

South Dakota Ellsworth Development Authority

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
June 30, 2025**

South Dakota Ellsworth Development Authority

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
South Dakota Ellsworth Development Authority
Rapid City, South Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Dakota Ellsworth Development Authority, Rapid City, South Dakota, a component unit of the State of South Dakota, as of June 30, 2025, and for the year then ended, and the related notes to the financial statements, which collectively comprise South Dakota Ellsworth Development Authority’s basic financial statements and have issued our report thereon dated October 1, 2025.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Dakota Ellsworth Development Authority 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Authority'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 communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "CLO Ref LLC". The signature is written in a cursive, stylized font.

Mitchell, South Dakota
October 1, 2025

Schedule of Current Audit Findings

There are no findings which are required to be reported in accordance with *Government Auditing Standards*.

Schedule of Prior Audit Findings

There were no findings reported for the year ended June 30, 2024.



Independent Auditor's Report

Board of Directors
South Dakota Ellsworth Development Authority
Rapid City, South Dakota
Report on The Financial Statements

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Dakota Ellsworth Development Authority, a component unit of the State of South Dakota, as of June 30, 2025, and for the year then ended, and the related notes to the financial statements, which collectively comprise the South Dakota Ellsworth Development Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Dakota Ellsworth Development Authority, a component unit of the State of South Dakota, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South Dakota Ellsworth Development Authority'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 South Dakota Ellsworth Development Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial

statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2025, on our consideration of the South Dakota Ellsworth Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Dakota Ellsworth Development Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Dakota Ellsworth Development Authority's internal control over financial reporting and compliance

A handwritten signature in dark ink, appearing to read "CLO Ref LLC". The signature is written in a cursive, flowing style.

Mitchell, South Dakota
October 1, 2025

South Dakota Ellsworth Development Authority

Management's Discussion and Analysis

June 30, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the South Dakota Ellsworth Development Authority's (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Net position from governmental and business-type activities increased by \$11,684,042. During the year, current and other assets increased by \$1,964,307, capital assets net of depreciation increased \$9,605,299, and other liabilities increased \$1,104,308. This is due primarily to construction expenditures in the Water Project Fund for the clean water transmission system. During the year, construction expenditures totaling \$10,846,265 were recorded as capital assets (construction in progress), and \$12,274,820 of revenue was recognized for construction and oversight services. At fiscal year-end, \$1,157,837 of construction costs were included in accounts payable.
- During the year, the Authority's revenues increased by \$12,158,323. This is due to the revenue recognized for oversight and construction of the clean water transmission system, which began during the year.
- During the year, the Authority's expenses decreased by \$578,999, which is primarily due to the decrease in contract fees for the West River Regionalization Water Study that was nearing completion in the prior fiscal year and the decrease in design fees in the Water Project Fund as the design phase was completed in the prior fiscal year and water system construction costs in the current fiscal year were capital expenditures.
- The Waste Water Treatment Fund experienced an increase in net position of \$503,680.
- The Liberty Center Fund experienced a decrease in net position of \$767,320 primarily due to depreciation on the building and equipment that were placed in service in a prior year and excess operating expenditures over revenues in the current year.
- The Water Project Fund experienced an increase in net position of \$12,274,820 due to funds received for oversight and construction of the clean water transmission system.

See independent auditor's report.

South Dakota Ellsworth Development Authority

Management's Discussion and Analysis

June 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements (government-wide and fund financial statements). The basic financial statements include two kinds of statements that present different views of the Authority:

- The Statement of Net Position and Statement of Activities are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Authority, reporting the Authority's operation in more detail than the government-wide financial statements.
 - o Governmental funds statements tell how general governmental services are financed in the short term as well as what remains for future spending.
 - o Proprietary fund statements offer short and long-term financial information about the activities that the Authority operates like businesses. The Authority operates the Waste Water Treatment Fund, Liberty Center Fund, and Water Project Fund as proprietary funds.
 - o Fiduciary fund statements provide information about the financial relationship of the Black Hills Military Advisory Coalition, in which the Authority acts solely as an agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that provide further explanation of some of the information in the financial statements and provide additional disclosures, so statement users have a complete picture of the Authority's financial activities and position.

See independent auditor's report.

South Dakota Ellsworth Development Authority
Management's Discussion and Analysis
June 30, 2025

Figure A-1 summarizes the major features of the Authority's financial statements, including the portion of the activities reported and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1				
	Government-wide Statements	Governmental Funds	Fund Statements Proprietary Funds	Fiduciary Funds
Scope	Entire Authority	The activities that are not proprietary	Activities that operate similar to private businesses, the Waste Water Treatment Plant, the Liberty Center, and the Water Project	Assets held by the Authority on behalf of someone else.
Required Financial Statements	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures, and Changes in Fund Balances	*Statement of Net Position *Statement of Revenues, Expenses, and Changes in Net Position *Statement of Cash Flows	*Statement of Fiduciary Net Position *Statement of Changes in Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/ Deferred Outflow of Resources/ Liability/ Deferred Inflow of Resources Information	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources	Only assets expected to be used up and liabilities that come due during the year or soon enough thereafter, all deferred outflows and inflows of resources, no capital or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term, and deferred inflows and outflows of resources	All assets and liabilities, both short-term and long-term; the Authority's funds do not currently contain capital assets although they can.
Type of Inflow/Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

See independent auditor's report.

South Dakota Ellsworth Development Authority Management's Discussion and Analysis June 30, 2025

Government-wide Financial Statements

The view of the Authority as a whole looks at all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "Why?" or "Why not?" The Statement of Net Position and the Statement of Activities provide the basis for answering these questions. The government-wide financial statements report information about the Authority as a whole using full accrual accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the Authority's net position are useful indicators of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Authority, the accomplishment of its mission to support and protect Ellsworth Air Force Base needs to be considered.

The Statement of Activities presents information showing how the net position of the Authority changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing related to cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the sale of land held for development).

In the government-wide financial statements, the Authority's activities are reported in two categories:

- **Governmental Activities** - This category includes the Authority's basic functions of economic development and compatible uses of properties surrounding Ellsworth Air Force Base. Federal and State appropriations, donations, and land rental charges finance most of these activities.
- **Business-type Activities** - The Authority operates a Waste Water Treatment Plant for the City of Box Elder and Ellsworth Air Force Base. The Authority operates the Liberty Center as a community center and athletic facility for the Ellsworth Air Force Base and Box Elder communities. The Authority is overseeing the construction of a water system under an Environmental Services Agreement with the Air Force Civil Engineer Center. The water system will serve the City of Box Elder, Ellsworth Air Force Base, and the neighboring properties of Ellsworth Air Force Base.

See independent auditor's report.

South Dakota Ellsworth Development Authority

Management's Discussion and Analysis

June 30, 2025

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's individual funds, not the Authority as a whole. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. Funds are accounting devices that are used to ensure and demonstrate compliance with finance-related legal requirements.

The Authority has three kinds of funds:

- *Governmental Funds* - Most of the Authority's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can be readily converted to cash flows in and out, and (2) the balances left at the year-end that are available for funding future basic services (an accounting method called modified accrual accounting). The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, an explanation of additional information is included at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary Funds - Enterprise Funds* - Services for which the Authority charges customers a fee and for which revenues are expected to cover all expenses are generally reported in proprietary funds-enterprise funds. Enterprise funds, like government-wide financial statements, provide both short and long-term financial information. The enterprise funds use the same basis of accounting as business-type activities. Therefore, these statements will essentially match the information provided in the statements for the Authority as a whole. The Authority reports the Waste Water Treatment Plant, the Liberty Center, and the Water Project funds as enterprise funds.
- *Fiduciary Funds* - The Authority is the fiduciary for external parties. The Authority is responsible for ensuring that the assets reported in this fund are used for their intended purposes and only by those to whom the assets belong. All fiduciary activities are reported in a separate statement of net position and a statement of changes in net position. We exclude these activities from the Authority's government-wide financial statements because the Authority cannot use the assets to finance its operations.

The fund-level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

See independent auditor's report.

South Dakota Ellsworth Development Authority

Management's Discussion and Analysis

June 30, 2025

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

Net Position

The Authority's combined net position decreased as follows:

Table A-1
South Dakota Ellsworth Development Authority
Statement of Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2024	2025	2024	2025	2024	2025	2024 - 2025
Current and Other Assets	\$ 1,976,825	\$ 1,660,506	\$ 463,320	\$ 2,743,946	\$ 2,440,145	\$ 4,404,452	80.50%
Capital Assets (Net of Depreciation)	8,792	5,187	27,718,448	37,327,352	27,727,240	37,332,539	34.64%
Total Assets	<u>1,985,617</u>	<u>1,665,693</u>	<u>28,181,768</u>	<u>40,071,298</u>	<u>30,167,385</u>	<u>41,736,991</u>	38.35%
Long-term Liabilities Outstanding	1,620,500	1,620,500	14,637,067	13,418,323	16,257,567	15,038,823	-7.50%
Other Liabilities	179,325	186,539	272,135	1,369,229	451,460	1,555,768	244.61%
Total Liabilities	<u>1,799,825</u>	<u>1,807,039</u>	<u>14,909,202</u>	<u>14,787,552</u>	<u>16,709,027</u>	<u>16,594,591</u>	-0.68%
Net Investment in Capital Assets	8,792	5,187	13,530,202	24,320,688	13,538,994	24,325,875	79.67%
Unrestricted	177,000	(146,533)	(257,636)	963,058	(80,636)	816,525	1112.61%
Total Net Position	<u>\$ 185,792</u>	<u>\$ (141,346)</u>	<u>\$ 13,272,566</u>	<u>\$ 25,283,746</u>	<u>\$ 13,458,358</u>	<u>\$ 25,142,400</u>	86.82%

The Statement of Net Position reports all financial and capital resources. The Statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components - the amount due within one year and the amount due in more than one year. The difference between the Authority's assets and liabilities is its net position.

See independent auditor's report.

South Dakota Ellsworth Development Authority
Management's Discussion and Analysis
June 30, 2025

Changes in Net Position

Table A-2
South Dakota Ellsworth Development Authority
Statement of Changes in Net Position

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2024	2025	2024	2025	2024	2025	2024 - 2025
Revenues							
Program Revenues							
Charges for Services	\$ 170,595	\$ 88,143	\$ 3,115,157	\$ 5,031,975	\$ 3,285,752	\$ 5,120,118	55.83%
Operating Grants and Contributions	376,222	177,947	60,000	60,200	436,222	238,147	-45.41%
Capital Grants and Contributions	104,174	2,000	-	10,631,619	104,174	10,633,619	10107.56%
General Revenues							
Gain on Sales of Properties	-	-	4,961	-	4,961	-	-100.00%
Unrestricted Investment Earnings	-	-	13,544	11,092	13,544	11,092	-18.10%
Total Revenues	<u>650,991</u>	<u>268,090</u>	<u>3,193,662</u>	<u>15,734,886</u>	<u>3,844,653</u>	<u>16,002,976</u>	316.24%
Expenses							
Compatible Use and Development	1,039,598	769,257	-	-	1,039,598	769,257	-26.00%
Waste Water Treatment	-	-	2,223,113	2,319,791	2,223,113	2,319,791	4.35%
Liberty Center	-	-	1,194,960	1,229,886	1,194,960	1,229,886	2.92%
Water Project	-	-	440,262	-	440,262	-	-100.00%
Total Expenses	<u>1,039,598</u>	<u>769,257</u>	<u>3,858,335</u>	<u>3,549,677</u>	<u>4,897,933</u>	<u>4,318,934</u>	-11.82%
Excess (Deficiency) Before Special Items and Transfers	(388,607)	(501,167)	(664,673)	12,185,209	(1,053,280)	11,684,042	1209.30%
Transfers In (Out)	<u>145,322</u>	<u>174,029</u>	<u>(145,322)</u>	<u>(174,029)</u>	<u>-</u>	<u>-</u>	0.00%
Change in Net Position	<u>\$ (243,285)</u>	<u>\$ (327,138)</u>	<u>\$ (809,995)</u>	<u>\$ 12,011,180</u>	<u>\$ (1,053,280)</u>	<u>\$ 11,684,042</u>	1209.30%

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's General Fund reported an ending fund balance of \$1,473,967, which is a decrease of \$323,533 compared to the prior year.

See independent auditor's report.

South Dakota Ellsworth Development Authority

Management's Discussion and Analysis

June 30, 2025

CAPITAL ASSET ADMINISTRATION

The Authority has invested \$37,332,539 in capital assets, net of accumulated depreciation as of June 30, 2025. The major capital assets of the Authority consist of the Waste Water Treatment Plant and related infrastructure, the Liberty Center building and equipment, and construction in progress on the water system in the Water Project Fund.

Table A-3
South Dakota Ellsworth Development Authority
Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2024	2025	2024	2025	2024 - 2025	2024 - 2025
Land and Land Easements	\$ 80	\$ 80	\$ 571,900	\$ 571,900	\$ -	0.00%
Equipment	8,712	5,107	471,513	471,676	(3,442)	-0.72%
Buildings	-	-	22,499,583	21,538,899	(960,684)	-4.27%
Improvements	-	-	4,175,452	3,898,612	(276,840)	-6.63%
Construction in Progress	-	-	-	10,846,265	10,846,265	100.00%
Total Capital Assets (Net)	<u>\$ 8,792</u>	<u>\$ 5,187</u>	<u>\$ 27,718,448</u>	<u>\$ 37,327,352</u>	<u>\$ 9,605,299</u>	34.64%

LONG-TERM DEBT

As of June 30, 2025, the Authority had \$15,038,823 in outstanding bonds and other debt obligations.

Table A-4
South Dakota Ellsworth Development Authority
Outstanding Debt and Obligations

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2024	2025	2024	2025	2024 - 2025	2024 - 2025
NSP Loan	\$ 1,620,500	\$ 1,620,500	\$ -	\$ -	\$ -	0.00%
Bonds	-	-	14,637,067	13,418,323	(1,218,744)	-8.33%
Total Outstanding Debt and Obligations	<u>\$ 1,620,500</u>	<u>\$ 1,620,500</u>	<u>\$ 14,637,067</u>	<u>\$ 13,418,323</u>	<u>\$ (1,218,744)</u>	-7.50%

The Authority retired bonds of \$1,218,744 related to the Waste Water Treatment Plan and infrastructure.

See independent auditor's report.

South Dakota Ellsworth Development Authority Management's Discussion and Analysis June 30, 2025

ECONOMIC FACTORS

The Authority is committed to partnerships with the City of Box Elder and Ellsworth Air Force Base (EAFB) to promote economic development and growth. The RWWTP end users are the City of Box Elder and EAFB. The end users have signed separate 20-year agreements with the Authority regarding the operations and debt service of the RWWTP. The Authority operates the Liberty Center, a community center and athletic facility used by residents of Ellsworth Air Force Base and Box Elder. The Liberty Center's operations are funded with user charges. The Authority is overseeing the construction of a clean water transmission system to serve the City of Box Elder, Ellsworth Air Force Base, and the neighboring properties of Ellsworth Air Force Base. The construction is funded through an Environmental Services Agreement with the Air Force Civil Engineer Center.

The Department of Defense REPI (Readiness Environmental Protection Integration) program, operated by the Authority, is based on matching funds from the federal level and funds from supporting entities.

In May 2019, the USAF designated EAFB as the official training location of the B-21 "Raider" Strategic Bomber and the home of the first operational B-21 squadron. These programs will have an unprecedented and significant positive economic impact on the State of South Dakota.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact: Scott Landguth, Executive Director; Howie Aubertin, Business Operations Manager; or Tony Nishimura, Military Community Relations Director; at South Dakota Ellsworth Development Authority, PO Box 477, Rapid City, SD 57709.

See independent auditor's report.

BASIC FINANCIAL STATEMENTS

South Dakota Ellsworth Development Authority
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash	\$ 346,016	\$ 1,917,315	\$ 2,263,331
Accounts Receivable	5,218	1,613,243	1,618,461
Internal Balances	897,922	(897,922)	-
Long-term Notes Receivable, Net	50,000	-	50,000
Prepaid Expenses	-	15,521	15,521
Capital Credits	-	95,789	95,789
Assets Held for Development, Net	361,350	-	361,350
Land and Easements	80	571,900	571,980
Buildings	-	28,820,539	28,820,539
Improvements	-	6,920,781	6,920,781
Equipment	23,135	712,115	735,250
Construction in Progress	-	10,846,265	10,846,265
Accumulated Depreciation	(18,028)	(10,544,248)	(10,562,276)
TOTAL ASSETS	<u>1,665,693</u>	<u>40,071,298</u>	<u>41,736,991</u>
LIABILITIES			
Accounts Payable	18,041	1,329,142	1,347,183
Accrued Interest	-	40,087	40,087
Unearned Revenue	168,498	-	168,498
Long-term Debt:			
Due in One Year	-	1,248,044	1,248,044
Due in More than One Year	1,620,500	12,170,279	13,790,779
TOTAL LIABILITIES	<u>1,807,039</u>	<u>14,787,552</u>	<u>16,594,591</u>
NET POSITION			
Net Investment in Capital Assets	5,187	24,320,688	24,325,875
Unrestricted	(146,533)	963,058	816,525
TOTAL NET POSITION	<u>\$ (141,346)</u>	<u>\$ 25,283,746</u>	<u>\$ 25,142,400</u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
Compatible Use and Development	\$ 769,257	\$ 88,143	\$ 177,947	\$ 2,000	\$ (501,167)	\$ -	\$ (501,167)
BUSINESS-TYPE ACTIVITIES							
Waste Water Treatment	2,319,791	2,986,408	-	-	-	666,617	666,617
Liberty Center	1,229,886	402,366	60,200	-	-	(767,320)	(767,320)
Water Project	-	1,643,201	-	10,631,619	-	12,274,820	12,274,820
Total Business-type Activities	3,549,677	5,031,975	60,200	10,631,619	-	12,174,117	12,174,117
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,318,934</u>	<u>\$ 5,120,118</u>	<u>\$ 238,147</u>	<u>\$ 10,633,619</u>	<u>(501,167)</u>	<u>12,174,117</u>	<u>11,672,950</u>
GENERAL REVENUES							
Unrestricted Investment Earnings					-	11,092	11,092
Transfers In (Out)					174,029	(174,029)	-
Total General Revenues					174,029	(162,937)	11,092
CHANGE IN NET POSITION					(327,138)	12,011,180	11,684,042
NET POSITION - BEGINNING					185,792	13,272,566	13,458,358
NET POSITION - ENDING					<u>\$ (141,346)</u>	<u>\$ 25,283,746</u>	<u>\$ 25,142,400</u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Balance Sheet - General Fund
June 30, 2025

	General Fund
ASSETS	
Cash	\$ 346,016
Accounts Receivable	5,218
Due from Other Funds	897,922
Long-term Notes Receivable, Net of Allowance	50,000
Assets Held for Development, Net	<u>361,350</u>
TOTAL ASSETS	<u><u>\$ 1,660,506</u></u>
LIABILITIES	
Accrued Expenses	\$ 18,041
Unearned Revenue	<u>168,498</u>
TOTAL LIABILITIES	<u>186,539</u>
FUND BALANCE	
Nonspendable:	
Noncurrent Notes Receivable	50,000
Assets Held for Development, Net of Deferred Inflows of Resources	361,350
Unassigned	<u>1,062,617</u>
TOTAL FUND BALANCE	<u>1,473,967</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,660,506</u></u>

The accompanying notes are an integral part of this statement.

**South Dakota Ellsworth Development Authority
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2025**

Total Governmental Fund Balance	\$ 1,473,967
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	5,187
Long-term debt is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	<u>(1,620,500)</u>
Net Position of Governmental Activities	<u>\$ (141,346)</u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Statement of Revenues, Expenditures, and Changes in
Fund Balance - General Fund
For the Year Ended June 30, 2025

	<u>General Fund</u>
REVENUES	
Federal Revenue:	
Capital Grants	\$ 2,000
Operating Grants	2,943
Local Revenue:	
Operating Contributions from Private Parties	175,004
Rentals	74,995
Administrative Charges	<u>13,148</u>
Total Revenues	<u>268,090</u>
EXPENDITURES	
Contracted Services	430,496
Professional Fees	244,393
Office Expenses	43,309
Travel	30,944
Compatible Use	<u>16,510</u>
Total Expenditures	<u>765,652</u>
EXCESS OF EXPEDITURES OVER REVENUES	(497,562)
OTHER FINANCING SOURCES	
Transfers In	<u>174,029</u>
CHANGE IN FUND BALANCES	(323,533)
FUND BALANCES - BEGINNING	<u>1,797,500</u>
FUND BALANCES - ENDING	<u><u>\$ 1,473,967</u></u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Reconciliation of the Governmental Fund Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2025

Total Governmental Fund Net Change in Fund Balances	\$ (323,533)
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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 these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital asset purchases in the current period.	<u>(3,605)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (327,138)</u></u>
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The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Statement of Net Position - Proprietary Funds
June 30, 2025

	Waste Water Treatment Plant	Liberty Center	Water Project	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash	\$ 425,562	\$ -	\$ 1,491,753	\$ 1,917,315
Accounts Receivable	488,692	34,768	1,089,783	1,613,243
Prepaid Expenses	-	15,521	-	15,521
Total Current Assets	<u>914,254</u>	<u>50,289</u>	<u>2,581,536</u>	<u>3,546,079</u>
Capital Assets:				
Land	-	571,900	-	571,900
Buildings	17,199,375	11,621,164	-	28,820,539
Improvements	6,920,781	-	-	6,920,781
Equipment	120,971	591,144	-	712,115
Construction in Progress	-	-	10,846,265	10,846,265
Accumulated Depreciation	<u>(9,279,769)</u>	<u>(1,264,479)</u>	<u>-</u>	<u>(10,544,248)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>14,961,358</u>	<u>11,519,729</u>	<u>10,846,265</u>	<u>37,327,352</u>
Noncurrent Assets:				
Capital Credits	<u>95,789</u>	<u>-</u>	<u>-</u>	<u>95,789</u>
TOTAL ASSETS	<u>15,971,401</u>	<u>11,570,018</u>	<u>13,427,801</u>	<u>40,969,220</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	85,708	85,597	1,157,837	1,329,142
Due to Other Funds	-	879,144	18,778	897,922
Accrued Interest	40,087	-	-	40,087
Current Maturities of Long-term Debt	<u>1,248,044</u>	<u>-</u>	<u>-</u>	<u>1,248,044</u>
Total Current Liabilities	1,373,839	964,741	1,176,615	3,515,195
Long-term Liabilities	<u>12,170,279</u>	<u>-</u>	<u>-</u>	<u>12,170,279</u>
TOTAL LIABILITIES	<u>13,544,118</u>	<u>964,741</u>	<u>1,176,615</u>	<u>15,685,474</u>
NET POSITION				
Net Investment in Capital Assets	1,954,694	11,519,729	10,846,265	24,320,688
Unrestricted	<u>472,589</u>	<u>(914,452)</u>	<u>1,404,921</u>	<u>963,058</u>
TOTAL NET POSITION	<u>\$ 2,427,283</u>	<u>\$ 10,605,277</u>	<u>\$ 12,251,186</u>	<u>\$ 25,283,746</u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Statement of Revenues, Expenses, and Changes in
Fund Net Position - Proprietary Funds
For the Year Ended June 30, 2025

	Waste Water Treatment Plant	Liberty Center	Water Project	Total Proprietary Funds
OPERATING REVENUES				
Charges for Services	\$ -	\$ 402,366	\$ 1,643,201	\$ 2,045,567
Revenue Dedicated to Servicing Debt	2,986,408	-	-	2,986,408
Operating Grants and Donations	-	60,200	-	60,200
Total Operating Revenues	<u>2,986,408</u>	<u>462,566</u>	<u>1,643,201</u>	<u>5,092,175</u>
OPERATING EXPENSES				
Contracted Services	614,167	510,355	-	1,124,522
Other Operating Expenses	508,440	252,410	-	760,850
Depreciation	<u>858,237</u>	<u>467,121</u>	<u>-</u>	<u>1,325,358</u>
Total Operating Expenses	<u>1,980,844</u>	<u>1,229,886</u>	<u>-</u>	<u>3,210,730</u>
Operating Income	<u>1,005,564</u>	<u>(767,320)</u>	<u>1,643,201</u>	<u>1,881,445</u>
NONOPERATING REVENUES (EXPENSES)				
Capital Grants	-	-	10,631,619	10,631,619
Interest Income	11,092	-	-	11,092
Interest Expense	<u>(338,947)</u>	<u>-</u>	<u>-</u>	<u>(338,947)</u>
Net Nonoperating Revenues (Expenses)	<u>(327,855)</u>	<u>-</u>	<u>10,631,619</u>	<u>10,303,764</u>
INCOME (LOSS) BEFORE TRANSFERS	677,709	(767,320)	12,274,820	12,185,209
Transfer Out	<u>(174,029)</u>	<u>-</u>	<u>-</u>	<u>(174,029)</u>
CHANGE IN NET POSITION	503,680	(767,320)	12,274,820	12,011,180
NET POSITION - BEGINNING	<u>1,923,603</u>	<u>11,372,597</u>	<u>(23,634)</u>	<u>13,272,566</u>
NET POSITION - ENDING	<u>\$ 2,427,283</u>	<u>\$ 10,605,277</u>	<u>\$ 12,251,186</u>	<u>\$ 25,283,746</u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2025

	Waste Water Treatment Plant	Liberty Center	Water Project	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Customers and Sponsors	\$ 2,965,992	\$ 462,037	\$ 553,418	\$ 3,981,447
Cash Payments to Vendors for Goods and Services	(1,123,850)	(781,562)	(39,728)	(1,945,140)
Net Cash Provided (Used) by Operating Activities	1,842,142	(319,525)	513,690	2,036,307
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund Borrowing	-	319,525	(35,940)	283,585
Transfers to Other Funds	(174,029)	-	-	(174,029)
Net Cash Provided (Used) by Noncapital Financing Activities	(174,029)	319,525	(35,940)	109,556
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Grants	-	-	10,631,619	10,631,619
Purchase of Capital Assets	(87,997)	-	(9,688,428)	(9,776,425)
Interest Paid on Capital Debt	(342,588)	-	-	(342,588)
Principal Paid on Capital Debt	(1,218,744)	-	-	(1,218,744)
Net Cash Used by Capital and Related Financing Activities	(1,649,329)	-	943,191	(706,138)
CHANGE IN CASH AND CASH EQUIVALENTS	18,784	-	1,420,941	1,439,725
CASH AND CASH EQUIVALENTS - BEGINNING	406,778	-	70,812	477,590
CASH AND CASH EQUIVALENTS - ENDING	\$ 425,562	\$ -	\$ 1,491,753	\$ 1,917,315
RECONCILIATION OF OPERATING INCOME TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income	\$ 1,005,564	\$ (767,320)	\$ 1,643,201	\$ 1,881,445
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	858,237	467,121	-	1,325,358
Change in Assets and Liabilities:				
Accounts Receivable	(20,416)	(529)	(1,089,783)	(1,110,728)
Prepaid Expenses	-	(2,666)	-	(2,666)
Accounts Payable	(1,243)	(16,131)	(39,728)	(57,102)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,842,142	\$ (319,525)	\$ 513,690	\$ 2,036,307
SUPPLEMENTAL CASH FLOW INFORMATION				
Construction in Progress Included in Accounts Payable	\$ -	\$ -	\$ 1,157,837	\$ 1,157,837

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Statement of Net Position - Fiduciary Funds
June 30, 2025

	Custodial Fund
ASSETS	
Cash	\$ 151,253
Accounts Receivable	<u>8,450</u>
TOTAL ASSETS	<u>159,703</u>
LIABILITIES	
Accounts Payable	<u>37,586</u>
NET POSITION	
Restricted for Black Hills Military Advisory Coalition	<u>\$ 122,117</u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Statement of Changes in Net Position - Fiduciary Funds
For the Year Ended June 30, 2025

	Custodial Fund
ADDITIONS	
Contributions	\$ 153,070
Event Income	<u>24,862</u>
Total Additions	<u>177,932</u>
DEDUCTIONS	
Events and Military Support Expenses	<u>206,076</u>
CHANGE IN NET POSITION	
Restricted for Black Hills Military Advisory Coalition	(28,144)
NET POSITION - BEGINNING	<u>150,261</u>
NET POSITION - ENDING	<u><u>\$ 122,117</u></u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

South Dakota Ellsworth Development Authority (the Authority) is a component unit of the State of South Dakota and is exempt from federal income taxes. The Authority was created under SDCL 1-16J to protect and promote the economic impact of Ellsworth Air Force Base and associated industry, and to promote the health and safety of those living or working near the base.

In conformity with Governmental Accounting and Financial Reporting Standards, the South Dakota Ellsworth Development Authority is the reporting entity for financial reporting purposes. The Authority is governed by a board of seven members who are appointed by the Governor of the State of South Dakota. The financial statements of the Authority include all funds that are controlled by the Board. The Board has the authority to exercise all powers and limitations set forth in SDCL 1-16J. The Authority does not have to prepare a budget that is subject to approval by the State of South Dakota, and the Authority can issue debt without the permission of the State of South Dakota.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements: The Statement of Net Position and the Statement of Activities display various information about the Authority. These statements include the financial activities of the overall organization. Governmental activities are generally financed through grants and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Authority and each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are 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 are presented as general revenues.

Fund Financial Statements: The 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenue, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is in the primary operating funds of the Authority or if it meets the following criteria:

1. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
2. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five 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.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The funds of the Authority and their respective fund types are described below:

Governmental Fund:

General Fund - The General Fund is the general operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund. This is the only governmental fund of the Authority. This is a major fund.

Proprietary Funds:

Waste Water Treatment Plant Fund - Financed primarily by user charges. This fund accounts for the operation of the sanitary sewer system and related facilities. This is a major fund.

Liberty Center Fund - Financed primarily by user charges. This fund accounts for the operation of the Liberty Center, an athletic and community center serving the residents of Ellsworth Air Force Base and Box Elder. This is a major fund.

Water Project Fund - Financed primarily by an Environmental Services Agreement with the Air Force Civil Engineer Center. This fund accounts for the activity related to the oversight and construction of a regional water facility serving the City of Box Elder, Ellsworth Air Force Base, and neighboring properties of Ellsworth Air Force Base. Construction began in July 2024 and is expected to be completed in the next fiscal year. This is a major fund.

Fiduciary Funds:

Fiduciary funds are never considered to be major funds.

Custodial Funds - Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The Authority maintains custodial funds to hold assets as an agent in a trustee capacity for the Black Hills Military Advisory Coalition.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded in the financial statements. Basis of accounting refers to “when” revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

Fund Financial Statements: Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period (“availability period”). Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due. Proprietary and fiduciary funds apply the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Interfund Eliminations and Reclassifications

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 as follows:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the government and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

The Authority pools its cash resources for deposit purposes. The proprietary funds have access to their cash resources on demand. Accordingly, all reported deposit balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows. The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

G. Accounts Receivable

All receivables are reported at the amount management expects to collect from outstanding balances.

H. Notes Receivable

Notes receivable are composed of mortgage loans collateralized by the underlying real property pledged by the borrowers in accordance with the terms of the mortgage loans. The mortgage loans are carried at cost, which includes unpaid principal balances and an allowance for loan losses.

The Authority maintains an allowance for loan losses based on management's estimate of credit losses inherent in the Authority's loans receivable. The estimation of the allowance is based on a variety of factors including current economic conditions, delinquency trends, and the physical inspections of properties. As of June 30, 2025, an allowance of \$25,000 was recorded related to management's assessment of loan collectability.

I. Capital Credits

The Authority earns capital credits from a rural utility cooperative. The cooperative calculates the amount of capital credits earned by the Authority based on utility usage. Annually, the cooperative determines an amount of capital credits to be distributed to the Authority from the Authority's accumulation of capital credits from past years. The timeline of the distribution of capital credits is unknown. The Authority records the accumulation of capital credits at cost as reported by the cooperative.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Assets Held for Development

Assets held for development are recorded at cost, which includes the initial purchase of the property and any improvements to the property. Donated development assets are valued at their estimated fair value on the date donated. Assets are categorized as held for development if the Authority does not intend to maintain the assets in the long term, and the assets are not used in the fulfillment of the Authority's mission. All assets that are classified as held for development are intended to be sold for future development. Losses on assets held for development are recognized when it is determined that impairment has occurred.

K. Capital Assets

Capital assets include land and easements, equipment, buildings, building improvements, and all other tangible or intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period. Interest costs incurred during the construction of capital assets are not capitalized.

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

In the government-wide statements, capital assets are valued at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Capital asset acquisitions in excess of \$1,000 and having a useful life of more than one year are capitalized at cost and updated for additions and retirements during the year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are reviewed at least annually for impairment and reduced by an impairment loss when the market value, based on appraisals obtained, is less than the carrying value.

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 and the Statement of Net Position - Proprietary Funds.

All reported capital assets except land, easements, and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Building and Building Improvements	20 - 40 years
Equipment	3 - 15 years

Land and easements are inexhaustible assets and are not depreciated.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-term Liabilities

Long-term liabilities are reported as liabilities in the government-wide financial statements. Long-term liabilities consist of notes and bonds payable. 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. Debt obligations that are due in one year and are expected to be paid with current resources and short-term obligations that are associated with assets held for development are reported as liabilities in the fund. In the proprietary fund statements, debt is accounted for on the accrual basis, the same as in the government-wide statements.

M. Leases

The Authority is a lessee for a noncancellable lease of office space. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements for lease liabilities with an initial, individual value of \$45,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lessor:

The Authority is a lessor for a noncancellable lease of land used for the temporary disposal of construction debris by the lessee. The Authority recognizes a lease receivable and a deferred inflow of resources in the financial statements for lease receivables with an initial, individual value of \$45,000 or more. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Authority uses the interest rate stated in the lease agreement as the discount rate. When the lease agreement does not include a stated interest rate, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments and variable payments that are fixed in substance from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

N. Unearned Revenue

At June 30, 2025, unearned revenue includes grant funding received in advance of being earned by the Authority.

O. Program Revenues

Program revenues derive directly from the program itself. Program revenues are classified as follows:

- a. *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.
- b. *Operating Grants and Contributions* - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals and are to be used for the operations of the Authority.
- c. *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 the operations of the Authority.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Proprietary Fund Revenue and Expense Classifications

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

Q. Net Position, Fund Balance, and Use of Restricted Resources

Net Position - Governmental and Business-type Activities and Proprietary Funds

Net Position represents the difference between assets and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted Net Position represents all other net position not meeting the previously described definitions of "restricted" or "net investment in capital assets."

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

Fund Balance

Governmental fund equity is classified as fund balance, which is distinguished between the following classifications:

Nonspendable - Includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, net of related liabilities.

Restricted - Constraints are placed on the use of resources either imposed (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by resolutions of the Board of Directors.

Assigned - Amounts that are constrained by the Authority's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned - Represents general fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned amounts are available for use, it is the Authority's policy to use committed resources first, followed by assigned, and then unassigned resources, as they are needed.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 2 - CASH AND INVESTMENTS

Statutes impose various restrictions on deposits and investments. The Authority maintains all funds in checking and savings accounts at June 30, 2025 and has no investments. Those restrictions are summarized below:

Deposits - The Authority's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1, and 13-16-18.1. 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 that exceed deposit insurance such as the FDIC and NCUA. In lieu of eligible pledging 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.

Custodial Credit Risk - Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2025, the Authority's deposits in financial institutions were not exposed to credit risk as all deposits were fully collateralized by pledged securities. The Authority's accounts are held in one bank and insured by the FDIC up to \$250,000.

Concentration of Credit Risk - The Authority places no limit on the amount that may be deposited with any one financial institution or the amount that may be invested in any one issuer.

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

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

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable in the governmental fund and governmental activities at June 30, 2025 generally consist of amounts due from unrelated parties for leasing various parcels of land of the Authority. As of June 30, 2025, the Authority was owed \$5,218.

For the proprietary fund and business-type activities, accounts receivable at June 30, 2025 consist of usage charges and reimbursement for operations due from the United States Air Force and the City of Box Elder for the waste water treatment plant. The United States Air Force and the City of Box Elder also are charged monthly for debt obligations related to the financing of the waste water treatment plant, which is included in charges for services. Receivables for the Liberty Center consist of monthly membership fees. Receivables for the Water Project Fund consist of reimbursements for construction costs and administrative charges for overseeing the construction of the water system.

Accounts receivable at June 30, 2025 are considered fully collectible and, as such, no allowance has been recorded.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 4 - ASSETS HELD FOR DEVELOPMENT

Assets held for development include an acreage (Freedom Estates) that has been subdivided for housing and commercial development. Freedom Estates includes land valued at \$361,350, which will be sold as part of future residential and commercial development of the property.

Net assets held for development are not available and are shown as a component of nonspendable fund balance within the General Fund.

NOTE 5 - NOTES RECEIVABLE

Notes receivable consist of second mortgages on three low-income homes that were constructed and sold in the Freedom Estates Development (see Note 4). These homes were restricted by funding sources for sale to low-income individuals. Not all of the purchasers qualified for financing for the entire \$125,000 purchase price of each home so the Authority obtained a second mortgage on each property in the amount of \$25,000. The notes are not expected to be repaid until the properties are sold or refinanced by the original purchasers. The mortgages are at zero percent interest and have no set payment terms. Payment is triggered upon (1) the sale, foreclosure, abandonment, or transfer of the property, (2) relinquishment, assignment, or rental to any other person or entity, or (3) the borrower's death.

At June 30, 2025, notes receivable outstanding, less an allowance of \$25,000, totaled \$50,000 and was represented by mortgages with three borrowers. Since these long-term notes are not available, they are presented as a component of nonspendable fund balance within the General Fund.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance June 30, 2024	Additions	Impairments/ Deletions	Balance June 30, 2025
Governmental Activities:				
Nondepreciable Capital Assets:				
Land and Easements	\$ 80	\$ -	\$ -	\$ 80
Capital Assets Being Depreciated:				
Equipment	23,135	-	-	23,135
Less Accumulated Depreciation:				
Equipment	14,423	3,605	-	18,028
Depreciable Capital Assets, Net	8,712	(3,605)	-	5,107
Total Capital Assets, Net	\$ 8,792	\$ (3,605)	\$ -	\$ 5,187
Business-type Activities:				
Nondepreciable Capital Assets:				
Land	\$ 571,900	\$ -	\$ -	\$ 571,900
Construction in Progress	-	10,846,265	-	10,846,265
Total Nondepreciable Assets	571,900	10,846,265	-	11,418,165
Capital Assets Being Depreciated:				
Buildings	28,820,539	-	-	28,820,539
Improvements	6,920,781	-	-	6,920,781
Equipment	624,118	87,997	-	712,115
Total Depreciable Capital Assets	36,365,438	87,997	-	36,453,435
Less Accumulated Depreciation:				
Buildings	6,320,956	960,684	-	7,281,640
Improvements	2,745,329	276,840	-	3,022,169
Equipment	152,605	87,834	-	240,439
Total Accumulated Depreciation	9,218,890	1,325,358	-	10,544,248
Depreciable Capital Assets, Net	27,146,548	(1,237,361)	-	25,909,187
Total Capital Assets, Net	\$ 27,718,448	\$ 9,608,904	\$ -	\$ 37,327,352

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation in the amount of \$858,237 was charged to the Waste Water Treatment Plant Fund, depreciation of \$467,121 was charged to the Liberty Center Fund, and depreciation of \$3,605 was charged to the compatible use function of the governmental activities.

The waste water treatment plant is on land that is leased from the City of Box Elder for \$1 each year. The lease expires in 2034.

Land and easements include land or easements owned and monitored by the Authority in order for the land use to remain consistent with the needs of Ellsworth Air Force Base. The land and easements are recorded at the lower of cost or appraised value and are not depreciated. Land purchased by the Authority under the Readiness and Environmental Protection Integration Program (REPI) has easements sold to the United States Air Force at the Yellowbook appraised value of each property. The Authority is providing 25 percent matching funds for the REPI program. Properties purchased under the REPI program are deemed to have little or no value and are adjusted to \$1 at the time the easement is granted to the Air Force. Other easements purchased outside the REPI program are being used as the match for the program and have also been adjusted to \$1, as there is little to no value for the land or easement. Not all of the REPI program funds were expended by June 30, 2025, and unexpended amounts are included in unearned revenue.

The Authority began construction of a clean water transmission system in the Water Project Fund in July 2024. The total estimated cost for the construction of the system is \$14.3 million. As of June 30, 2025, construction costs of \$10,846,265 have been incurred, which are included in construction in progress. Estimated costs to complete the system are \$3.5 million. Remaining project costs will be funded by an Environmental Services Agreement with the Air Force Civil Engineer Center. Construction is expected to be completed in December 2025.

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2025:

	Balance June 30, 2024	Increase	Decrease	Balance June 30, 2025	Amounts Due Within 1 Year
Governmental Activities:					
NSP Loan	\$ 1,620,500	\$ -	\$ -	\$ 1,620,500	\$ -
Business-type Activities:					
Bonds:					
Refunding Bond 2012A: Box Elder	4,742,407	-	(402,424)	4,339,983	412,099
Refunding Bond 2012B: USAF	4,742,407	-	(402,424)	4,339,983	412,099
Refunding Bond 2013A: Box Elder	1,049,152	-	(84,456)	964,696	86,487
Refunding Bond 2013B: USAF	3,179,127	-	(255,918)	2,923,209	262,070
Refunding Bond 2013C: Box Elder	448,821	-	(37,162)	411,659	38,055
Refunding Bond 2013D: USAF	475,153	-	(36,360)	438,793	37,234
Total Business-type Activities	14,637,067	-	(1,218,744)	13,418,323	1,248,044
Total Long-term Liabilities	\$ 16,257,567	\$ -	\$ (1,218,744)	\$ 15,038,823	\$ 1,248,044

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Outstanding debt obligations at June 30, 2025 are composed of the following individual issues:

Governmental Activities:

NSP Loan, payable to SDHDA, non interest bearing, will be forgiven in 2033 if restrictive covenants related to providing low income housing on Freedom Estates homes is maintained for the 20 year duration. Secured by Freedom Estates (Note 4).

\$ 1,620,500

Business-type Activities:

Taxable Refunding Bonds, requiring semi-annual payments of \$780,664 that began in May 2021 until maturity in November 2035. Payments include interest at 2.39%. Debt payments will be paid with pledged user fees from operating the waste water treatment plant.

\$ 13,418,323

The annual debt service requirements to maturity for all debt outstanding are as follows:

Governmental Activities:

Year Ending June 30,	Principal	Interest	Total
2033	\$ 1,620,500	\$ -	\$ 1,620,500

Business-type Activities:

Years Ending June 30,	Principal	Interest	Total
2026	\$ 1,248,044	\$ 313,285	\$ 1,561,329
2027	1,278,050	283,279	1,561,329
2028	1,308,778	252,551	1,561,329
2029	1,340,245	221,084	1,561,329
2030	1,372,468	188,861	1,561,329
2031 - 2035	6,847,268	433,178	7,280,446
2036	23,470	280	23,750
	<u>\$ 13,418,323</u>	<u>\$ 1,692,518</u>	<u>\$ 15,110,841</u>

The bond debt agreements require the Authority to maintain a rate covenant of net revenues available for debt service of at least 120% of debt service requirements as discussed in Note 8. The Authority has annual revenues in excess of the required principal and interest.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 8 - PLEDGE OF FUTURE REVENUE

As discussed in Note 7, the Authority has pledged future user charges related to the waste water treatment plant fund. The pledged user charges provide security under the bond agreement. Proceeds from the loans provided financing for the construction of the waste water treatment plant. One hundred percent of the user charges related to the waste water treatment plant fund have been pledged through the maturity date of the bond as listed in Note 7. The total principal and interest remaining to be paid on the bonds, which represents the approximate amount of each pledge, along with a comparison of the pledged revenue recognized during the year to the principal and interest requirements is as follows:

Principal and Interest Remaining	\$ 15,110,841
Pledged Revenue Recognized	2,986,408
Annual Principal and Interest Requirements	1,561,329

NOTE 9 - INTERFUND BALANCES

During the year ended June 30, 2025, \$174,029 was transferred from the Waste Water Treatment Plant Fund to the General Fund for overhead costs related to the operations of the plant.

As of June 30, 2024, \$54,718 was due from the Water Project Fund to the General Fund for administration costs related to managing the Water Project. During the year ended June 30, 2025, \$35,940 was repaid by the Water Project Fund to the General Fund. The remaining balance is included in Due to (from) Other Funds as of June 30, 2025 and will be repaid upon completion of construction in the next fiscal year.

During the year ended June 30, 2025, the Liberty Center Fund had expenditures in excess of its cash balance of \$319,525. These expenditures were paid for using cash from the General Fund and will be paid back by the Liberty Center Fund in a future year. This amount is included in Due to (from) Other Funds as of June 30, 2025.

NOTE 10 - WASTE WATER TREATMENT PLANT FUND CHARGES FOR SERVICES

Customers of the waste water treatment plant fund have negotiated user rates with the Authority and are charged for usage of the treatment plant. Additionally, customers are responsible for their respective share of the operating costs of the treatment plant and up to 20% of the operating costs to cover administrative and overhead costs of the Authority. Customers are also charged for the debt and interest payments related to the treatment plant. The debt and total interest related to the waste water treatment plant are amortized over 20 years and divided into equal monthly payments. The amount of the debt payments allocated to each customer is based on the customer's predetermined usage of capital assets for which the debt was acquired.

NOTE 11 - RISK MANAGEMENT

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 11 - RISK MANAGEMENT (CONTINUED)

The Authority participates in the South Dakota Authority Captive Insurance Company, LLC (SDACIC), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota Authorities. The objective of the SDACIC is to administer and provide risk management services and risk-sharing facilities to the members and defend and protect the members against liability, advise members on loss control guidelines and procedures, and provide them with risk management services, loss control, and risk reduction information and to obtain lower costs for that coverage. The Authority's responsibility is to promptly report to and cooperate with the SDACIC to resolve any incident that could result in a claim being made by or against the Authority. The Authority pays an annual premium to provide liability coverage detailed below under a claims-made policy, and the premiums are accrued based on the ultimate cost of the experience to date of the SDACIC member, based on their exposure or type of coverage. The Authority pays an annual premium to the pool to provide coverage for property insurance, general liability, automobile, crime, boiler and machinery, umbrella liability, and errors and omissions. The agreement with the SDACIC provides that the above coverage will be provided with up to a \$5,000,000 limit on liability coverage and directors' and officers' coverage. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of deductibles. As of June 30, 2025, the Authority carried deductibles of \$25,000 for each coverage type.

NOTE 12 - CONCENTRATIONS

All charges for services reported in the waste water treatment plant fund are generated from two customers: the United States Air Force (53%) and the City of Box Elder (47%). Accounts receivable for the waste water treatment plant fund were also composed of balances from the United States Air Force (49%) and the City of Box Elder (51%). Operations of the waste water treatment plant fund would be significantly impacted if either customer were to cease to exist or if receivables became uncollectible.

NOTE 13 - BUDGETARY INFORMATION

There is no legal requirement for a General Fund budget.

NOTE 14 - CONTRACTS

The Authority has a contract with an unrelated third party to operate and maintain the waste water treatment plant. The contract may be terminated at any time with 90 days written notice. The Authority pays the contractor each month a firm fixed price plus reimbursable expenses through June 30, 2029. Amounts paid under the contract for the year ended June 30, 2025 were \$614,167. Expected future payments under the firm fixed price contract are as follows:

Year	Amount
2026	\$ 632,592
2027	651,570
2028	671,117
2029	691,251

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2025

NOTE 15 - LEASES

The Authority leases office space in Rapid City with a noncancelable operating lease that terminates on August 31, 2026. The lease agreement requires monthly payments of \$573. Annual rent expense for the year ended June 30, 2025 was \$6,875. Future minimum rents are as follows for the years ended June 30:

Year	Rent Payments
2026	\$ 6,876
2027	1,146

Management has determined that the impacts of recording an obligation for future lease payments and a right to use the leased office space are not material to the government-wide financial statements.

The Authority allows the use of owned properties by other parties under various short-term agreements. Annual lease revenues were \$74,995 for the year ended June 30, 2025. Revenues related to these agreements are recorded when amounts are collected. Future minimum lease revenues are as follows for the years ended June 30:

Year	Minimum Lease Revenues
2026	\$ 20,100
2027	9,600

Management has determined that the impacts of recording lease receivables and deferred inflows of resources are not material to the government-wide financial statements.

NOTE 16 - TRANSACTIONS WITH THE STATE OF SOUTH DAKOTA AND OTHER COMPONENT UNITS

During the year ended June 30, 2011, the Authority received a Neighborhood Stabilization Program (NSP) loan of \$1,620,500 from the South Dakota Housing Development Authority (SDHDA) for the purchase of land in the Freedom Estates development. The NSP loan is non-interest-bearing, does not require regular payments, and will be forgiven in 2033 if restrictive covenants required by the SDHDA NSP Plan are maintained for the 20-year duration.

During the year ended June 30, 2023, the Authority was awarded a grant of \$550,000 from the South Dakota Board of Water and Natural Resources to administer the West River Regionalization Water Study project. This award is a pass-through of federal grant funds from the Coronavirus State and Local Fiscal Recovery Funds awarded to the State of South Dakota by the United States Department of the Treasury. During the year ended June 30, 2025, \$2,943 of this funding was recognized as revenue.

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date these financial statements were available to be issued.