FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
WITH SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2025

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

Table of Contents

Wohlenberg Ritzman & Co., LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
First District Association of Local Governments
Watertown, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of First District Association of Local Governments (hereinafter referred to as the Association) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Association of as of September 30, 2025, and the respective changes in financial position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1.p. to the basic financial statements, during the year ended September 30, 2025, First District Development Company, which had been reported as a discretely presented component unit in the prior year, merged with another certified development company and, as a result, is no longer presented as a discretely presented component unit of the Association as of September 30, 2025. The accompanying financial statements reflect the effects of this transaction as described in Note 1.p. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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 generally accepted auditing standards 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 generally accepted auditing standards 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 Association'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 Association'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, the schedule of Association's proportionate share of net pension liability/(asset), and the schedule of Association's contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 Association's basic financial statements. The schedules of revenues and expenditures by grant/project, local revenues and expenditures, and indirect costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. The schedules of revenues and expenditures by grant/project, local revenues and expenditures, indirect costs, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures by grant/project, local revenues and expenditures, indirect costs, and the schedule of expenditures of federal awards are 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 *Governmental Auditing Standards,* we have also issued our report dated June 25, 2026, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
June 25, 2026

Management's Discussion and Analysis
First District Association of Local Governments
For the Year Ended September 30, 2025

This section of the First District Association of Local Governments (FDALG) annual financial report presents our discussion and analysis of FDALG's financial performance during the fiscal year ended on September 30, 2025. This discussion and analysis considers only the Primary Government's financial activity. This analysis should be read in conjunction with the Financial Statements and Independent Auditor's Report.

Nature of Operations for the Organization

FDALG is a governmental entity; the boundaries, counties, cities included were established by Under Executive Order 70-7 and amended by Executive Order 2000-03 by the State of South Dakota's governor's office. FDALG currently serves 11 counties and 76 communities in northeast South Dakota, initiating, guiding, and providing strategic planning development through projects to enhance the economic environment and improve or maintain the quality of life in the area it serves.

Discussion of the basic financial statements

This annual report consists of two parts:

Basic financial statements, including related notes that explain some of the information in the financial statements and provide more detailed data.

The basic financial statements include two kinds of statements:

1. The *government-wide financial statements* (Statement of Net Position and the Statement of Activities) provide information about the activities of FDALG as a whole and present a longer-term view of FDALG's finances.

   These statements report information about the FDALG as a whole and about its activities that help answer the question, "Is FDALG as a whole better off or worse as a result of the year's activities?" These statements include all assets and liabilities using methods of accounting similar to those used by most private-sector companies.

   These statements report FDALG's net positions and changes in them. FDALG's net position, the difference between assets (what FDALG owns) and liabilities (what FDALG owes) is one way to measure FDALG's financial health. Over time, increases or decreases in FDALG's net position are one indicator of whether its financial health is improving or deteriorating.

   The government-wide financial statements of FDALG are reported as follows:

   - Governmental Activities - This category includes most of FDALG's basic services.

2. The *fund financial statements* (Balance Sheet-Governmental Funds; Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position; Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds; and Reconciliation of Statement of the Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities) tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report FDALG's operations in more detail than the government-wide statements.

   The fund financial statements of FDALG are reported in two categories:

   - General Fund - This category includes most of FDALG's basic services.
   - Special Revenue Funds - Revolving Loan Fund, Disaster Relief Fund, and Cares Relief - This category includes money to be used for economic development activities.

The following tables reflect the condensed statement of net position compared to the prior year (Table 1) and the condensed statement of activities compared to the prior year (Table 2).

Table 1: Statement of Net Position		
Assets:	**2024**	**2025**
Cash and Cash Equivalents	$1,159,811	$1,966,612
Certificates of Deposit	$1,236,402	$1,082,141
Accounts Receivable, Net	$266,829	$139,721
Due from First District Development Company	$106,838	$0
Other Assets	$29,969	$24,493
Notes Receivable, Net	$3,002,240	$2,795,174
Net Pension Asset	$1,329	$2,595
Land Improvements and Construction Work in Progress	$44,000	$80,000
Other Capital Assets, Net of Depreciation	$378,461	$540,496
Total Assets	**$6,225,879**	**$6,631,232**
Deferred Outflows of Resources	**$223,196**	**$236,928**
Liabilities		
Noncurrent Liabilities Due within one year	$55,251	$42,719
Noncurrent Liabilities Due in more than one year	$75,103	$10,680
Total Liabilities	**$130,354**	**$53,399**
Deferred Inflows of Resources	**$168,384**	**$138,153**
Net Position		
Net Investment in Capital Assets	$340,546	$620,496
Restricted for Loans and Loan Commitments	$3,457,345	$3,586,284
SDRS Pension	$56,141	$101,370
Unrestricted	$2,296,305	$2,368,458
Total Net Position	**$6,150,337**	**$6,676,608**

Table 2: Statement of Activities		
	2024	**2025**
Charges for Services	$791,732	$542,790
Operating Grants	$319,593	$302,317
General Revenues		
County Support	$241,180	$317,269
City Support	$78,975	$81,344
State Support	$170,600	$20,300
Unrestricted Investment Earnings	$78,907	$71,325
Other General Revenues	$22,924	$465,300
Total Revenues	**$1,703,911**	**$1,800,645**
Expenses		
General Government	$726,633	$785,577
Public Safety	$101,160	$86,589
Public Works	$169,951	$168,651
Conservation and Development	$578,548	$233,557
Total Government Activities	**$1,576,292**	**$1,274,374**
Beginning Net Position	$6,023,078	$6,150,337
Ending Net Position	$6,150,337	$6,676,608
Change in Net Position	**$127,259**	**$526,271**

Analysis of Overall Financial Position

- Total Net Position in FY 2025 increased by $526,271 or 8.56%. This increase is primarily due to an overall decrease in Expenses.

- Total Assets increased by $405,343 or 651%. This increase is primarily due to an overall increase in cash and cash equivalents, because of strong earnings. In addition, Capital Assets have shown an increase with the purchase of the previously reported Component Unit's share of the building.

- Total Liabilities decreased by $76,955 or 59.04% due to the payoff of the Financed Lease Payable.

- Total Revenue remained steady, while Total Expenses showed a decrease of $301,918 or 19.15%. This decrease is concentrated in the Conservation and Development Programs, which include primarily the Lending Programs.

- Local government support for FY 2025 increased by 3.0%. All government members maintained their membership support in FDALG for FY 2025.

Capital Asset and Debt Administration

- Capital Assets and Debt Administration – On December 2, 2024, FDALG retired the outstanding Financed Lease obligation to the previously reported Component Unit and further acquired its 45% equity position in of the office building constructed in 2019.

Currently Known Conditions Expected to have an Effect on Next Year's Operations

- The total dues for FY 2026 will increase 3% to correspond with the FY 2023 to FY 2032 Dues Schedule.

- Known funding sources and contracts for basic governmental services such as grant-writing, GIS services and planning consultation are expected to increase in FY 2026.

- Current Staff levels are not expected to increase in FY 2026.

- The FDALG's Governing Body adopted the FY 2026 budget ($1,317,100) on April 24, 2025. The approval of the budget provides funding for the FDALG's operating costs for FY 2026.

Contacting FDALG's Financial Management

This financial report is designed to provide a general overview of the FDALG's finances and to demonstrate FDALG's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

First District Association of Local Governments
PO Box 1207, Watertown, SD 57201
Phone: (605) 882-5115

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government
	Governmental Activities
ASSETS:	
Cash and Cash Equivalents	$ 1,966,612
Certificates of Deposit	1,082,141
Accounts Receivable, Net of Allowances, if any	139,721
Other Assets	24,493
Notes Receivable, Net of Allowances for Loan Losses	2,795,174
Net Pension Asset	2,595
Capital Assets:	
Capital Assets Not Being Depreciated	80,000
Capital Assets Being Depreciated, Net	540,496
Total Assets	6,631,232
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Related Deferred Outflows	236,928
LIABILITIES :	
Noncurrent Liabilities:	
Due Within One Year	42,719
Due in More than One Year	10,680
Total Liabilities	53,399
DEFERRED INFLOWS OF RESOURCES:	
Pension Related Deferred Inflows	138,153
NET POSITION:	
Net Investment in Capital Assets	620,496
Restricted for:	
Loans and Loan Commitments	3,586,284
SDRS Pension	101,370
Unrestricted	2,368,458
Total Net Position	$ 6,676,608

The accompanying notes are an integral part
of these financial statements.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
					Primary Government	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
Primary Government:						
Governmental Activities:						
General Government	$ 785,577	$ 337,696	$ -	$ -	$ (447,881)	
Public Safety	86,589	41,700	-	-	(44,889)	
Public Works	168,651	-	156,361	-	(12,290)	
Conservation & Development	233,557	163,394	145,956	-	75,793	
Total Governmental Activities	1,274,374	542,790	302,317	-	(429,267)	
Total Primary Government	$ 1,274,374	$ 542,790	$ 302,317	$ -	$ (429,267)	
Component Unit:						
First District Development Company	$ -	$ -	$ -	$ -		$ -
		General Revenues:				
		State Support			20,300	-
		County Support			317,269	-
		City Support			81,344	-
		Other			465,300	-
		Investment Earnings			71,325	-
		Total General Revenues			955,538	-
		Change in Net Position			526,271	-
		Net Position - Beginning, as Previously Stated			6,150,337	3,105,524
		Changes Within Reporting Entity (Removal of Former Component Unit)			-	(3,105,524)
		Net Position - Beginning, as Restated			6,150,337	-
		Net Position - Ending			$ 6,676,608	$ -

The accompanying notes are an integral part
of these financial statements.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	Major Funds				
	General Fund	CARES Relief Fund	Revolving Loan Fund	Disaster Relief Fund (EDA)	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 1,169,376	$ 199,070	$ 467,800	$ 130,366	$ 1,966,612
Certificates of Deposit	1,082,141	-	-	-	1,082,141
Accounts Receivable, net of allowances, if any:					
State & Federal Funding	16,071	-	-	-	16,071
County Support	29,948	-	-	-	29,948
Local Funding	93,702	-	-	-	93,702
Accrued Interest Receivable	23,365	-	-	-	23,365
Employee Receivables	1,128	-	-	-	1,128
Notes Receivable, Less Allowance for Loan Losses	-	1,393,956	1,009,991	391,227	2,795,174
Due from Other Funds	6,126	-	-	-	6,126
Total Assets	$ 2,421,857	$ 1,593,026	$ 1,477,791	$ 521,593	$ 6,014,267
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to Other Funds	$ -	$ 4,638	$ -	$ 1,488	$ 6,126
Total Liabilities	-	4,638	-	1,488	6,126
Fund Balances:					
Restricted					
Loans and Loan Commitments	-	1,588,388	1,477,791	520,105	3,586,284
Assigned - Building Reserve	10,771	-	-	-	10,771
Unassigned	2,411,086	-	-	-	2,411,086
Total Fund Balances	2,421,857	1,588,388	1,477,791	520,105	6,008,141
Total Liabilities and Fund Balances	$ 2,421,857	$ 1,593,026	$ 1,477,791	$ 521,593	$ 6,014,267

The accompanying notes are an integral part
of these financial statements.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Total Fund Balances - Governmental Funds		$ 6,008,141
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset reported in governmental activities is not a spendable financial resource and therefore is not reported in the funds.		2,595
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of Capital Assets	$ 1,036,920	
Accumulated Depreciation	(416,424)	620,496
Pension related deferred outflows are components of pension asset and therefore are not reported in the funds.		236,928
Long-term liabilities, including accrued leave payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Leave Payable		(53,399)
Pension related deferred inflows are components of pension asset and therefore are not reported in the funds.		(138,153)
Net Position - Governmental Funds		$ 6,676,608

The accompanying notes are an integral part
of these financial statements.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2025

	Major Funds				
	General Fund	CARES Relief Fund	Revolving Loan Fund	Disaster Relief Fund (EDA)	Total Governmental Funds
REVENUES:					
Federal Funding	$ 283,567	$ -	$ -	$ -	$ 283,567
State Funding	39,050	-	-	-	39,050
Local Funding	1,333,106	1,650	-	5	1,334,761
Interest Income	71,325	52,606	49,769	16,689	190,389
Total Revenues	1,727,048	54,256	49,769	16,694	1,847,767
EXPENDITURES:					
Current:					
General Government	805,365	-	-	-	805,365
Public Safety	81,794	-	-	-	81,794
Public Works	166,532	-	-	-	166,532
Conservation & Development	287,195	10,543	(23,885)	5,122	278,975
Debt service	81,915	-	-	-	81,915
Capital Outlay	227,134	-	-	-	227,134
Total Expenditures	1,649,935	10,543	(23,885)	5,122	1,641,715
Excess of Revenues Over Expenditures	77,113	43,713	73,654	11,572	206,052
Net Change in Fund Balances	77,113	43,713	73,654	11,572	206,052
Fund Balance - Beginning	2,344,744	1,544,675	1,404,137	508,533	5,802,089
Fund Balance - Ending	$ 2,421,857	$ 1,588,388	$ 1,477,791	$ 520,105	$ 6,008,141

The accompanying notes are an integral part
of these financial statements.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

Net Change in Fund Balances - Total Governmental Funds		$ 206,052
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 outlay in the current period.		
Capital Outlay	$ 227,134	
Depreciation Expense	(29,099)	198,035
Governmental funds reflect principal payments on long-term liabilities as an expenditure, but the government wide statements reflect the change as a decrease in long-term liabilities.		81,915
Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.		(4,960)
Governmental funds do not reflect changes in the net pension asset or pension related deferred inflows and outflows, which are reflected in the statement of activities.		45,229
Change in Net Position of Governmental Activities		$ 526,271

The accompanying notes are an integral part
of these financial statements.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of First District Association of Local Governments (the Association) conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Financial Reporting Entity:

The reporting entity of the Association, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting 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.

First District Association of Local Governments was established by Executive Order of the Governor #70-7 under the authority granted in Chapter 1-24 of the South Dakota Codified Laws of 1967 and amended by Executive Order 2000-03 by the State of South Dakota's governor's office. The Association was established to provide assistance in the areas of planning, industrial and economic development, performing studies, consultation and other technical assistance to local governmental units and small businesses in the eleven-county area served by the Association. The eleven counties covered are Brookings, Clark, Codington, Deuel, Grant, Hamlin, Kingsbury, Lake, Miner, Moody, and Roberts.

Funding or support is provided through payments received under contractual agreements with the governmental units the Association serves, State and Federal grants, and revenues generated through other Association activities. The Association is governed by a Governing Board consisting of representatives from the eleven-county area.

The Association has responsibility over a Revolving Loan Fund, Disaster Relief Fund, and CARES Relief Fund which were funded by Federal grants, The purpose of the Revolving Loan Fund, Disaster Relief Fund, and CARES Relief Fund is to promote business development in economically depressed areas by providing loans to new and expanding businesses that are unable to obtain conventional financing. As loans are repaid, the money is returned to the funds to be used for new loans. Revenues and expenditures of the Revolving Loan Fund, Disaster Relief Fund, and CARES Relief Fund are accounted for as Special Revenue Funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

a. Financial Reporting Entity, continued

In evaluating the Association as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Association may be financially accountable and, as such, should be included within the Association's financial statements. The Association is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Association. Organizations for which the Association is not financially accountable are also included when doing so is necessary in order to prevent the Association's financial statements from being misleading.

First District Development Company the Development Company, a 501(c)(3) nonprofit corporation, was previously considered a discretely presented component unit of the Association. The Development Company merged with another Certified Development Company on December 1, 2024. At that time, the Development Company sold most of its property and equipment to the Association. The merger and sale ended the component unit relationship with the Association. The Development Company will continue to provide loan servicing to the Association through a professional services contract.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds and fiduciary-type component units. The statements distinguish between governmental activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1.a. above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a. above.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets and deferred outflows of financial resources minus liabilities and deferred inflows of financial resources equals net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

b. Basis of Presentation, continued:

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Association'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. The Association's funds are all considered governmental funds. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Association or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or

3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Association are described below:

Governmental Funds:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

b. Basis of Presentation, continued:

Governmental Funds, continued:

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

CARES Relief Fund - This fund accounts for revenues derived from federal and local monies dedicated to alleviating sudden and severe economic dislocation caused by the coronavirus (COVID-19) pandemic, to provide permanent resources to support economic resiliency, and to further the long-term economic adjustment objectives of the region serviced by the Association. This is a major fund.

Revolving Loan Fund – This fund accounts for revenues derived from federal and local monies dedicated for economic assistance loans under a Title IX Special Economic Development and Assistance Programs – Long-Term Economic Deterioration Revolving Loan Fund grant. This is a major fund.

Disaster Relief Fund – This fund accounts for revenues derived from federal and local monies dedicated for economic assistance loans under a Title IX Special Economic Development and Assistance Programs – Sudden and Severe Economic Dislocation Revolving Loan Fund grant. This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” 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, the governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

c. Measurement Focus and Basis of Accounting, continued:

Measurement Focus, continued:

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 fund types.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, the governmental and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally 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 generally 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 accrual period does not exceed one bill-paying cycle, and for the Association, the length of that cycle is 30 days. Expenditures generally are 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.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d. Interfund Eliminations and Reclassifications, continued:

Government-wide Financial Statements, continued:

In order to minimize the grossing-up effect on assets and liabilities within the governmental activities column of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental activities column.

e. Capital Assets:

Capital assets include buildings, equipment and vehicles that are used in operations and that have initial useful lives extending beyond a single reporting period. The Association has not established any capitalization thresholds; therefore, all buildings, equipment and vehicles that meet the extended reporting period criteria are reported as capital assets. The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or whether they are reported in the government-wide financial statements.

Government-wide Financial Statements:

All purchased capital assets are valued at cost. Donated capital assets are valued at their estimated acquisition value on the date donated.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Improvements Other Than Buildings	10 years
Equipment	5-10 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

   f. Long-Term Liabilities:

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

   All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities typically consist of debt and financed leases payable and accrued compensated absences.

   In the governmental fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due.

   g. Deferred Inflows and Deferred Outflows of Resources:

   In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources (expenses) until the applicable future period.

   In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisition of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources (revenue) until the applicable future period.

   h. Pensions:

   For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, the pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. The Association's net pension liability/(asset) is recognized on the accrual basis of accounting in the government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

i. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the Association's 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. Cash and Cash Equivalents:

The Association pools its cash resources for depositing and investing purposes. Accordingly, all funds have access to their cash resources on demand and all reported fund deposit and investment balances are considered to be cash equivalents.

k. Equity Classifications:

Government-wide Financial Statements:

Equity is classified as net position and is displayed in three components:

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

2. Restricted net position – Consists of net 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.

3. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment of capital assets".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

k. Equity Classifications, continued:

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between nonspendable, restricted, committed, assigned, or unassigned components.

l. Application of Net Position:

It is the Association'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 is available.

m. Fund Balance Classification Policies and Procedures:

In accordance with the Governmental Accounting Standards Board (GASB), the Association classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

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

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the Board of Directors, and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Board of Directors.

Unassigned - 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.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

m. Fund Balance Classification Policies and Procedures, continued:

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

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

The revenue sources of each major special revenue fund are listed below:

Major Special Revenue Fund	Revenue Source
CARES Relief Fund	Federal grants and loan fees and interest
Revolving Loan Fund	Federal grants and loan fees and interest
Disaster Relief Fund (EDA)	Federal grants and loan fees and interest

n. Indirect Cost Allocation Plan:

Indirect costs are allocated to individual grants and projects based upon a fixed percentage of direct salaries and wages charged to the grant or project. This rate is reviewed annually and adjusted if necessary, in an attempt to minimize over or under applied indirect costs. The indirect cost rate was 45.62 percent of direct salaries and wages for the year ended September 30, 2025. The indirect cost allocation plan has been prepared in accordance with the requirements of the South Dakota Department of Transportation; however, the South Dakota Department of Transportation does not require the Association to submit it for their approval. The indirect cost allocation plan is operated in accordance with guidelines established by 2 CFR part 200, subpart E (cost principles).

o. Budgetary Comparison Schedules:

The Association is not legally required to adopt a budget for the General Fund or the major special revenue funds; therefore, the budgetary comparison information is not presented as required supplementary information or as a basic financial statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

p. Change in Financial Reporting Entity:

During the fiscal year ended September 30, 2025, First District Development Company, which previously had been reported as a discretely presented component unit of the Association, merged with another Certified Development Association. As a result of that transaction, First District Development Company no longer exists as a separate component unit of the Association, and the Association is no longer financially accountable for the surviving organization.

The Association evaluated the transaction under applicable Governmental Accounting Standards Board guidance and concluded that the removal of First District Development Company from the reporting entity is accounted for as a change to the financial reporting entity in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections.* The transaction is not reported as a government combination under GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* because the merger was between nonprofit organizations and did not result in a new or continuing governmental organization within the reporting entity.

Accordingly, the accompanying financial statements report this change by adjusting the beginning balances of the current reporting period as if the removal of the former component unit had occurred at the beginning of the fiscal year. Prior-period basic financial statements have not been restated.

The effect of this change on beginning balances is presented below:

Reconciliation of Beginning Balances

Reporting Unit	Beginning Balance, as Previously Reported	Removal of Former Component Unit	Beginning Balance, as Restated
Governmental Activities	$ 6,150,337	$ -	$ 6,150,337
Discretely Presented Component Unit	$ 3,105,524	$ (3,105,524)	$ -

q. Implementation of New Accounting Policy:

In 2025, the Association implemented the provisions GASB Statement No. 101, *Compensated Absences*. GASB 101 updates the recognition and measurement guidance for compensated absences. There was no effect on the beginning net position as a result of implementation of the standard.

2. DEPOSITS AND INVESTMENTS

The Association's 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. 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.

Credit Risk

The Association does not have a formal investment policy that limits its investment choices.

Custodial Credit Risk - Deposits

The risk that, in the event of a depository failure, the Association's deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk. As of September 30, 2025, the Association's deposits in financial institutions were not exposed to any custodial credit risk.

Custodial Credit Risk - Investments

The risk that, in the event of the failure of the counterparty to a transaction, the Association will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of September 30, 2025, the Association did not have any investments.

Interest Rate Risk

The Association 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.

Assignment of Investment Income

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

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

3. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Association expects all receivables, except for the notes receivable, to be collected within one year.

Appropriate allowances for uncollectible accounts have been established as follows:

CARES Relief Fund	$ 127,286
Revolving Loan Fund	52,604
Disaster Relief Fund	18,150
	$ 198,040

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Unless otherwise indicated, the fair value of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2025 is as follows:

Governmental Activities:	Balance 10/1/2024	Increases	Decreases	Balance 9/30/2025
Capital assets not being depreciated:				
Land	$ 44,000	$ 36,000	$ -	$ 80,000
Total capital assets not being depreciated	44,000	36,000	-	80,000
Capital assets, being depreciated:				
Buildings	401,236	185,065	-	586,301
Improvements Other Than Buildings	8,971	-	-	8,971
Equipment	355,579	6,069	-	361,648
	765,786	191,134	-	956,920

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

5. CHANGES IN CAPITAL ASSETS, continues

	Balance 10/1/2024	Increases	Decreases	Balance 9/30/2025
Less accumulated depreciation for:				
Buildings	59,780	16,832	-	76,612
Improvements Other Than Buildings	3,812	897	-	4,709
Equipment	323,733	11,370	-	335,103
	387,325	29,099	-	416,424
Total capital assets being depreciated, net	378,461	162,035	-	540,496
Governmental Activities, capital assets, net	$ 422,461	$ 198,035	$ -	$ 620,496

Depreciation expense was charged to functions as follows:

Governmental Activities:	
Depreciation – General Government	$ 7,275
Depreciation – Public Safety	7,275
Depreciation – Public Works	7,275
Depreciation – Conservation & Development	7,274
Total depreciation expense – governmental activities	$ 29,099

6. LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended September 30, 2025 is as follows:

	Balance 10/1/2024	Increases	Decreases	Balance 9/30/2025	Current Portion
Governmental Activities:					
Financed Lease Payable	$ 81,915	$ -	$ (81,915)	$ -	$ -
Compensated Absences	48,439	4,960	-	53,399	42,719
	$ 130,354	$ 4,960	$ (81,915)	$ 53,399	$ 42,719

6. LONG-TERM LIABILITIES, continued

Liabilities payable as of September 30, 2025 are as follows:

Financed Lease Payable

The Association previously entered into an agreement with First District Development Company to purchase a portion of the office building they previously shared. The term of the agreement was for a period of ten (10) years, commencing November 1, 2019 and ending on October 31, 2029. The monthly payment was $1,375. During the year ended September 30, 2025, the agreement was paid in full.

Compensated Absences

Compensated absences consist of accrued vacation leave which will be paid by the General Fund.

7. INDIVIDUAL FUND INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances as of September 30, 2025 were:

Fund	Interfund Receivables	Interfund Payables
General Fund	$ 6,126	$ -
CARES Relief Fund	-	4,638
Disaster Relief Fund	-	1,488
	$ 6,126	$ 6,126

The interfund receivable and payable balances are due to the General Fund paying the expenditures and the other funds reimbursing the General Fund for their proportionate share.

8. PENSION PLAN

Plan Information

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS Is a hybrid defined benefit pension plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the Slate 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 SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at http://sdrs.sd.gov/publicalions.aspx or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

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

8. PENSION PLAN, continued

Benefits Provided, continued

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

The 2017 legislation established the current COLA process. At each valuation date:

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

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Association's share of contributions to the SDRS for the fiscal years ended September 30, 2025, 2024 and 2023 was $50,570, $56,522, and $60,942 respectively, equal to the required contributions each year.

8. PENSION PLAN, continued

Pension Liability (Asset), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2025, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension liability (asset) of South Dakota Retirement System, for the Association as of the measurement period ending June 30, 2025 and reported by the Association as of September 30, 2025 are as follows:

Proportionate share of total pension liability	$ 4,657,661
Less proportionate share of net position restricted for pension benefits	4,660,256
Proportionate share of net pension liability (asset)	$ (2,595)

At September 30, 2025, the Association reported a liability (asset) of $(2,595) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2025 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Association's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025, the Association's proportion was 0.030516%, which is a decrease of .002314% from its proportion measured as of June 30, 2024.

For the year ended September 30, 2025, the Association recognized a reduction of pension expense of ($45,229). At September 30, 2025, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

8. PENSION PLAN, continued

Pension Liability (Asset), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions, continued:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 88,860	$ -
Changes in assumptions	-	137,769
Net difference between projected and actual earnings on pension plan investments	126,457	-
Changes in proportion and difference between Association contributions and proportionate share of contributions	9,949	384
Association contributions subsequent to the measurement date	11,662	-
Total	$ 236,928	$ 138,153

$11,662 reported as deferred outflow of resources related to pensions resulting from Association contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset) in the year ending September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended September 30	
2026	$ 64,292
2027	10,314
2028	5,437
2029	7,071
Total	$ 87,114

8. PENSION PLAN, continued

Actuarial Assumptions

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

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

Mortality Rates:

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

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

8. PENSION PLAN, continued

Actuarial Assumptions, continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.9%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	100.0%	

Discount Rate

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

8. PENSION PLAN, continued

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

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

	1% Decrease	Current Discount Rate	1% Increase
Association's proportionate share of the net pension liability/(asset)	$ 636,085	$ (2,595)	$ (525,827)

Pension Plan Fiduciary Net Position

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

9. RISK MANAGEMENT

The Association 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 September 30, 2025, the Association managed its risks as follows:

<u>Employee Health Insurance</u>

The Association 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.

<u>Liability Insurance</u>

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

9. RISK MANAGEMENT, continued

Liability Insurance, continued

The Association joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Association'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 Association. The Association pays a Member's Annual Operating Contribution, to provide liability coverage detailed below, under an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The Association pays an annual premium to the pool to provide coverage for public officials' liability.

The Association carries a $2,500 deductible for the officials’ liability coverage.

The Association 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.

Worker’s Compensation

The Association purchases liability insurance for worker’s compensation from a commercial insurance carrier.

Unemployment Benefits

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

During the year ended September 30, 2025, no claims for unemployment benefits were paid. At September 30, 2025, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

10. LITIGATION

At September 30, 2025, the Association was not involved in any litigation.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF THE ASSOCIATION'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY/(ASSET)

South Dakota Retirement System
Last 10 Fiscal Years

	2016	2017	2018	2019	2020
Association's proportion of the net pension liability/asset	0.0398293%	0.0364612%	0.0372504%	0.0348346%	0.0372506%
Association's proportionate share of net pension liability/(asset)	$ 134,539	$ (3,309)	$ (869)	$ (3,692)	$ (1,618)
Association's covered-employee payroll	$ 757,354	$ 763,152	$ 774,396	$ 740,656	$ 816,238
Association's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	17.76%	-0.43%	-0.11%	-0.50%	-0.20%
Plan fiduciary net position as a percentage of the total pension liability/asset	96.89%	100.10%	100.02%	100.09%	100.04%

	2021	2022	2023	2024	2025
Association's proportion of the net pension liability/asset	0.0392860%	0.0415100%	0.0390780%	0.0328300%	0.0305160%
Association's proportionate share of net pension liability/(asset)	$ (300,864)	$ (3,923)	$ (3,814)	$ (1,329)	$ (2,595)
Association's covered-employee payroll	$ 891,534	$ 991,203	$ 1,007,966	$ 921,036	$ 907,949
Association's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	-33.75%	-0.40%	-0.38%	-0.14%	-0.29%
Plan fiduciary net position as a percentage of the total pension liability/asset	105.52%	100.07%	100.10%	100.00%	100.10%

Note: 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 of previous fiscal year.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF THE ASSOCIATION'S CONTRIBUTIONS

South Dakota Retirement System
Last 10 Fiscal Years

	2016	2017	2018	2019	2020
Contractually required contribution	$ 44,994	$ 44,772	$ 45,787	$ 45,577	$ 49,650
Contributions in relation to the contractually required contribution	44,994	44,772	45,787	45,577	49,650
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Association's covered-employee payroll	$ 751,153	$ 746,193	$ 763,109	$ 759,620	$ 826,193
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

	2021	2022	2023	2024	2025
Contractually required contribution	$ 55,866	$ 58,924	$ 60,942	$ 56,522	$ 50,570
Contributions in relation to the contractually required contribution	55,866	58,924	60,942	56,522	50,570
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Association's covered-employee payroll	$ 931,098	$ 982,069	$ 1,015,708	$ 942,030	$ 842,837
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION SCHEDULES
SEPTEMBER 30, 2025

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Method Changes

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

Actuarial Assumption Changes

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

As of June 30, 2024, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2025 SDRS COLA was limited to a restricted maximum of 1.71 %. For the June 30, 2024 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1. 71%.

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

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

SUPPLEMENTARY INFORMATION

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (PAGE 1 of 2)
YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/ Project Grant/ Program Title	Assistance Listing Number	Project/ Grant Number		Current Year Expenditures
U.S. Department of Commerce:				
Direct Federal Funding:				
Economic Development -				
Support for Planning Organizations:	11.302			
Planning Assistance Grant		ED24DENOG185		$ 74,730
Economic Development Cluster				
Economic Adjustment Assistance:	11.307			
Revolving Loan Fund Grant - Note 3		05-79-05875	$ 276,782	
Revolving Loan Fund Grant - Note 3		COVID-19 - 05-79-06010	1,738,512	2,015,294
Total Economic Development Cluster				2,015,294
Total U.S. Department of Commerce				2,090,024
U.S. Department of Transportation:				
Indirect Federal Funding:				
Passed through the S.D. Department of Transportation:				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	311640	46,096	
		311669	110,265	156,361
Total Federal Expenditures - Note 4				$ 2,246,385

Note 1: Basis of Presentation
This accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Association under programs of the federal government for the year ended September 30, 2025. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the Association.

Note 2: Significant Accounting Policies
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost

principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Association has elected not to use the de minimis cost rate.

Note 3: Federal Loan Programs
The federal fund expenditures for the Economic Development Cluster are calculated as follows:

Total Grant Awarded: Grant	Grant Amount	Matching	Total Award
05-79-05875	$ 250,000	$ 250,000	$ 500,000
05-79-06010	1,697,597	-	1,697,597
	$ 1,947,597	$ 250,000	$ 2,197,597

Federal Share:	05-79-5875	05-79-06010
Grant Amount	$ 250,000	$ 1,697,597
Total Award	$ 500,000	$ 1,697,597
Federal Share:	50%	100%

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (PAGE 2 of 2)
YEAR ENDED SEPTEMBER 30, 2025

Note 3: Federal Loan Programs, continued

	Disaster Relief Fund	CARES Relief Fund
As of September 30, 2025:		
Balance of notes receivable	$ 409,377	$ 1,521,242
Cash balances available for lending	130,366	199,070
Administrative costs	13,820	18,200
Total Expenditures	$ 553,563	$ 1,738,512
Federal Share	50%	100%
Total Federal Expenditures	$ 276,782	$ 1,738,512

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
ECONOMIC DEVELOPMENT PLANNING ASSISTANCE GRANT ED21DEN3020003
AWARD PERIOD: JANUARY 1, 2024 THROUGH MARCH 31, 2027

		Actual		
	Budget	Through 9/30/2024	Current Year	Total
Revenues				
Federal Funding	$ 210,000	$ 38,840	$ 74,730	$ 113,570
Local Funding	210,000	38,840	74,730	113,570
Total Revenues	420,000	77,680	149,460	227,140
Expenditures				
Personnel	225,000	46,223	83,874	130,097
Fringe Benefits	58,100	10,911	19,347	30,258
Travel and Lodging	30,000	3,092	7,976	11,068
Indirect Costs	106,900	17,454	38,263	55,717
Total Expenditures	420,000	77,680	149,460	227,140
Excess of Revenues Over Expenditures	$ -	$ -	$ -	$ -

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
TECHNICAL ASSISTANCE AGREEMENT
AWARD PERIOD: JULY 1, 2024 THROUGH JUNE 30, 2025

		Actual		
	Budget	Through 9/30/2024	Current Year	Total
Revenues				
Federal Funding	$ 20,000	$ 20,000	$ -	$ 20,000
State Funding	20,000	1,250	18,750	20,000
Total Revenues	40,000	21,250	18,750	40,000
Expenditures				
Personnel	40,000	6,641	15,332	21,973
Fringe Benefits	-	1,548	4,129	5,677
Supplies	-	-	462	462
Travel and Lodging	-	185	1,439	1,624
Indirect Costs	-	2,508	6,995	9,503
Total Expenditures *	40,000	10,882	28,357	39,239
Excess of Revenues Over Expenditures	$ -	$ 10,368	$ (9,607)	$ 761

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT
TECHNICAL ASSISTANCE AGREEMENT
AWARD PERIOD: JULY 1, 2025 THROUGH JUNE 30, 2026

		Budget	Actual
Revenues			
Federal Funding		$ 50,000	$ 27,500
Total Revenues		50,000	27,500
Expenditures			
Personnel		50,000	4,605
Fringe Benefits		-	1,217
Travel and Lodging		-	210
Indirect Costs		-	2,101
Total Expenditures	*	50,000	8,133
Excess of Revenues Under Expenditures		$ -	$ 19,367

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
R5DC
AWARD PERIOD: JULY 1, 2023 THROUGH JUNE 30, 2028

			Actual		
		Budget	Through 9/30/2024	Current Year	Total
Revenues					
Federal Funding		$ 300,000	$ 75,000	$ 24,975	$ 99,975
Total Revenues		300,000	75,000	24,975	99,975
Expenditures					
Personnel		300,000	27,887	9,443	37,330
Fringe Benefits		-	9,398	3,800	13,198
Indirect Costs		-	10,334	4,308	14,642
Total Expenditures	*	300,000	47,619	17,551	65,170
Excess of Revenues Over (Under) Expenditures		$ -	$ 27,381	$ 7,424	$ 34,805

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
HAZARD MITIGATION
AWARD PERIOD: OCTOBER 1, 2022 THROUGH SEPTEMBER 30, 2023

			Actual		
		Budget	Through 9/30/2024	Current Year	Total
Revenues					
Local Funding		$ 25,000	$ 15,290	$ 2,065	$ 17,355
Total Revenues		25,000	15,290	2,065	17,355
Expenditures					
Personnel		25,000	10,921	298	11,219
Fringe Benefits		-	2,648	59	2,707
Indirect Costs		-	3,830	136	3,966
Total Expenditures	*	25,000	17,399	493	17,892
Excess of Revenues Over (Under) Expenditures		$ -	$ (2,109)	$ 1,572	$ (537)

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
NEXT GEN
AWARD PERIOD: JANUARY 1, 2024 THROUGH DECEMBER 31, 2026

		Actual		
	Budget	Through 9/30/2024	Current Year	Total
Revenues				
Local Funding	$ 118,600	$ -	$ 41,700	$ 41,700
Total Revenues	118,600	-	41,700	41,700
Expenditures				
Personnel	118,600	19,843	47,494	67,337
Fringe Benefits	-	5,500	12,633	18,133
Indirect Costs	-	7,493	21,667	29,160
Total Expenditures *	118,600	32,836	81,794	114,630
Excess of Revenues Over Expenditures	$ -	$ (32,836)	$ (40,094)	$ (72,930)

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA DEPARTMENT OF TRANSPORTATION HIGHWAY DISTRICT III
RIGHT OF WAY 311640
AWARD PERIOD: JULY 1, 2024 THROUGH JUNE 30, 2025

		Actual		
	Budget	Through 9/30/2024	Current Year	Total
Revenues				
Federal Funding	$ 50,500	$ 4,404	$ 46,096	$ 50,500
Total Revenues	50,500	4,404	46,096	50,500
Expenditures				
Personnel	50,500	2,915	28,117	31,032
Fringe Benefits	-	388	3,732	4,120
Dues and Subscriptions	-	-	1,620	1,620
Travel and Lodging	-	-	689	689
Indirect Costs	-	1,101	12,827	13,928
Total Expenditures *	50,500	4,404	46,985	51,389
Excess of Revenues Over Expenditures	$ -	$ -	$ (889)	$ (889)

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY
THECNICAL SERVICES AGREEMENT
AWARD PERIOD: OCTOBER 1, 2024 THROUGH SEPTEMBER 30, 2025

		Budget	Actual
Revenues			
Local Funding		$ 2,500	$ 2,500
Total Revenues		2,500	2,500
Expenditures			
Personnel		2,500	1,650
Fringe Benefits		-	347
Travel and Lodging		-	717
Indirect Costs		-	753
Total Expenditures	*	2,500	3,467
Excess of Revenues Over Expenditures		$ -	$ (967)

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
SOUTH DAKOTA DEPARTMENT OF TRANSPORTATION HIGHWAY DISTRICT III
RIGHT OF WAY 311669
AWARD PERIOD: JANUARY 1, 2025 THROUGH DECEMBER 31, 2025

		Budget	Actual
Revenues			
Federal Funding		$ 110,265	$ 110,265
Total Revenues		110,265	110,265
Expenditures			
Personnel		110,265	68,575
Fringe Benefits		-	15,006
Vehicle Expense		-	1,668
Gas, Fuel & Oil		-	332
Travel & Lodging		-	2,683
Indirect Costs		-	31,284
Total Expenditures	*	110,265	119,548
Excess of Revenues Over Expenditures		$ -	$ (9,283)

* No detailed budget of expenditures.

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
ECONOMIC DEVELOPMENT REVOLVING LOAN FUND GRANT 05-39-02254
AWARD PERIOD: PERPETUAL

	Actual		
	Through 9/30/2024	Current Year	Total
Revenues			
Federal Funding	$ 500,000	$ -	$ 500,000
Local Funding	166,667	-	166,667
Loan Processing Fees	87,327	-	87,327
Interest on Notes Receivable	1,192,628	39,786	1,232,414
Interest on Deposits	183,863	9,983	193,846
Miscellaneous	9,189	-	9,189
Recovery on Defaulted Loans	45,120	-	45,120
Transfers In	449,900	-	449,900
Total Revenues	2,634,694	49,769	2,684,463
Expenditures			
Bad Debts	(24,104)	(39,896)	(64,000)
Bank Charges	10	-	10
Capital Outlay	11	-	11
Contract Labor	5,108	35	5,143
Software	90	-	90
Internet/Web Service	2,086	86	2,172
Fringe Benefits - Health Insurance	12,257	216	12,473
Insurance	4,814	299	5,113
Fringe Benefits - Life Insurance	48	2	50
Accounting	6,323	43	6,366
Fringe Benefits - FICA	16,007	201	16,208
Fringe Benefits - Retirement	12,027	136	12,163
Postage	280	-	280
Professional Fees	6,157	12,021	18,178
Property Maintenance	835	18	853
Repairs and Maintenance	195	-	195
Rent	5,207	-	5,207
Personnel	212,846	2,464	215,310
Supplies	3,568	10	3,578
Copier	2,374	23	2,397
Telephone	2,743	23	2,766
Travel and Lodging	1,080	-	1,080
Utilities	825	14	839
Indirect Costs	-	420	420
Audit	788	-	788
Administrative Costs	359,514	-	359,514
Loan Defaults	328,075	-	328,075
Transfers Out	271,393	-	271,393
Total Expenditures	1,230,557	(23,885)	1,206,672
Excess of Revenues Over Expenditures	$ 1,404,137	$ 73,654	$ 1,477,791

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
ECONOMIC DEVELOPMENT REVOLVING LOAN FUND GRANT 05-79-05875
AWARD PERIOD: PERPETUAL

	Actual		
	Through 9/30/2024	Current Year	Total
Revenues			
Federal Funding	$ 250,000	$ -	$ 250,000
State Funding	250,000	-	250,000
Loan Processing Fees	8,099	-	8,099
Interest on Notes Receivable	53,481	13,101	66,582
Interest on Deposits	4,859	3,588	8,447
Miscellaneous	-	5	5
Total Revenues	566,439	16,694	583,133
Expenditures			
Bad Debts	26,849	(8,698)	18,151
Contract Labor	533	27	560
Dues and Subscriptions	120	-	120
Internet/Web Service	345	66	411
Fringe Benefits - Health Insurance	624	-	624
Insurance	2,446	294	2,740
Fringe Benefits - Life Insurance	13	1	14
Accounting	1,239	33	1,272
Fringe Benefits - FICA	1,589	140	1,729
Fringe Benefits - Retirement	948	63	1,011
Postage	29	-	29
Professional Fees	303	11,012	11,315
Property Maintenance	310	14	324
Repairs and Maintenance	3	-	3
Rent	15	-	15
Personnel	21,017	1,630	22,647
Supplies	422	8	430
Copier	342	18	360
Telephone	401	17	418
Travel and Lodging	134	-	134
Utilities	224	11	235
Indirect Costs	-	486	486
Total Expenditures	57,906	5,122	63,028
Excess of Revenues Over Expenditures	$ 508,533	$ 11,572	$ 520,105

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF REVENUES AND EXPENDITURES BY GRANT/PROJECT
ECONOMIC DEVELOPMENT REVOLVING LOAN FUND GRANT 05-79-6010
AWARD PERIOD: PERPETUAL

	Actual		
	Through 9/30/2024	Current Year	Total
Revenues			
Federal Funding	$ 1,697,597	$ -	$ 1,697,597
Loan Processing Fees	31,350	1,650	33,000
Interest on Notes Receivable	134,715	51,936	186,651
Interest on Deposits	1,098	670	1,768
Total Revenues	1,864,760	54,256	1,919,016
Expenditures			
Bad Debts	134,944	(7,657)	127,287
Capital Outlay	3,621	-	3,621
Contract Labor	2,234	48	2,282
Internet/Web Service	1,366	117	1,483
Fringe Benefits - Health Insurance	5,422	291	5,713
Insurance	2,200	305	2,505
Fringe Benefits - Life Insurance	79	3	82
Accounting	3,766	59	3,825
Fringe Benefits - FICA	10,444	270	10,714
Fringe Benefits - Retirement	7,713	183	7,896
Postage	84	-	84
Professional Fees	1,375	12,860	14,235
Property Maintenance	802	25	827
Repairs and Maintenance	15	-	15
Personnel	138,592	3,322	141,914
Supplies	2,341	13	2,354
Copier	1,819	31	1,850
Telephone	1,828	31	1,859
Travel and Lodging	430	-	430
Utilities	1,010	19	1,029
Indirect Costs	-	623	623
Total Expenditures	320,085	10,543	330,628
Excess of Revenues Over Expenditures	$ 1,544,675	$ 43,713	$ 1,588,388

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF LOCAL REVENUES AND EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2025

	Total	Operations	CARES RLF Administration	Revolving Loan Fund Administration	Disaster Relief Fund Administration	Intermediary Relending Program Administration	Intermediary Relending Program #2 Administration
Revenues							
City Support	$ 81,344	$ 81,344	$ -	$ -	$ -	$ -	$ -
County Support	317,269	317,269	-	-	-	-	-
State Support	20,300	20,300	-	-	-	-	-
Program Charges	849,017	798,996	17,878	15,710	13,534	1,367	1,532
Office Rent	4,000	4,000	-	-	-	-	-
Interest Income	71,325	71,325	-	-	-	-	-
Total Revenues	1,343,255	1,293,234	17,878	15,710	13,534	1,367	1,532
Expenditures							
Personnel	420,512	411,149	3,322	2,464	1,630	957	990
Fringe Benefits	98,510	96,744	747	555	204	184	76
Accounting	250	-	59	43	33	38	77
Capital Outlay	5,568	5,568	-	-	-	-	-
Contract Labor	204	-	48	35	27	31	63
Copier	119	-	31	23	18	15	32
Dues and Subscriptions	2,630	2,630	-	-	-	-	-
Internet/Web Service	448	9	117	86	66	53	117
Insurance	100	-	23	18	13	15	31
Postage	1,820	1,820	-	-	-	-	-
Professional Fees	57,811	21,967	12,820	12,001	11,007	5	11
Property Maintenance	116	-	25	18	14	20	39
Repairs and Maintenance	913	913	-	-	-	-	-
Supplies	1,498	1,416	13	10	8	18	33
Telephone	131	-	31	23	17	20	40
Travel and Lodging	34,173	34,173	-	-	-	-	-
Utilities	78	-	19	14	11	11	23
Indirect Costs	189,095	187,566	623	420	486	-	-
Total Expenditures	813,976	763,955	17,878	15,710	13,534	1,367	1,532
Excess (Deficiencies) of Revenues Over Expenditures	529,279	$ 529,279	$ -	$ -	$ -	$ -	$ -
Net Revenues Applied to Grants as Local Match	(74,730)						
Underapplied Indirect Costs	(268,543)						
Net Revenues Over Expenditures	$ 186,006						

See Independent Auditor's Report

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF INDIRECT COSTS
YEAR ENDED SEPTEMBER 30, 2025

Personnel	$ 183,362
Fringe Benefits	32,990
Accounting	21,425
Audit	20,500
Capital Outlay	221,565
Copier	5,738
Dues and Subscriptions	3,000
Insurance	9,065
Internet/Web Service	14,933
Postage	6,436
Professional Fees	31,366
Property Maintenance	7,994
Software	675
Supplies	4,874
Telephone	7,496
Utilities	4,553
Total Indirect Costs	575,972
Indirect Costs Applied	(307,429)
Underapplied Indirect Costs	$ 268,543

See Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED INACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Governing Board
First District Association of Local Governments
Watertown, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the **First District Association of Local Governments** (hereinafter referred to as the Association), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated June 25, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MADISON OFFICE: 205 North Egan Ave. | PO Box 505 | Madison, SD 57042 | (605) 256-9165
YANKTON OFFICE: 207 Douglas Ave. | PO Box 1018 | Yankton, SD 57078 | (605) 665-4401
SIOUX FALLS OFFICE: 3600 S Westport, Suite 101 | Sioux Falls, SD 57106 | (605) 336-0372
EMAIL: wrc@wrccpa.com
TOLL FREE: 1-800-456-0889
FAX #: (605) 665-0592

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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 determination of financial statement amounts. 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.*

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 entity'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 entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose. However, as required by South Dakota Codified Law 4-11-11, this report is matter of public record and its distribution is not limited.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
June 25, 2026

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Governing Board
First District Association of Local Governments
Watertown, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the First District Association of Local Government's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the First District Association of Local Government's major federal programs for the year ended September 30, 2025. The First District Association of Local Government's (hereinafter referred to as the Association) major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2025.

Basis for Opinion on Each Major Program

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

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.

Wohlenberg Ritzman + Co., LLC

Yankton, South Dakota
June 25, 2026

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2025

SECTION II. FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no financial statement audit findings reported.

SECTION III. FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no major federal award program audit findings reported.

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2025

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weaknesses identified?	____	yes	X	no
• Significant deficiencies identified?	____	yes	X	none reported

Noncompliance material to financial statements noted?	____	yes	X	no

Federal Awards

Internal control over major programs:

• Material weaknesses identified?	____	yes	X	no
• Significant deficiencies identified?	____	yes	X	none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Audit findings disclosed that are required to be reported in accordance with Uniform Guidance	____	yes	X	no

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
11.307	Economic Development Cluster: Economic Adjustment Assistance

Dollar Threshold used to distinguish between Type A and Type B Programs: $ 1,000,000

Auditee qualified as low-risk auditee?	X	yes	____	no

FIRST DISTRICT ASSOCIATION OF LOCAL GOVERNMENTS

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS - continued
YEAR ENDED SEPTEMBER 30, 2025

SECTION II. FINDINGS - CURRENT FINANCIAL STATEMENTS AUDIT

There are no financial statement audit findings reported.

SECTION III. FINDINGS - CURRENT MAJOR FEDERAL AWARD PROGRAMS

There are no major program audit findings reported.