

Financial Statements
December 31, 2024

**Dakota Dunes Community
Improvement District**

Dakota Dunes Community Improvement District

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Independent Auditor's Report

The Board of Supervisors
Dakota Dunes Community Improvement District
Dakota Dunes, 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, and each major fund of the Dakota Dunes Community Improvement District (the District) as of and for the year ended December 31, 2024, 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of December 31, 2024, 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 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 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 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.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 9, 2025, 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 the District'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 District's internal control over financial reporting and compliance.



Aberdeen, South Dakota
September 9, 2025

This section of the Dakota Dunes Community Improvement District's annual financial report presents management's discussion and analysis of the District's financial performance for the year ended December 31, 2024. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's General Fund total revenues generated from property taxes, franchise taxes, charges for service and other revenues typical to operations was \$2,551,775 in 2024, as compared to \$2,125,117 in 2023. This was a 20.1 percent increase in revenues primarily due to a increase in property tax revenues and also FEMA receipts of \$176,714 due to 2024 flood emergency prevention measures from the Big Sioux River Flood Event. Operating expenses increased from \$2,080,722 in 2023 to \$2,773,928 in 2024. This increase can primarily be attributed to more operating expenses in 2024 due to the focus on street and roadway concrete repairs and also 2024 flood emergency preventative measures.
- The District's business-type activities (Enterprise Fund) charges for water and sewer services increased from \$2,024,517 in 2023 to \$2,165,119 in 2024. This was a 6.9 percent increase, primarily due to increased irrigation and water use because of a very dry year. Water and Sewer rates to Dakota Dunes residents were increased in March 2024. The water rate increase was due to maintaining adequate income to expense ratio in that fund. The sewer rate increase was due to a July 2024 increase in sewer disposal rates charged by Sioux City and also maintaining adequate income to expense ratio in that fund. Expenses increased by 2.9 percent from \$1,784,162 in 2023 to \$1,835,678 in 2024.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The following schedule summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Major Features of Dakota Dunes' Government-Wide and Fund Financial Statements

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

Government-Wide Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets/deferred outflows of resources and liabilities/deferred inflows of resources – is one way to measure the District's financial health or position.

- Increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration needs to be given to additional nonfinancial factors such as changes in the District's property tax base.

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

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

Fund Financial Statements

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

- State law requires some of the funds to be established.
- The District Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

- Governmental Funds – Most of the District's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and flow out of these funds; and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on the subsequent page that explains the relationship (or differences) between the statements.

- Proprietary Funds – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The District’s enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1
Summary of Net Position

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2023	2024	2023	2024	2023	2024	
Current and Other Assets	\$ 4,223,888	\$ 3,816,364	\$ 1,890,912	\$ 2,614,500	\$ 6,114,800	\$ 6,430,864	5.2%
Capital Assets	14,043,228	14,115,772	11,093,709	11,029,652	25,136,937	25,145,424	0.0%
Total Assets	\$ 18,267,116	\$ 17,932,136	\$ 12,984,621	\$ 13,644,152	\$ 31,251,737	\$ 31,576,288	0.9%
Deferred Outflows of Resources	\$ 23,574	\$ 80,541	\$ 137,909	\$ 55,228	\$ 161,483	\$ 135,769	-15.9%
Long-term Liabilities Outstanding	\$ 285,177	\$ 212,748	\$ 1,840,502	\$ 1,747,647	\$ 2,125,679	\$ 1,960,395	-7.8%
Other Liabilities	65,646	130,521	127,683	87,803	193,329	218,324	12.9%
Total Liabilities	\$ 350,823	\$ 343,269	\$ 1,968,185	\$ 1,835,450	\$ 2,319,008	\$ 2,178,719	-6.0%
Deferred Inflows of Resources	\$ 66,792	\$ 58,172	\$ 475,377	\$ 429,765	\$ 542,169	\$ 487,937	-10.0%
Net Position:							
Net Investment in							
Capital Assets	\$ 13,762,019	\$ 13,907,538	\$ 9,264,446	\$ 9,294,446	\$ 23,026,465	\$ 23,201,984	0.6%
Restricted	28,813	463	142,313	19,395	171,126	19,858	-66.4%
Unrestricted	4,082,243	3,703,235	1,272,209	2,120,324	5,354,452	5,823,559	8.1%
Total Net Position	\$ 17,873,075	\$ 17,611,236	\$ 10,678,968	\$ 11,434,165	\$ 28,552,043	\$ 29,045,401	1.6%

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, and deferred inflows of resources in order of relative liquidity. Liabilities are reported in two components – the amount due within one year and the amount due in more than one year. Long-term liabilities of the District, consisting of compensated absences payable and the SRF Loan, have been reported in this manner on the Statement of Net Position. The difference between the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources is its net position.

The District's net position in capital assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The increase in net position invested in capital assets, net of related debt, is due to the Shay Road Tract F, N Park 2nd Addition deed of infrastructure which were streetway, water and sewer utilities, storm sewer, and street lighting and signage, net of related debt, acquired in 2024.

The District's restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants. Total restricted net position decreased from \$171,126 at the end of 2023 to \$19,858 at the end of 2024.

The remaining balance of net position is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors.

At the ends of the current and prior year, the District is able to report positive balances in net position for its separate governmental and business-type activities. Total unrestricted net position increased from \$5,354,452 at the end of 2023 to \$5,823,559 at the end of 2024. This is due to the increase in rate increases for both water and sewer. The District's positive net position shows that it is able to finance its day-to-day activities.

Changes in Net Position

The District's revenues totaled \$5,459,625 (See Table 2). Nearly 91% of the District's revenue comes from charges for services and property taxes, with 44 cents of every dollar raised coming from property taxes and 46 cents of every dollar raised coming from charges for services (primarily water and sewer operations).

The District's expenses totaled \$4,966,267 (See Table 2). This is an increase of \$878,327. The District's expenses cover a range of services, with 60 percent related to public work services (road maintenance, water system services and sewer system services).

Dakota Dunes Community Improvement District
Management's Discussion and Analysis
December 31, 2024

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total
	2023	2024	2023	2024	2023	2024	Percent Change
Revenues:							
Program Revenues:							
Charges for Service	\$ 1,955	\$ 2,250	\$ 2,024,517	\$ 2,147,487	\$ 2,026,472	\$ 2,149,737	6.1%
Capital Grants and Contributions	1,166,110	634,816	285,480	172,343	1,451,590	807,159	-44.4%
Operating Grants and Contributions	-	-	412,866	-	412,866	-	-100.0%
General Revenues:							
Property Taxes	1,974,741	2,071,106	-	-	1,974,741	2,071,106	4.9%
Other	148,128	114,988	70,527	316,635	218,655	431,623	97.4%
Total Revenues	\$ 3,290,934	\$ 2,823,160	\$ 2,793,390	\$ 2,636,465	\$ 6,084,324	\$ 5,459,625	-10.3%
Expenses:							
General Government	\$ 470,590	\$ 485,675	\$ -	\$ -	\$ 470,590	\$ 485,675	3.2%
Public Safety	179,699	138,412	-	-	179,699	138,412	-23.0%
Public Works	1,156,225	963,733	-	-	1,156,225	963,733	-16.6%
Culture and Recreation	489,796	1,486,544	-	-	489,796	1,486,544	211.7%
Interest on Long-Term Debt	7,468	10,635	-	-	7,468	10,635	42.4%
Water	-	-	1,008,594	1,049,644	1,008,594	1,049,644	4.1%
Sewer	-	-	775,568	831,624	775,568	831,624	7.2%
Total Expenses	\$ 2,303,778	\$ 3,084,999	\$ 1,784,162	\$ 1,881,268	\$ 4,087,940	\$ 4,966,267	22.5%
Change in Net Position	\$ 987,156	\$ (261,839)	\$ 1,009,228	\$ 755,197	\$ 1,996,384	\$ 493,358	
Net Position - Beginning	\$ 16,885,919	\$ 17,873,075	\$ 9,669,740	\$ 10,678,968	\$ 26,555,659	\$ 28,552,043	
Net Position - Ending	\$ 17,873,075	\$ 17,611,236	\$ 10,678,968	\$ 11,434,165	\$ 28,552,043	\$ 29,045,401	

Governmental Activities

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

Total revenues for the District's governmental activities decreased by 14.2%, and total governmental expenses increased by 35.7%. The decrease in revenues is primarily due to the due to the Winged Foot Development (Firethorn Extension) deed of infrastructure which were streetway, water and sewer utilities, storm sewer, and street lighting and signage in year 2023. The increase in expenses is due emergency prevention related to the 2024 Big Sioux River Flood Event.

Business-type Activities

Revenues of the District's business-type activities including other (charges for service + other revenue) decreased by 5.6% to \$2,636,465 and expenses increased by 4.9% to \$1,881,268. Factors contributing to these results included the following:

- Revenues from Charges for Services increased from \$2,024,517 in 2023 to \$2,147,487 during 2024, a 6.9% increase, due to increased water usage for irrigation because of the dry weather. Water rates were also increased in March 2024. Additionally, there was a year-over-year decrease in grants of \$526,003.
- Water expenses increased from \$1,008,594 in 2023 to \$1,049,644 during 2024, a 4.1% increase. Sewer expenses increased from \$775,568 in 2023 to \$831,624 during 2024, a 7.2% increase.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial analysis of the District's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The District currently had two governmental funds - the general fund and the flood prevention fund, and two business-type funds, water and sewer. The District's flood prevention fund was closed to the general fund effective January 1, 2024. Flood expenses and FEMA receipts during 2024 and going forward will be recognized in the general fund.

General Fund Budgetary Highlights

General Fund 2024 revenues were over budget by \$344,316. The General Fund expenditures consist of General Government, Public Safety, Public Works, and Culture and Recreation. Capital outlay-related expenditures are presented within their respective departmental function. Dakota Dunes Community Improvement District expenditures were \$195,313 more than budgeted in 2024. The operating expenses over budget can be explained by increased expenses in flood prevention efforts due to the 2024 Big Sioux River Flood Event in June 2024.

CAPITAL ASSET ADMINISTRATION

At the end of 2024, the District had net capital assets of \$25,145,424 including, land, buildings, and various machinery and equipment (See Table 3). This amount represents a net increase (including additions and deductions) of \$8,487.

Table 3
Capital Assets Net of Accumulated Depreciation and Amortization

	Governmental Activities		Business-type Activities		Total	Total
					Dollar	Percentage
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>Change</u>	<u>Change</u>
Land	\$ 2,959,427	\$ 2,959,427	\$ 73,806	\$ 73,806	\$ -	0.0%
Construction in Progress	89,812	103,570	1,748,838	176,367	(1,558,713)	-84.8%
Buildings	6,899	6,018	-	-	(881)	-12.8%
Improvements other than Buildings	10,186,096	9,978,554	9,123,423	10,627,153	1,296,188	6.7%
Machinery and Equipment	609,736	909,501	46,720	61,375	314,420	47.9%
Right of Use Asset	191,258	158,702	100,922	90,951	(42,527)	-14.6%
Total Capital Assets (Net)	\$ 14,043,228	\$ 14,115,772	\$ 11,093,709	\$ 11,029,652	\$ 8,487	0.0%

This year’s major capital asset additions included:

- Governmental activities include the purchase of the following equipment and projects: 2024 Lamar Dump Trailer, 2024 Scag Mower, 2024 Ford F-150, Concrete Median Cottonwood Lane, Prairie Park Playground, Bob Cat Attachments: Concrete Mixer, Grapple, Auger, Security Cameras Maintenance Building, Big Sioux Levee Trail Cameras, and Dakota Dunes Blvd Camera Upgrade.
- Business-type activities included the additions of the Water Looping Project across I-29, Sewer Parallel Line across I29, Water Chemical Mixing Tanks, Water Automation Water Plant, North Lift Station Sampling System, SCADA Upgrades, Influent Water Meter and Water Leak Detection Equipment.

See Note 7 for more disclosure information on the District’s capital assets.

Table 4
Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total	Total
					Dollar	Percentage
	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>Change</u>	<u>Change</u>
Direct Borrowing	\$ 86,562	\$ 44,526	\$ -	\$ -	(42,036)	-48.6%
Leases	194,647	163,708	103,570	94,721	(39,788)	-13.3%
Compensated Absences	3,968	4,514	11,239	12,441	1,748	11.5%
SRF Loan Clearwell	-	-	1,036,379	965,264	(71,115)	-6.9%
SRF Loan Parallel Sewer Line	-	-	260,014	254,698	(5,316)	-2.0%
SRF Loan Water Looping	-	-	429,300	420,523	(8,777)	-2.0%
Total Outstanding Debt and Obligations	\$ 285,177	\$ 212,748	\$ 1,840,502	\$ 1,747,647	\$ (165,284)	-7.8%

The District is liable for the accrued vacation and sick leave payable to full-time employees who meet the length of service requirements.

The District has a direct borrowing agreement for a Pelican street sweeper with an outstanding balance of \$44,526. The District also has lease outstanding lease liabilities related to right-to-use assets for governmental activities of \$163,708 and for business-type activities of \$94,721. The District has outstanding SRF Loans for the following: Clearwell loan of \$965,264, Parallel Sewer Line of \$254,698 and Water Looping of \$420,523 payable to the State of South Dakota. These loans are secured by a security interest in the District's Water System Income and Revenues or project income surcharge revenues. These loans were taken out in order to fund the Clear Well Project, the Parallel Sewer Line Project and the Water Looping Project. The SRF loans will be fully paid off in February 2036, April 2044 and April 2044, respectfully. In 2017, the District added a monthly surcharge to every water account of \$6.98 to pay for SRF Clearwell loan. In January 2024, the District added a monthly surcharge to every sewer account of \$1.10 to pay for the SRF Parallel Sewer Line loan. In January 2024, the District added a monthly surcharge to every water account of \$1.70 to pay for the SRF Water Looping loan.

See Note 8 for more disclosure information on the District's outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's taxable value for the 2025 fiscal year decreased .63% from \$781,722,721 in 2024 to \$776,773,400 for 2025. The District requested collections of \$2,190,582 for property taxes for 2025.

Unlike municipalities, the District does not have authority to assess a sales tax. Therefore, a substantial amount of General Fund revenues comes from property tax.

The District-adopted a General Fund operating budget for the 2025 fiscal year with expenses increased by approximately 3.6% compared to the prior fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Dakota Dunes Community Improvement District's Finance Office, P.O. Box 1997, 335 Sioux Point Road, Suite 200, Dakota Dunes, South Dakota 57049, or call (605) 232-4211.

Dakota Dunes Community Improvement District

Statement of Net Position—Exhibit I

December 31, 2024

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 2,311,204	\$ 1,641,614	\$ 3,952,818
Investments	1,500,000	500,000	2,000,000
Internal balances	(121,711)	121,711	-
Accounts receivable, net	72,751	234,871	307,622
Inventories	31,716	105,088	136,804
Other assets	21,941	10,899	32,840
Net pension asset	463	317	780
Capital assets			
Land and construction in progress	3,062,997	250,173	3,313,170
Other capital assets, net	10,894,073	10,688,528	21,582,601
Right-to-use lease assets, net	158,702	90,951	249,653
Total assets	17,932,136	13,644,152	31,576,288
Deferred Outflows of Resources			
Pension related deferred outflows	80,541	55,228	135,769
Total deferred outflows of resources	80,541	55,228	135,769
	\$ 18,012,677	\$ 13,699,380	\$ 31,712,057
Liabilities			
Accounts payable	\$ 110,941	\$ 67,320	\$ 178,261
Other current liabilities	19,580	20,483	40,063
Noncurrent liabilities			
Due within one year	85,080	127,828	212,908
Due in more than one year	127,668	1,619,819	1,747,487
Total liabilities	343,269	1,835,450	2,178,719
Deferred Inflows of Resources			
Pension related deferred inflows	58,172	39,890	98,062
Other deferred inflows	-	389,875	389,875
Total deferred inflows of resources	58,172	429,765	487,937
Net Position			
Net investment in capital assets	13,907,538	9,294,446	23,201,984
Restricted for			
Debt service purposes	-	19,078	19,078
SDRS pension	463	317	780
Unrestricted	3,703,235	2,120,324	5,823,559
Total net position	17,611,236	11,434,165	29,045,401
	\$ 18,012,677	\$ 13,699,380	\$ 31,712,057

Dakota Dunes Community Improvement District

Statement of Activities—Exhibit II

Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 485,675	\$ 2,250	\$ -	\$ -	\$ (483,425)	\$ -	\$ (483,425)
Public safety	138,412	-	-	-	(138,412)	-	(138,412)
Public works	963,733	-	-	458,102	(505,631)	-	(505,631)
Culture and recreation	1,486,544	-	-	176,714	(1,309,830)	-	(1,309,830)
Interest on long-term debt	10,635	-	-	-	(10,635)	-	(10,635)
Total governmental activities	<u>3,084,999</u>	<u>2,250</u>	<u>-</u>	<u>634,816</u>	<u>(2,447,933)</u>	<u>-</u>	<u>(2,447,933)</u>
Business-type activities							
Water	1,049,644	1,242,591	-	70,465	-	263,412	263,412
Sewer	831,624	904,896	-	101,878	-	175,150	175,150
Total business-type activities	<u>1,881,268</u>	<u>2,147,487</u>	<u>-</u>	<u>172,343</u>	<u>-</u>	<u>438,562</u>	<u>438,562</u>
Total primary government	<u>\$ 4,966,267</u>	<u>\$ 2,149,737</u>	<u>\$ -</u>	<u>\$ 807,159</u>	<u>(2,447,933)</u>	<u>438,562</u>	<u>(2,009,371)</u>
General Revenues							
Taxes							
Property taxes					2,071,106	-	2,071,106
State shared revenue					35,716	-	35,716
Unrestricted investment earnings					166,728	103,025	269,753
Miscellaneous revenue					76,564	49,590	126,154
Transfers					(164,020)	164,020	-
Total general revenues and transfers					<u>2,186,094</u>	<u>316,635</u>	<u>2,502,729</u>
Change in Net Position					(261,839)	755,197	493,358
Net Position - Beginning					<u>17,873,075</u>	<u>10,678,968</u>	<u>28,552,043</u>
Net Position - Ending					<u>\$ 17,611,236</u>	<u>\$ 11,434,165</u>	<u>\$ 29,045,401</u>

Dakota Dunes Community Improvement District

Balance Sheet—Governmental Funds—Exhibit III

December 31, 2024

	<u>General Fund</u>	<u>Flood Prevention Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,311,204	\$ -	\$ 2,311,204
151 Investments	1,500,000	-	1,500,000
110 Taxes receivable, current	20,100	-	20,100
112 Taxes receivable, delinquent	896	-	896
115 Accounts receivable, net	51,755	-	51,755
142 Inventories	31,716	-	31,716
155 Prepaid expenses	21,941	-	21,941
	<u>\$ 3,937,612</u>	<u>\$ -</u>	<u>\$ 3,937,612</u>
Liabilities			
202 Accounts payable	\$ 110,941	\$ -	\$ 110,941
208 Due to other funds	121,711	-	121,711
216 Accrued wages payable	17,686	-	17,686
217 Accrued taxes payable	20	-	20
	<u>250,358</u>	<u>-</u>	<u>250,358</u>
Deferred Inflows of Resources			
245 Unavailable revenue - property taxes	9,076	-	9,076
	<u>9,076</u>	<u>-</u>	<u>9,076</u>
Fund Balance			
263 Nonspendable	53,657	-	53,657
267 Unassigned	3,624,521	-	3,624,521
	<u>3,678,178</u>	<u>-</u>	<u>3,678,178</u>
	<u>\$ 3,937,612</u>	<u>\$ -</u>	<u>\$ 3,937,612</u>

Dakota Dunes Community Improvement District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 Year Ended December 31, 2024

	Total
Total Fund Balances - Governmental Funds	\$ 3,678,178
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Net pension asset reported in governmental activities is not an available financial resource and, therefore, is not reported in the funds.	463
Pension related deferred outflows are components of pension asset and, therefore, are not reported in the funds.	80,541
Assets such as taxes receivable (delinquent) and special receivables (current, delinquent and deferred) are not available to pay for current period expenditures and, therefore, are deferred in the funds.	9,076
Pension related deferred inflows are components of pension asset and, therefore, are not reported in the funds.	(58,172)
Capital and right-to-use lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,115,772
Long-term liabilities, including bonds payable, lease liabilities, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(212,748)
Interest on long-term debt is not accrued in governmental funds, but, rather, is recognized as an expenditure when due.	(1,874)
Net Position - Governmental Activities	\$ 17,611,236

Dakota Dunes Community Improvement District
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2024

	<u>General Fund</u>	<u>Flood Prevention Fund</u>	<u>Total Governmental Funds</u>
Revenues			
310 Taxes			
311 General property taxes	\$ 2,098,241	\$ -	\$ 2,098,241
319 Penalties and interest on delinquent taxes	2,238	-	2,238
330 Intergovernmental revenue			
331 Federal grants	176,714	-	176,714
335 State shared revenue			
335.01 Bank franchise tax	35,716	-	35,716
360 Miscellaneous revenue			
361 Investment earnings	166,728	-	166,728
362 Rentals	2,250	-	2,250
369 Other	69,888	-	69,888
Total revenues	<u>2,551,775</u>	<u>-</u>	<u>2,551,775</u>
Expenditures			
410 General government			
411 Legislative	3,000	-	3,000
412 Executive	65,005	-	65,005
414 Financial administration	383,121	-	383,121
Total general government	<u>451,126</u>	<u>-</u>	<u>451,126</u>
420 Public safety			
421 Police	142,182	-	142,182
Total public safety	<u>142,182</u>	<u>-</u>	<u>142,182</u>
430 Public works			
431 Highways and streets	403,880	-	403,880
432 Sanitation	2,959	-	2,959
Total public works	<u>406,839</u>	<u>-</u>	<u>406,839</u>
450 Culture and recreation			
452 Parks	1,687,719	-	1,687,719
Total culture and recreation	<u>1,687,719</u>	<u>-</u>	<u>1,687,719</u>
470 Debt service	86,062	-	86,062
Total expenditures	<u>2,773,928</u>	<u>-</u>	<u>2,773,928</u>
Excess of Revenue over (under) Expenditures	<u>(222,153)</u>	<u>-</u>	<u>(222,153)</u>

Dakota Dunes Community Improvement District
Statement of Revenues, Expenditures and Changes in Fund Balances—Exhibit IV
Year Ended December 31, 2024

	General Fund	Flood Prevention Fund	Total Governmental Funds
Other Financing Sources (Uses)			
391.01 Transfers in	-	559,951	559,951
511 Transfers out	(559,951)	(164,020)	(723,971)
391.27 Lease proceeds	4,326	-	4,326
391.03 Sale of municipal property	12,263	-	12,263
	<u>(543,362)</u>	<u>395,931</u>	<u>(147,431)</u>
Total other financing sources (uses)			
Net Change in Fund Balances	(765,515)	395,931	(369,584)
Fund Balance - Beginning	<u>4,443,693</u>	<u>(395,931)</u>	<u>4,047,762</u>
Fund Balance - Ending	<u>\$ 3,678,178</u>	<u>\$ -</u>	<u>\$ 3,678,178</u>

Dakota Dunes Community Improvement District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Government-Wide Statement of Activities
Year Ended December 31, 2024

	Total
Net Change in Fund Balances - Total Governmental Funds	\$ (369,584)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(379,971)
The receipt of contributed capital assets is not reported on the fund statements, but is reported as a program revenue on the government-wide statements.	458,102
In the statement of activities, gains and losses on disposal of capital assets are reported; whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(5,587)
Lease liabilities are not recognized in governmental funds, but is an increase in long-term liabilities on the government-wide statements.	(4,326)
Payment of principal on long-term debt and lease liabilities is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	77,301
Governmental funds do not reflect the change in accrued leave; but, the statement of activities reflects the change in accrued leave through expenditures.	(546)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(29,373)
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	(1,874)
Changes in pension related deferred outflows/inflows are direct components of pension asset and are not reflected in the governmental funds.	(5,981)
Change in Net Position of Governmental Activities	\$ (261,839)

Dakota Dunes Community Improvement District

Statement of Net Position—Proprietary Funds—Exhibit V

December 31, 2024

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Current Assets			
Cash and cash equivalents	\$ 1,641,614	\$ -	\$ 1,641,614
151 Investments	500,000	-	500,000
115 Accounts receivable, net	99,423	98,086	197,509
130 Leases receivable	37,362	-	37,362
131 Due from other funds	400,624	-	400,624
141 Inventory of supplies	103,288	1,800	105,088
155 Prepaid expenses	8,174	2,725	10,899
	<u>2,790,485</u>	<u>102,611</u>	<u>2,893,096</u>
Total current assets			
Noncurrent Assets			
189 Net pension asset	238	79	317
Capital assets			
160 Land	72,826	980	73,806
164 Improvements other than buildings	12,236,294	7,691,913	19,928,207
166 Machinery and equipment	171,841	-	171,841
168 Construction work in progress	124,762	51,605	176,367
173 Right-to-use leased assets	98,576	32,859	131,435
Less accumulated depreciation	(5,806,214)	(3,605,306)	(9,411,520)
Less accumulated amortization	(30,363)	(10,121)	(40,484)
	<u>6,867,960</u>	<u>4,162,009</u>	<u>11,029,969</u>
Total noncurrent assets			
Deferred Outflows of Resources			
196 Pension related deferred outflows	41,422	13,806	55,228
	<u>41,422</u>	<u>13,806</u>	<u>55,228</u>
Total deferred outflows of resources			
	<u>\$ 9,699,867</u>	<u>\$ 4,278,426</u>	<u>\$ 13,978,293</u>
Some amounts reported for business-type activities in the statement of net position are different because:			
Business-type activities reflect the net due from/due to other funds as internal balances within the assets section of the statement of net position			<u>(278,913)</u>
			<u>\$ 13,699,380</u>

Dakota Dunes Community Improvement District

Statement of Net Position—Proprietary Funds—Exhibit V

December 31, 2024

	Water Fund	Sewer Fund	Totals
Current Liabilities			
202 Accounts payable	\$ 23,650	\$ 43,670	\$ 67,320
208 Due to other funds	-	278,913	278,913
215 Accrued interest payable	5,424	1,075	6,499
216 Accrued wages payable	9,534	3,178	12,712
220 Customer deposits	1,272	-	1,272
226 Bonds and leases payable current			
226.02 Revenue	91,092	10,792	101,884
226.04 Leases	10,127	3,376	13,503
230 Compensated absences payable	9,331	3,110	12,441
Total current liabilities	150,430	344,114	494,544
Noncurrent Liabilities			
231 Bonds payable			
231.02 Revenue	1,294,695	243,906	1,538,601
234 Lease liabilities	60,914	20,304	81,218
Total noncurrent liabilities	1,355,609	264,210	1,619,819
Deferred Inflows of Resources			
247 Other deferred inflows of resources	389,875	-	389,875
248 Pension related deferred inflows	29,918	9,972	39,890
Total deferred inflows of resources	419,793	9,972	429,765
Net Position			
253.10 Net investment in capital assets	5,410,894	3,883,552	9,294,446
253.20 Restricted net position, restricted for			
253.21 Revenue bond debt service	11,463	7,615	19,078
253.29 SDRS pension purposes	238	79	317
253.90 Unrestricted net position	2,351,440	(231,116)	2,120,324
Total net position	7,774,035	3,660,130	11,434,165
	\$ 9,699,867	\$ 4,278,426	\$ 13,978,293

Dakota Dunes Community Improvement District
Statement of Revenues, Expenses, and Changes in Net Position—Proprietary Funds—Exhibit VI
Year Ended December 31, 2024

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating Revenue			
380 Charges for goods and services	\$ 1,093,028	\$ 887,009	\$ 1,980,037
380 Debt service surcharge	149,563	17,887	167,450
369 Miscellaneous	9,490	8,142	17,632
Total operating revenue	<u>1,252,081</u>	<u>913,038</u>	<u>2,165,119</u>
Operating Expenses			
410 Personal services	280,896	95,193	376,089
420 Other current expenses	363,565	515,262	878,827
426 Materials	45,256	-	45,256
453 Amortization	20,354	3,560	23,914
457 Depreciation	299,692	211,900	511,592
Total operating expenses	<u>1,009,763</u>	<u>825,915</u>	<u>1,835,678</u>
Operating Income	<u>242,318</u>	<u>87,123</u>	<u>329,441</u>
Nonoperating Revenue (Expense)			
361 Investment earnings	85,553	17,472	103,025
362 Rental revenue	31,958	-	31,958
442 Interest expense	(39,881)	(5,709)	(45,590)
Total nonoperating revenue (expense)	<u>77,630</u>	<u>11,763</u>	<u>89,393</u>
Income Before Contributions and Transfers	319,948	98,886	418,834
391.07 Capital contributions	70,465	101,878	172,343
391.10 Transfers in	164,020	-	164,020
Change in Net Position	<u>554,433</u>	<u>200,764</u>	<u>755,197</u>
Net Position - Beginning	<u>7,219,602</u>	<u>3,459,366</u>	<u>10,678,968</u>
Net Position - Ending	<u><u>\$ 7,774,035</u></u>	<u><u>\$ 3,660,130</u></u>	<u><u>\$ 11,434,165</u></u>

Dakota Dunes Community Improvement District
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2024

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Cash Flows from (used for) Operating Activities			
Receipts from customers	\$ 1,231,308	\$ 914,725	\$ 2,146,033
Payments to suppliers	(446,308)	(530,740)	(977,048)
Payments to employees	(268,678)	(89,455)	(358,133)
Net Cash from Operating Activities	<u>516,322</u>	<u>294,530</u>	<u>810,852</u>
Cash Flows from (used for) Noncapital Financing Activities			
Transfers from other funds	164,020	-	164,020
Advances to other funds	(62,744)	-	(62,744)
Payments to other funds	-	(225,340)	(225,340)
Net Cash from (used for) Noncapital Financing Activities	<u>101,276</u>	<u>(225,340)</u>	<u>(124,064)</u>
Cash Flows used for Capital and Related Financing Activities			
Purchase of capital assets	(222,248)	(72,592)	(294,840)
Principal paid on lease liabilities	(9,880)	(3,293)	(13,173)
Principal paid on capital debt	(79,892)	(5,316)	(85,208)
Interest paid on lease liabilities	(1,514)	(505)	(2,019)
Interest paid on capital debt	(39,426)	(4,956)	(44,382)
Net Cash used for Capital and Related Financing Activities	<u>(352,960)</u>	<u>(86,662)</u>	<u>(439,622)</u>
Cash Flows from (used for) Investing Activities			
Purchase of investments	(500,000)	-	(500,000)
Proceeds from maturity of investments	512,004	-	512,004
Interest earnings	85,553	17,472	103,025
Receipts from rentals	18,683	-	18,683
Net Cash from Investing Activities	<u>116,240</u>	<u>17,472</u>	<u>133,712</u>
Net Change in Cash and Cash Equivalents	380,878	-	380,878
Cash and Cash Equivalents, Beginning	<u>1,260,736</u>	<u>-</u>	<u>1,260,736</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,641,614</u>	<u>\$ -</u>	<u>\$ 1,641,614</u>

Dakota Dunes Community Improvement District
Statement of Cash Flows—Proprietary Funds—Exhibit VII
Year Ended December 31, 2024

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Cash from Operating Activities			
Operating income	\$ 242,318	\$ 87,123	\$ 329,441
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation and amortization expense	320,046	215,460	535,506
Change in assets and liabilities			
Receivables	(21,498)	1,687	(19,811)
Inventories	(10,301)	90	(10,211)
Prepaid expenses	(345)	(115)	(460)
Pension asset	788	426	1,214
Pension related deferred outflows	43,770	38,911	82,681
Accounts and other payables	(26,841)	(15,453)	(42,294)
Accrued wages payable	1,917	639	2,556
Customer deposits	725	-	725
Compensated absences payable	902	300	1,202
Pension related deferred inflows	(35,159)	(34,538)	(69,697)
Net Cash from Operating Activities	<u>\$ 516,322</u>	<u>\$ 294,530</u>	<u>\$ 810,852</u>
Noncash Investing, Capital and Financing Activities			
Capital assets received through capital contributions	\$ 70,465	\$ 101,878	\$ 172,343
Lease liability for the acquisition of a right-to-use lease asset	3,202	1,067	4,269

Note 1 - Summary of Significant Accounting Policies**A. Financial Reporting Entity**

The reporting entity of the Dakota Dunes Community Improvement District (the "District") consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity); those organizations for which the primary government is financially accountable; and, other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. The District does not include any component units within its reporting entity.

B. Basis of Presentation

The financial statements of the District have been prepared in accordance with 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.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as whole. These statements include the financial activities of the overall government. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type funds 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 are presented as internal balances (as applicable). These statements distinguish between the governmental and business-type activities of the District. Governmental activities, generally, are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District'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 of goods and services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

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

A fund is considered major if it is the primary operating fund of the District 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% 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% 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 financial reporting entity are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund of the District. 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.

Flood Prevention Fund – The Flood Prevention Fund is a special revenue fund used to account for intergovernmental revenue received from FEMA and the State of South Dakota and the related expenditures to pay for flood prevention costs incurred from brief flooding events. This fund was closed into the General Fund on January 1, 2024. This is a major fund.

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, expensed incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise 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.

Enterprise Funds

The District reports the following major enterprise funds:

Water Fund – Financed primarily by user charges, this fund accounts for the construction and operation of the District's waterworks system and related facilities.

Sewer Fund – Financed primarily by user charges, this fund accounts for the construction and operation of the District's sanitary sewer and related facilities.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus

Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the “economic resources” measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary funds.

Basis of Accounting

Government-Wide Financial Statements

In the government-wide statement of net position and statement of activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests) and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. “Available” means resources are collected, or to be collected, soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The District considers significant revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under long-term leases are reported as other financing sources.

All proprietary funds and fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

D. Interfund Eliminations and Reclassifications**Government-Wide Financial Statements**

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 are presented as internal balances, if any.

E. Deposits and Investments

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

F. Receivables

Receivables are composed of amounts owed to the District by residents for water and sewer services rendered. All trade receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles on trade accounts receivables totaled \$0 at December 31, 2024.

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

G. Capital Assets

Capital assets include land, buildings, improvements other than buildings, machinery, equipment, and vehicles that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets, including roads and bridges, are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

All capital assets are valued at historical cost or estimated cost if actual historical cost could not be determined. Donated capital assets are valued at their estimated acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use.

For governmental activities, capital assets' construction period interest is not capitalized in accordance with U.S. GAAP. For capital assets used in business-type activities and proprietary fund operations, construction period interest is not capitalized in accordance with U.S. GAAP.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with net capital assets reflected in the statement of net position. Capitalization thresholds (the dollar values at which asset acquisitions are added to the capital asset accounts), depreciation and amortization methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	***	***	***
Buildings	\$ 50,000	Straight-line	50 years
Improvements other than buildings			
Water/Sewer Lines	25,000	Straight-line	50 years
Roads	50,000	Straight-line	15 - 75 years
Other Improvements	10,000	Straight-line	15 - 50 years
Machinery, equipment and vehicles	2,500	Straight-line	5 - 20 years

***Land, an inexhaustible capital asset, is all capitalized and is not depreciated.

The accounting treatment over capital assets depends on whether those assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

Right-to-use leased assets are recognized at the lease commencement date and represent the District’s right to use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 10 years.

H. Long-Term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist, primarily, of notes payable, direct borrowings, lease liabilities, and compensated absences payable.

In the fund financial statements, debt and lease proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. In addition, governmental fund types recognize bond issuance costs during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

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

I. Program Revenues

Program revenues are derived directly from the program itself or from parties other than the District'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.

J. Deferred Inflows and Deferred Outflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of these items. The District's governmental funds report unavailable revenues from delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is changes in the net pension asset/liability not included in pension expense reported in the government-wide statement of net position. The third item is deferred inflows related to leases where the District is the lessor and is reported in the enterprise funds balance sheet and statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on a straight-line basis over the term of the lease.

K. Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's statement of activities, 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.

L. Cash and Cash Equivalents

The District pools the cash resources of its funds for cash management purpose. The governmental and proprietary funds essentially have access to the entire amount of their cash and investment resources on demand. Accordingly, each proprietary fund's equity in the cash management pool of the District is considered to be cash equivalents for the purpose of the statement of cash flows. The cash management pool of the District includes checking, savings, and money market funds.

M. Equity Classifications**Government-Wide Statements**

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 and 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.
- Restricted Net Position – Consists of net position 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.
- Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance, and may distinguish between nonspendable, restricted, committed, assigned, and unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements.

N. 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 position are available.

O. Fund Balance Classification Policies and Procedures

The District follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- **Nonspendable Fund Balance** – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. Nonspendable fund balance includes inventory and prepaid expenses that are not in spendable form.
- **Restricted Fund Balance** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** – Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.
- **Assigned Fund Balance** – Amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Supervisors or by an official or body to which the District Board of Supervisors delegates the authority.
- **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.

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

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

P. Pensions

For purposes of measuring the net pension asset, deferred outflows/inflows of resources, and pension expense/(revenue) information about the fiduciary net position of the South Dakota Retirement System (SDRS), additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Adoption of New Standard

As of January 1, 2024, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. There was not a significant effect on the District's financial statements as a result of the implementation of this standard.

Note 3 - Deposits and Investments: Fair Value Measurement, Credit Risk, Concentrations of Credit Risk, and Interest Rate Risk

The District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

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

Deposits

The District’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.

Deposits are reported at cost plus interest, if the account is of the add-on type.

Custodial Credit Risk-Deposits – The risk that, in the event of a depository failure, the District’s deposits may not be returned to it. The District’s deposit policy follows state statute which requires that deposits in excess of the depository insurance maximums must be collateralized 100%. As of December 31, 2024, the District’s deposits in financial institutions were exposed to custodial credit risk as follows:

<u>Depository Name</u>	<u>Percent Under-Collateralized</u>	<u>At-Risk Amount</u>
Security National Bank	2.98%	<u>\$ 22,350</u>

Investments

In general, SDCL 4-5-6 permits municipal funds to be invested 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 (c) 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 that investments shall 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, 2024, the District's investments consisted solely of certificates of deposit held for investment purposes.

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.

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

Custodial Credit Risk – The risk that, in the event of a 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. The District has no investments exposed to custodial credit risk.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer. The District's investments consist solely of certificates of deposit held with local banks.

Note 4 - Receivables and Payables

Receivables and payables are not aggregated in these financial statements. The District expects all receivables to be collected within one year, except for lease receivables which will be received throughout the entire lease term.

Note 5 - Inventory

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

In the fund financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed. Material supply inventories are off-set by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current position.

Inventory in the proprietary funds is recorded as an asset when acquired. The consumption of inventories is charged to expense as it is consumed. Inventories are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Note 6 - Property Taxes

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

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

Note 7 - Changes in Capital Assets

A summary of changes in capital assets of the primary government for the year ended December 31, 2024, is as follows:

<u>Primary Government</u>	<u>Balance 1/1/24</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/24</u>
Governmental Activities				
Capital assets, not being depreciated				
Land, not depreciated	\$ 2,959,427	\$ -	\$ -	\$ 2,959,427
Construction work in progress	89,812	13,758	-	103,570
Total capital assets, not being depreciated	<u>3,049,239</u>	<u>13,758</u>	<u>-</u>	<u>3,062,997</u>
Capital assets, being depreciated				
Buildings	23,807	-	-	23,807
Improvements other than buildings	29,732,015	577,960	-	30,309,975
Machinery and equipment	1,870,739	429,061	(146,341)	2,153,459
Total	<u>31,626,561</u>	<u>1,007,021</u>	<u>(146,341)</u>	<u>32,487,241</u>
Less accumulated depreciation for				
Buildings	(16,908)	(881)	-	(17,789)
Improvements other than buildings	(19,545,919)	(785,502)	-	(20,331,421)
Machinery and equipment	(1,261,003)	(123,709)	140,754	(1,243,958)
Total accumulated depreciation	<u>(20,823,830)</u>	<u>(910,092)</u>	<u>140,754</u>	<u>(21,593,168)</u>
Total capital assets, being depreciated, net	<u>10,802,731</u>	<u>96,929</u>	<u>(5,587)</u>	<u>10,894,073</u>
Right-to-use leased assets being amortized				
Right-to-use lease assets	240,085	4,269	-	244,354
Total	<u>240,085</u>	<u>4,269</u>	<u>-</u>	<u>244,354</u>
Less accumulated amortization for				
Right-to-use lease assets	(48,827)	(36,825)	-	(85,652)
Total accumulated amortization	<u>(48,827)</u>	<u>(36,825)</u>	<u>-</u>	<u>(85,652)</u>
Total right-to-use lease assets, being amortized, net	<u>191,258</u>	<u>(32,556)</u>	<u>-</u>	<u>158,702</u>
Governmental activity capital assets, net	<u>\$ 14,043,228</u>	<u>\$ 78,131</u>	<u>\$ (5,587)</u>	<u>\$ 14,115,772</u>

Depreciation and amortization expense was charged to functions as follows:

Governmental Activities	
General government	\$ 36,825
Public safety	45,885
Public works	780,388
Culture and recreation	83,819
Total depreciation and amortization expense - governmental activities	<u>\$ 946,917</u>

Dakota Dunes Community Improvement District
Notes to Financial Statements
December 31, 2024

Primary Government	Balance 1/1/24	Increases	Decreases	Balance 12/31/24
Business-Type Activities				
Capital assets, not being depreciated				
Land, not depreciated	\$ 73,806	\$ -	\$ -	\$ 73,806
Construction work in progress	1,748,838	302,340	(1,874,811)	176,367
Total capital assets, not being depreciated	<u>1,822,644</u>	<u>302,340</u>	<u>(1,874,811)</u>	<u>250,173</u>
Capital assets, being depreciated				
Improvements other than buildings	17,920,868	2,007,339	-	19,928,207
Machinery and equipment	145,279	32,312	(5,750)	171,841
Total	<u>18,066,147</u>	<u>2,039,651</u>	<u>(5,750)</u>	<u>20,100,048</u>
Less accumulated depreciation for				
Improvements other than buildings	(8,797,445)	(503,609)	-	(9,301,054)
Machinery and equipment	(98,559)	(17,657)	5,750	(110,466)
Total accumulated depreciation	<u>(8,896,004)</u>	<u>(521,266)</u>	<u>5,750</u>	<u>(9,411,520)</u>
Total capital assets, being depreciated, net	<u>9,170,143</u>	<u>1,518,385</u>	<u>-</u>	<u>10,688,528</u>
Right-to-use leased assets being amortized				
Right-to-use lease assets	127,165	4,270	-	131,435
Total	<u>127,165</u>	<u>4,270</u>	<u>-</u>	<u>131,435</u>
Less accumulated amortization for				
Right-to-use lease assets	(26,243)	(14,241)	-	(40,484)
Total accumulated amortization	<u>(26,243)</u>	<u>(14,241)</u>	<u>-</u>	<u>(40,484)</u>
Total right-to-use lease assets, being amortized, net	<u>100,922</u>	<u>(9,971)</u>	<u>-</u>	<u>90,951</u>
Business-type activities capital assets, net	<u>\$ 11,093,709</u>	<u>\$ 1,810,754</u>	<u>\$ -</u>	<u>\$ 11,029,652</u>

Depreciation and amortization expense was charged to functions as follows:

Business-type Activities		
Water		\$ 320,046
Sewer		215,461
Total depreciation and amortization expense - business-type activities		<u>535,507</u>

The District has active construction projects as of December 31, 2024, related to a bike path project, street lighting project, water system interconnect project, and sewer system project. At year-end, the District has remaining contractual commitments related to these projects of approximately \$1,518,000.

Note 8 - Long-Term Liabilities

A summary of the changes in long-term liabilities follows:

Primary Government	January 1, 2024	Increases	Decreases	December 31, 2024	Due Within One Year
Governmental Activities					
Direct borrowing - equipment	\$ 86,562	\$ -	\$ (42,036)	\$ 44,526	\$ 44,526
Leases	194,647	4,326	(35,265)	163,708	36,040
Compensated absences*	3,968	546	-	4,514	4,514
Total governmental activities	<u>285,177</u>	<u>4,872</u>	<u>(77,301)</u>	<u>212,748</u>	<u>85,080</u>
Business-Type Activities:					
SRF Drinking Water Loan 2015	1,036,379	-	(71,115)	965,264	73,273
SRF Drinking Water Loan 2023	429,300	-	(8,777)	420,523	17,819
SRF Clean Water Loan 2023	260,014	-	(5,316)	254,698	10,792
Leases	103,570	4,326	(13,175)	94,721	13,503
Compensated absences*	11,239	1,202	-	12,441	12,441
Total business-type activities	<u>1,840,502</u>	<u>5,528</u>	<u>(98,383)</u>	<u>1,747,647</u>	<u>127,828</u>
Total primary government	<u>\$ 2,125,679</u>	<u>\$ 10,400</u>	<u>\$ (175,684)</u>	<u>\$ 1,960,395</u>	<u>\$ 212,908</u>

*The roll-forward schedule only reports the net change in the compensated absences liability.

Compensated absences liability includes the amount owed by the District to employees for their accrued annual and sick leave balances.

Long-term liabilities payable at December 31, 2024, is comprised of the following (excluding compensated absences):

During, 2021, the District entered into a direct borrowing agreement with CapFirst Equipment Finance for the purchase of a street sweeper. The agreement matures in April 2025 and requires five annual payments of \$47,158 at an interest rate of 5.9125% and is secured by the streetsweeper. Payments are made from the General Fund. The amount outstanding at December 31, 2024, was \$44,526.

The South Dakota State Revolving Fund (SRF) Drinking Water Loan 2015 matures in February 2026 and is payable in quarterly payments of \$25,353, including interest, on the 15th day of February, May, August, and November. The interest rate on the loan is 3.0%. Payments on the loan are made by the Water Fund. The District has pledged future revenues from the system as security for the principal and interest payments on the 2015 SRF Drinking Water Loan. Total remaining principal and interest on the loan is \$965,264 and \$175,614, respectively. Principal and interest paid and total customer revenues for 2024 were \$101,412 and \$1,213,222, respectively.

The South Dakota State Revolving Fund (SRF) Drinking Water Loan 2023 matures in April 2044 and is payable in quarterly payments of \$6,524, including interest, on the 15th day January, April, July, and October. The interest rate on the loan is 2.0%. Payments on the loan are made by the Water Fund from surcharge revenues.

The South Dakota State Revolving Fund (SRF) Clean Water Loan 2023 matures in April 2044 and is payable in quarterly payments of \$3,951, including interest, on the 15th day of January, April, July, and October. The interest rate on the loan is 2.0%. Payments on the loan are made by the Sewer Fund from surcharge revenues.

In July 2024, the District closed on another loan with the South Dakota State Revolving Fund (SRF), Clean Water Loan 2024 for up to \$411,708. The loan is for 20 years with an interest only payment in October 2026 and principal and interest payments quarterly beginning January 2027 at an interest rate of 2.0%. Payments on the loan will be made by the Sewer Fund from surcharge revenues. As of December 31, 2024, no amounts were drawn and outstanding on this loan.

Maturities

The annual requirements to maturity for all debt outstanding, including lease liabilities as of December 31, 2024 are as follows:

Year Ending December 31	Direct Borrowing - Equipment		SRF Drinking Water Loan 2015		SRF Drinking Water Loan 2023	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 44,526	\$ 2,633	\$ 73,273	\$ 28,139	\$ 17,819	\$ 8,278
2026	-	-	75,495	25,916	18,178	7,919
2027	-	-	77,786	23,625	18,544	7,553
2028	-	-	80,146	21,265	18,918	7,178
2029	-	-	82,578	18,834	19,299	6,796
2030-2034	-	-	452,025	55,032	102,492	27,993
2035-2039	-	-	123,961	2,803	113,239	17,242
2040-2044	-	-	-	-	112,034	5,395
Total	\$ 44,526	\$ 2,633	\$ 965,264	\$ 175,614	\$ 420,523	\$ 88,354

Year Ending December 31	SRF Clean Water Loan 2023		Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 10,792	\$ 5,013	\$ 49,543	\$ 4,709	\$ 195,953	\$ 48,772
2026	11,010	4,796	49,103	3,723	153,786	42,354
2027	11,232	4,574	51,196	2,723	158,758	38,475
2028	11,458	4,348	28,298	1,909	138,820	34,700
2029	11,689	4,117	26,677	1,359	140,243	31,106
2030-2034	62,074	16,955	53,612	1,119	670,203	101,099
2035-2039	68,585	10,443	-	-	305,785	30,488
2040-2044	67,858	3,269	-	-	179,892	8,664
Total	\$ 254,698	\$ 53,515	\$ 258,429	\$ 15,542	\$ 1,943,440	\$ 335,658

Note 9 - Leases

Lessee Activities

The District has entered into various lease agreements for equipment and office and building space. The District is required to make principal and interest payments through April 2034 under these various lease agreements. The lease liability was valued using discount rates between 1.75% and 2.00% based on the District’s incremental borrowing rate at the inception of the leases or the rate implicit in the lease, if available.

Lessor Activities

The District has accrued a receivable for lease of real estate for the placement of communications equipment. The remaining receivable for this lease was \$37,362 as of December 31, 2024. Deferred inflows related to this lease was \$36,961 as of December 31, 2024. Interest revenue recognized in the Water Fund on this lease was \$765 for the year ended December 31, 2024. Principal receipts of \$1,635 were recognized during the fiscal year. The interest rate on the lease is 2.00%. Final receipt is expected in fiscal year 2043.

The District also has three long-term tower leases that mature in May 2052. The District received the entire lease payment amount, for each lease, upfront in May 2012 totaling \$515,000. Current year rental income recognized in the Water Fund related to these leases was \$12,875. The balance of unrecognized revenue was \$352,915 at December 31, 2024, and is included as deferred inflow of resources on the statement of net position.

Note 10 - Interfund Balances and Activity

Interfund receivable and payable balances at December 31, 2024, were:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ -	\$ 121,711
Water Fund	400,624	-
Sewer Fund	-	278,913
	<u>\$ 400,624</u>	<u>\$ 400,624</u>

The interfund receivable and payable are result of certain expenses being paid out of Water Fund that also get allocated to the General and Sewer Funds. All interfund activity is expected to be repaid within one year.

On January 1, 2024, the Flood Prevention Fund transferred \$164,020 to the Water Fund for balances owed and the General Fund transferred \$559,951 to the flood prevention fund for balances owed as a result of the District closing out the flood prevention fund.

Note 11 - Risk Management

Primary Government

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 year ended December 31, 2024, the District managed its risks as follows:

Employee Health Insurance

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

Liability Insurance

The District 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, provide them with risk management services, loss control and risk reduction information, and to obtain lower costs for that coverage. The District'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 District. The District pays a members' annual operating contribution to provide liability coverage detailed below, under a claims-made policy, and the premiums are accrued based in the ultimate cost of the experience-to-date of the SDPAA member, based on their exposure or type of coverage. The District pays an annual premium to the pool to provide coverage for general liability (including public officials), automobile liability and physical damage.

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

The District carries a \$1,000 deductible for automobile liability, a \$2,500 deductible for machinery liability, a \$1,000 deductible for buildings and contents, and a \$250 deductible for miscellaneous property coverage.

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

Workers' Compensation

The District participates in the South Dakota Municipal League Workers' 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 workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The District'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 workers' compensation claims. The District pays an annual premium to provide workers' compensation coverage for its employees under a self-funded program, and the premiums are accrued based on the ultimate costs of the experience-to-date of the fund members. Coverage limits are set by state statute. The pool pays for the first \$650,000 of any claim per individual. The pool has reinsurance that covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

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

Unemployment Benefits

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

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

Note 12 - 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. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are 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 <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota, 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 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 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 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% 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. The VRAs will receive investment earnings based on investment returns.

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

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, 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% to 0.0%.

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

Contributions

Per SDCL 3-12, 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% of salary; Class B judicial members, 9% of salary; and, Class B public safety members, 8% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The District's share of contributions made to the SDRS for the years ended December 31, 2024, 2023 and 2022, were \$34,251, \$32,939 and \$31,482, respectively, equal to the required contributions each year.

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

At June 30, 2024, SDRS is 100.0% funded and, accordingly, has a net pension asset. The proportionate share of the components of the net pension asset of SDRS for the District as of this measurement period and reported by the District as of December 31, 2024, are as follows:

Proportionate share of pension liability	\$ 2,875,644
Less proportionate share of net position restricted for pension benefits	2,876,424
Proportionate share of net pension liability (asset)	\$ (780)

At December 31, 2024, the District reported an asset of \$780 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024, and the total pension liability used to calculate the net pension 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, 2024, the District's proportion was 0.019276%, which was a decrease of 0.002174% from its proportion measured as of June 30, 2023.

Dakota Dunes Community Improvement District

Notes to Financial Statements

December 31, 2024

For the year ended December 31, 2024, the District recognized pension expense of \$20,179. At December 31, 2024, the District 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	\$ 72,255	\$ -
Changes in assumption	12,865	98,062
Net difference between projected and actual earnings on pension plan investments	29,391	-
Changes in proportion and difference between District contributions and proportionate share of contributions	3,986	-
District contributions subsequent to the measurement date	17,272	-
	\$ 135,769	\$ 98,062

At December 31, 2024, there was \$17,272 reported as deferred outflow of resources related to pensions resulting from the District's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability (or increase in the net pension asset) in the year ending December 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of expense) as follows:

Year Ended December 31:	Amount
2025	\$ (25,885)
2026	38,829
2027	4,863
2028	2,628
Total	\$ 20,435

Actuarial Assumptions

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

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

Mortality Rates

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 Members: PubS-2010, 102% of rates at all ages

Beneficiaries:

Pub G-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	56.3 %	3.6% %
Investment Grade Debt	22.8	2.3%
High Yield Debt	7.0	2.8%
Real Estate	12.0	4.0%
Cash	1.9	0.8%
	<u>100.0 %</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

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

The following presents the 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 one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
District's proportionate share of the net pension liability (asset)	\$ 396,500	\$ (780)	\$ (325,879)

Pension Plan Fiduciary Net Position

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

Note 13 - Litigation

At December 31, 2024, the District was not involved in any litigation.

Note 14 - Subsequent Events

Subsequent to year-end, the District awarded contracts for a levee repair project that totaled approximately \$2,244,000. This project is expected to be paid for by FEMA grant awards. The District also awarded contracts for earthwork and utility work related to a maintenance building project that totaled approximately \$354,000. As of September 9, 2025, there has been no additional contracts awarded related to the maintenance building project, but the total estimated cost related to the project is \$2,800,000. This project is expected to be paid for with cash balances.

Required Supplementary Information
December 31, 2024

Dakota Dunes Community Improvement District

Dakota Dunes Community Improvement District
Schedule of Proportionate Share of Net Pension Liability (Asset)
Year Ended December 31, 2024

Pension Plan	Fiscal Year Ending *	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered Payroll (b)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Asset
SDRS	6/30/2024	0.0193%	\$ (780)	\$ 540,805	0.14%	100.00%
SDRS	6/30/2023	0.0215%	(2,094)	553,258	0.38%	100.10%
SDRS	6/30/2022	0.0216%	(2,040)	515,398	0.40%	100.10%
SDRS	6/30/2021	0.0224%	(171,821)	509,146	33.75%	105.52%
SDRS	6/30/2020	0.0239%	(1,036)	523,574	0.20%	100.04%
SDRS	6/30/2019	0.0221%	(2,341)	469,755	0.50%	100.09%
SDRS	6/30/2018	0.0212%	(495)	441,190	0.11%	100.02%
SDRS	6/30/2017	0.0218%	(1,978)	440,678	0.45%	100.10%
SDRS	6/30/2016	0.0239%	80,745	456,002	17.71%	96.89%
SDRS	6/30/2015	0.0240%	(101,770)	438,081	23.23%	104.10%

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

Dakota Dunes Community Improvement District
Schedule of Pension Contributions
Year Ended December 31, 2024

Pension Plan	Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
SDRS	12/31/2024	\$ 34,251	\$ 34,251	\$ -	\$ 571,909	6.0%
SDRS	12/31/2023	32,939	32,939	-	548,983	6.0%
SDRS	12/31/2022	31,482	31,482	-	524,698	6.0%
SDRS	12/31/2021	31,538	31,538	-	525,629	6.0%
SDRS	12/31/2020	29,497	29,497	-	491,621	6.0%
SDRS	12/31/2019	30,480	30,480	-	507,996	6.0%
SDRS	12/31/2018	26,820	26,820	-	446,998	6.0%
SDRS	12/31/2017	26,153	26,153	-	435,889	6.0%
SDRS	12/31/2016	26,740	26,740	-	445,670	6.0%
SDRS	12/31/2015	26,802	26,802	-	446,697	6.0%

Note 1 - Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions

Changes from Prior Valuation:

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

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

Benefit Provision Changes:

During the 2024 legislative session, no significant SDRS benefit changes were made.

Actuarial Assumption Changes:

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

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

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

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

Actuarial Method Changes:

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

Supplementary Information
December 31, 2024

Dakota Dunes Community Improvement District

Dakota Dunes Community Improvement District
 Budgetary Comparison Schedule – General Fund
 Year Ended December 31, 2024

	Budgetary Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
310 Taxes				
311 General property taxes	\$ 2,098,259	\$ 2,098,259	\$ 2,098,241	\$ (18)
319 Penalties and interest on delinquent taxes	3,700	3,700	2,238	(1,462)
330 Intergovernmental revenue				
331 Federal grants	-	-	176,714	176,714
335 State shared revenue				
335.01 Bank franchise tax	26,500	26,500	35,716	9,216
360 Miscellaneous revenue				
361 Investment earnings	46,000	46,000	166,728	120,728
362 Rentals/Franchises	2,250	2,250	2,250	-
369 Other	30,750	30,750	69,888	39,138
Total revenues	<u>2,207,459</u>	<u>2,207,459</u>	<u>2,551,775</u>	<u>344,316</u>
Expenditures				
410 General government				
411 Legislative	2,250	2,250	3,000	(750)
412 Executive	78,600	78,600	65,005	13,595
414 Financial administration	376,075	376,075	383,121	(7,046)
Total general government	<u>456,925</u>	<u>456,925</u>	<u>451,126</u>	<u>5,799</u>
420 Public safety				
421 Police	135,800	135,800	142,182	(6,382)
Total public safety	<u>135,800</u>	<u>135,800</u>	<u>142,182</u>	<u>(6,382)</u>
430 Public works				
431 Highways and streets	663,545	663,545	403,880	259,665
432 Sanitation	6,000	6,000	2,959	3,041
Total public works	<u>669,545</u>	<u>669,545</u>	<u>406,839</u>	<u>262,706</u>
450 Culture and recreation:				
452 Parks	1,229,945	1,229,945	1,687,719	(457,774)
Total culture and recreation	<u>1,229,945</u>	<u>1,229,945</u>	<u>1,687,719</u>	<u>(457,774)</u>
470 Debt service	86,400	86,400	86,062	338
Total expenditures	<u>2,578,615</u>	<u>2,578,615</u>	<u>2,773,928</u>	<u>(195,313)</u>
Excess of Expenditures over Revenue	<u>(371,156)</u>	<u>(371,156)</u>	<u>(222,153)</u>	<u>149,003</u>
Other Financing Sources (Uses)				
511 Transfers out	-	-	(559,951)	(559,951)
391.27 Lease proceeds	-	-	4,326	4,326
391.03 Sale of municipal property	-	-	12,263	12,263
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(543,362)</u>	<u>(543,362)</u>
Net Change in Fund Balances	(371,156)	(371,156)	(765,515)	(394,359)
Fund Balance - Beginning	4,443,693	4,443,693	4,443,693	-
Fund Balance - Ending	<u>\$ 4,072,537</u>	<u>\$ 4,072,537</u>	<u>\$ 3,678,178</u>	<u>\$ (394,359)</u>



**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***

The Board of Supervisors
Dakota Dunes Community Improvement District
Dakota Dunes, 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, and each major fund of the Dakota Dunes Community Improvement District (the District) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated September 9, 2025.

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 opinions 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 entity’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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001, that we consider to be a material weakness.

Report 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*.

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 responses. 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. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name and date.

Aberdeen, South Dakota
September 9, 2025

Finding 2024-001 – Auditor Preparation of Financial Statements and Audit Adjustments

Material Weakness

Criteria: The District's internal control structure should be designed to provide for the preparation of the financial statements and required footnote disclosures, which includes having an adequate internal control system for recording and processing entries material to the financial statements being audited in accordance with generally accepted accounting principles.

Condition: As the auditor, we prepared the financial statements and required footnote disclosures for the year ended December 31, 2024. As part of audit procedures and preparation of the financial statements, we identified and proposed various audit adjustments that were not identified by the District's current internal controls.

Cause: The District's internal controls did not identify and detect the misstatements noted during our audit, resulting in proposed audit adjustments. Additionally, the auditor was requested to prepare the complete financial statements and related required footnotes.

Effect: The presence of identified audit adjustments may affect the condition of financial information throughout the year being used by management in analysis and decision making, and increase the risk that potential misstatements remain present in the financial statements. The auditor's preparation of the financial statements and footnotes may also affect the District's ability to summarize and report financial data consistent with the assertions of management.

Recommendation: We recommend management perform a thorough review of the auditor-prepared financial statements and proposed audit adjustments, as well as account balances in each fund to ensure all necessary adjustments are reflected in the financial statements in accordance with generally accepted accounting principles. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with the auditor's role in preparation of the financial statements and footnotes.

Views of Responsible Officials: Management agrees with the finding.