<u>890,029</u>	<u>2,848</u>	-	<u>892,877</u>
Subtotal	<u>10,147,952</u>	<u>2,319,972</u>	-	<u>12,467,924</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(36,364)	(1,452)	-	(37,816)
Improvements Other than Buildings	(3,604,722)	(483,478)	-	(4,088,200)
Machinery and Equipment	<u>(803,395)</u>	<u>(16,503)</u>	-	<u>(819,898)</u>
Subtotal	<u>(4,444,481)</u>	<u>(501,433)</u>	-	<u>(4,945,914)</u>
<b>Net Capital Assets</b>	<u>\$ 6,146,445</u>	<u>\$ 3,823,036</u>	<u>\$ (2,295,181)</u>	<u>\$ 7,674,300</u>

During the year ended December 31, 2024, the District began construction on the Brett Street Water Main Project, which is being funded with bond proceeds and cash reserves. As of December 31, 2025, the District has incurred construction costs on the project in the amount of \$137,950, and the estimated costs to complete the project are \$45,915. The total estimated cost of the project is \$183,865.

During the year ended December 31, 2025, the District began construction on the Norman Road Water Main Project, which is being funded with bond proceeds and cash reserves. As of December 31, 2025, the District has incurred costs on this project in the amount of \$5,584, and the estimated costs to complete the project are \$224,416. The total estimated cost of the project is \$230,000.

All projects are expected to be completed in 2026.

**Black Hawk Water User District**  
**Notes to the Financial Statements**  
**December 31, 2025**

**NOTE 4 - LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities is as follows:

	<u>Balance 12/31/2024</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 12/31/2025</u>	<u>Amount Due in One Year</u>
Bonds Payable:					
DWSRF -					
2020 Revenue Bond	\$ 3,391,715	\$ -	\$ (159,353)	\$ 3,232,362	\$ 163,374
2024 Revenue Bond	-	1,130,918	-	1,130,918	13,559
DWSRF Revenue Bond	<u>365,004</u>	<u>-</u>	<u>(61,624)</u>	<u>303,380</u>	<u>63,651</u>
	<u>\$ 3,756,719</u>	<u>\$ 1,130,918</u>	<u>\$ (220,977)</u>	<u>\$ 4,666,660</u>	<u>\$ 240,584</u>

Debt payable at December 31, 2025 is comprised of the following:

Drinking Water - SRF Revenue Bond payable to the State Revolving Fund bearing a fixed interest rate of 3.25%. Payable in quarterly installments of \$18,185. Matures in April 2030. Collateralized by all assets and revenue. \$ 303,380

Drinking Water - Revenue Borrower Bond, Series 2024 payable to the State Revolving Fund bearing a fixed interest rate of 2.125%. Payments beginning in July 2026, with quarterly installments of \$12,770. Matures in April 2056. Collateralized by all system revenues. 1,130,918

Drinking Water - Revenue Borrower Bond, Series 2020 payable to the State Revolving Fund bearing a fixed interest rate of 2.5%. Payments in quarterly installments of \$60,665. Matures in January 2042. Collateralized by all system revenues. 3,232,362  
\$ 4,666,660

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

<u>For the Year Ending December 31,</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2026	\$ 240,584	\$ 100,354	\$ 340,938
2027	260,796	105,683	366,479
2028	267,775	98,706	366,481
2029	274,945	91,532	366,477
2030	245,796	84,315	330,111
2031-2035	1,129,683	338,943	1,468,626
2036-2040	1,276,332	192,359	1,468,691
2041-2045	491,184	67,532	558,716
2046-2050	215,090	40,299	255,389
2051-2055	239,141	16,258	255,399
2056	<u>25,334</u>	<u>202</u>	<u>25,536</u>
	<u>\$ 4,666,660</u>	<u>\$ 1,136,183</u>	<u>\$ 5,802,843</u>

**Black Hawk Water User District**  
**Notes to the Financial Statements**  
**December 31, 2025**

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**NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)**

The District has pledged future water revenues, net of specified operating expenses, to repay the water revenue bonds.

**NOTE 5 - RETIREMENT PLAN**

Plan Information

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

Benefits Provided

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

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

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

**Black Hawk Water User District  
Notes to the Financial Statements  
December 31, 2025**

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**NOTE 5 - RETIREMENT PLAN (CONTINUED)**

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

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

Legislation enacted in 2021 reduced the minimum COLA from 0.5% to 0%.

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 District's share of contributions to the SDRS for the fiscal years ended December 31, 2025, 2024, and 2023 was \$7,737, \$7,344, and \$6,662, respectively, equal to the required contributions each year.

Pension Liabilities (Assets)

At June 30, 2025, SDRS is 100.10% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension liability (asset) of the South Dakota Retirement System, for the District as of the measurement period ending June 30, 2025 and reported by the District as of December 31, 2025 are as follows:

Proportionate Share of Total Pension Liability	\$ 645,168
Less: Proportionate Share of Net Position Restricted for Pension Benefits	645,527
Proportionate Share of Net Pension Liability (Asset)	\$ (359)

At December 31, 2025, the District had a liability (asset) of (\$359) for its proportionate share of the net pension liability (asset). This balance is not presented in the statements under the modified cash basis of accounting. The net pension liability (asset) was measured as of June 30, 2025 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025, the District's proportion was 0.004227%, which is an increase of 0.000215% from its proportion measured as of June 30, 2024.

**Black Hawk Water User District  
Notes to the Financial Statements  
December 31, 2025**

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**NOTE 5 - RETIREMENT PLAN (CONTINUED)**

Actuarial Assumptions

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

Inflation	2.50%
Salary Increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount Rate	6.50% net of pension 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.

**Black Hawk Water User District  
Notes to the Financial Statements  
December 31, 2025**

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**NOTE 5 - RETIREMENT PLAN (CONTINUED)**

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for 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%
	100.0%	

Discount Rate

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

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

The following presents the District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.50%, as well as what the District'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
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 88,109	\$ (359)	\$ (72,836)

**Black Hawk Water User District**  
**Notes to the Financial Statements**  
**December 31, 2025**

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**NOTE 5 - RETIREMENT PLAN (CONTINUED)**

Pension Plan Fiduciary Net Position

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

**NOTE 6 - RISK MANAGEMENT**

The District 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 District managed its risks as follows:

Liability Insurance

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

Worker's Compensation

The District purchases liability insurance for worker's compensation from a commercial carrier. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits

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

**NOTE 7 - SUBSEQUENT EVENTS**

Subsequent to year-end, the District received bond proceeds through the Rural Development U.S. Department of Agriculture in the amount of \$271,000. The bond proceeds will be used to help fund current and future construction projects. The date of the bond is December 15, 2025, with a maturity date of December 15, 2050, and an interest rate of 3.625%.

Subsequent events were evaluated through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**Black Hawk Water User District  
Schedule of the District's Proportionate Share  
of the Net Pension Liability (Asset)  
For the Years Ended December 31**

Year*	District's Proportion of the Net Pension Liability/ Asset	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability/ Asset
2025	0.0042270%	\$ (359)	\$ 125,774	0.29%	100.10%
2024	0.0040120%	\$ (162)	\$ 112,554	0.14%	100.00%
2023	0.0044360%	\$ (433)	\$ 114,418	0.38%	100.07%
2022	0.0045910%	\$ (434)	\$ 109,616	0.40%	100.10%
2021	0.0047540%	\$ (36,408)	\$ 107,859	33.76%	105.52%
2020	0.0051127%	\$ (222)	\$ 107,756	0.21%	100.04%
2019	0.0054354%	\$ (576)	\$ 117,890	0.49%	100.09%
2018	0.0054354%	\$ (123)	\$ 110,375	0.11%	100.02%
2017	0.0052816%	\$ (477)	\$ 107,308	0.44%	100.10%
2016	0.0051385%	\$ 17,357	\$ 97,949	17.72%	96.89%

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

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

**Black Hawk Water User District  
Schedule of Pension Contributions  
For the Years Ended December 31**

Year	Contractually- required Contribution	Contributions in Relation to the Contractually- required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 7,737	\$ 7,737	\$ -	\$ 128,948	6.0%
2024	\$ 7,344	\$ 7,344	\$ -	\$ 122,394	6.0%
2023	\$ 6,662	\$ 6,662	\$ -	\$ 111,026	6.0%
2022	\$ 6,593	\$ 6,593	\$ -	\$ 109,884	6.0%
2021	\$ 6,366	\$ 6,366	\$ -	\$ 106,069	6.0%
2020	\$ 6,208	\$ 6,208	\$ -	\$ 103,464	6.0%
2019	\$ 7,364	\$ 7,364	\$ -	\$ 122,730	6.0%
2018	\$ 6,783	\$ 6,783	\$ -	\$ 113,050	6.0%
2017	\$ 6,462	\$ 6,462	\$ -	\$ 107,700	6.0%
2016	\$ 6,415	\$ 6,415	\$ -	\$ 106,916	6.0%

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

**Black Hawk Water User District**  
**Notes to the Supplementary Information**  
**For the Year Ended December 31, 2025**

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**NOTE 1 - PENSION CONTRIBUTIONS**

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Method Changes

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

Actuarial Assumption Changes

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

See independent auditor's report.