

South Dakota Ellsworth Development Authority

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

**For the Year Ended
June 30, 2026**

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, 2026, 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 September 29, 2026.

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.

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Mitchell, South Dakota
September 29, 2026

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, 2025.



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, 2026, 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, 2026, 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 September 29, 2026, 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 Prof LLC". The signature is written in a cursive, stylized font.

Mitchell, South Dakota
September 29, 2026

South Dakota Ellsworth Development Authority Management's Discussion and Analysis (Unaudited) June 30, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of South Dakota Ellsworth Development Authority's (the Authority) management's discussion and analysis (MD&A) is to help citizens, taxpayers, customers, investors, creditors, and other readers understand what the financial statements and notes in this financial report say about the Authority's financial health and why it changed during the year ended June 30, 2026. It contains information drawn from those other parts of the report, accompanied by explanations informed by the staff's knowledge of the Authority's finances.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's annual financial report consists of Management's Discussion and Analysis (this section), the basic financial statements, and the notes to the financial statements. The basic financial statements present the Authority's finances at both an overall (government-wide financial statements) and a detailed level (fund financial statements).

Government-wide Financial Statements

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. These statements consist of the Statement of Net Position and the Statement of Activities. The Statement of Net Position presents information about all of the Authority's assets and liabilities. The difference between assets and liabilities is reported as net position and may serve as an indicator of the Authority's financial condition over time. The Statement of Activities reports revenues, expenses, and changes in net position for the fiscal year. This statement demonstrates how the Authority's financial position changed during the year and identifies the extent to which activities were financed by charges for services, grants, contributions, and other revenue sources.

The Authority reports the following activities in the government-wide financial statements:

- Governmental activities include 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 are services primarily financed in whole or in part with charges to customers and include:
 - o Waste Water Treatment Plant operations serving the City of Box Elder and Ellsworth Air Force Base.
 - o Liberty Center operations, which provide recreational and community services to the Ellsworth Air Force Base and Box Elder communities.
 - o The Water Project Fund, which accounts for activity associated with the construction of the regional clean water transmission system serving the City of Box Elder, Ellsworth Air Force Base, and neighboring properties.

South Dakota Ellsworth Development Authority Management's Discussion and Analysis (Unaudited) June 30, 2026

Fund Financial Statements

The remaining basic financial statements present the Authority's finances in greater detail and present fiduciary activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The Authority reports three groups of funds:

- Governmental fund statements tell how general governmental services are financed in the short term as well as what remains for future spending. Governmental fund financial statements focus on short-term financial resources and are reported using the modified accrual basis of accounting and the current financial resources measurement focus. Because this information does not encompass the additional long-term focus of the government-wide financial statements, a statement is included on the subsequent page that explains the relationship (or differences) between them.

The Authority's only governmental fund is the General Fund. The General Fund is the Authority's primary operating fund and accounts for all financial resources not required to be reported in another fund. Activities reported in the General Fund include economic development initiatives, military mission support activities, compatible use programs, property management activities, and grant-funded projects.

- Proprietary fund statements report business-type activities the Authority operates utilizing the accrual basis of accounting and economic resources measurement focus, which is consistent with the reporting used in the government-wide financial statements. The Authority reports three enterprise funds:
 - o The Waste Water Treatment Plant Fund accounts for the operation and maintenance of the regional wastewater treatment system serving the City of Box Elder and Ellsworth Air Force Base. Revenues are derived primarily from user charges and debt service recoveries.
 - o The Liberty Center Fund accounts for the operation of the Liberty Center community and athletic facility. Revenues are derived primarily from memberships, facility use charges, and contributions.
 - o The Water Project Fund accounts for activities related to the construction of the regional clean water transmission system. Construction is funded through an Environmental Services Agreement with the Air Force Civil Engineer Center.
- Fiduciary fund financial statements report resources for which the Authority acts as a trustee or custodian. The resources in fiduciary funds do not belong to the Authority and cannot be used to provide services, which is why they are not included in the government-wide financial statements. The Authority's only fiduciary fund is the Black Hills Military Advisory Coalition.

Notes to the Financial Statements

The notes to the financial statements delve deeper into the Authority's finances as reported in the financial statements. The information in the notes is important for financial statement users to have a complete picture of the Authority's financial activities and position. The Authority uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the basic financial statements (such as certain contingencies).

**South Dakota Ellsworth Development Authority
Management's Discussion and Analysis (Unaudited)
June 30, 2026**

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.

Figure A-1				
	Government-wide Statements	Proprietary Funds	Fiduciary Funds	Governmental Funds
Scope	Entire Authority	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	The activities that are not proprietary
Required Financial Statements	*Statement of Net Position *Statement of Activities	*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	*Balance Sheet *Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus			Modified accrual accounting and current financial 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
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 the year 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

South Dakota Ellsworth Development Authority Management's Discussion and Analysis (Unaudited) June 30, 2026

Types of Information in the Financial Statements

All the Authority's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting (see Figure A-1). In other words, they comprehensively report all types of financial statement elements:

Assets - Resources the Authority controls, from short-term assets like cash to long-term assets like buildings

Liabilities - Amounts the Authority owes, from short-term liabilities such as accounts payable to long-term liabilities such as outstanding debt

Deferred Outflows of Resources and Deferred Inflows of Resources - Flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues, respectively, until the future year to which they are related

Revenues and Expenses - Inflows and outflows of economic resources, respectively, related to the current year

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the construction of a building.

ANALYSIS OF THE AUTHORITY'S FINANCES

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2025	2026	2025	2026	2025	2026	2025 - 2026
Current and Other Assets	\$ 1,660,506	\$ 2,363,898	\$ 2,743,946	\$ 1,881,605	\$ 4,404,452	\$ 4,245,503	-3.61%
Capital Assets (Net of Depreciation)	5,187	1,583	37,327,352	40,316,930	37,332,539	40,318,513	8.00%
Total Assets	<u>1,665,693</u>	<u>2,365,481</u>	<u>40,071,298</u>	<u>42,198,535</u>	<u>41,736,991</u>	<u>44,564,016</u>	6.77%
Long-term Liabilities Outstanding	1,620,500	1,620,500	13,418,323	12,170,278	15,038,823	13,790,778	-8.30%
Other Liabilities	186,539	69,798	1,369,229	1,103,271	1,555,768	1,173,069	-24.60%
Total Liabilities	<u>1,807,039</u>	<u>1,690,298</u>	<u>14,787,552</u>	<u>13,273,549</u>	<u>16,594,591</u>	<u>14,963,847</u>	-9.83%
Total Deferred Inflows of Resources	<u>-</u>	<u>61,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,736</u>	100.00%
Net Investment in Capital Assets	5,187	1,583	24,320,688	28,520,256	24,325,875	28,521,839	17.25%
Unrestricted	<u>(146,533)</u>	<u>611,864</u>	<u>963,058</u>	<u>404,730</u>	<u>816,525</u>	<u>1,016,594</u>	24.50%
Total Net Position	<u>\$ (141,346)</u>	<u>\$ 613,447</u>	<u>\$ 25,283,746</u>	<u>\$ 28,924,986</u>	<u>\$ 25,142,400</u>	<u>\$ 29,538,433</u>	17.48%

South Dakota Ellsworth Development Authority Management's Discussion and Analysis (Unaudited) June 30, 2026

Table A-1 shows that as of June 30, 2026, the Authority's total net position (assets and deferred outflows minus liabilities and deferred inflows) was over \$29.5 million, an increase of \$4.4 million or 17.48 percent compared to June 30, 2025. Most of the increase in net position was the result of the financial performance of the business-type activities. During the year, capital assets net of depreciation increased nearly \$3 million and other liabilities decreased by over \$382,000. This is due primarily to construction in the Water Project Fund for the clean water transmission system, which was nearing completion at year-end. During the year, approximately \$3.73 million of construction expenditures were recorded as capital assets (construction in progress) and \$4.47 million of revenue was recognized for construction and oversight services. At fiscal year-end, \$899,701 of construction costs were included in accounts payable, which was \$258,136 less than the prior year.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2025	2026	2025	2026	2025	2026	2025 - 2026
Revenues							
Program Revenues							
Charges for Services	\$ 88,143	\$ 90,043	\$ 5,031,975	\$ 3,867,937	\$ 5,120,118	\$ 3,957,980	-22.70%
Operating Grants and Contributions	177,947	779,915	60,200	60,000	238,147	839,915	252.69%
Capital Grants and Contributions	2,000	168,498	10,631,619	4,466,461	10,633,619	4,634,959	-56.41%
General Revenues							
Unrestricted Investment Earnings	-	2,390	11,092	5,408	11,092	7,798	-29.70%
Total Revenues	<u>268,090</u>	<u>1,040,846</u>	<u>15,734,886</u>	<u>8,399,806</u>	<u>16,002,976</u>	<u>9,440,652</u>	-41.01%
Expenses							
Compatible Use and Development	769,257	1,452,170	-	-	769,257	1,452,170	88.78%
Waste Water Treatment	-	-	2,319,791	2,331,736	2,319,791	2,331,736	0.51%
Liberty Center	-	-	1,229,886	1,260,713	1,229,886	1,260,713	2.51%
Total Expenses	<u>769,257</u>	<u>1,452,170</u>	<u>3,549,677</u>	<u>3,592,449</u>	<u>4,318,934</u>	<u>5,044,619</u>	16.80%
Excess (Deficiency) Before Special							
Items and Transfers	(501,167)	(411,324)	12,185,209	4,807,357	11,684,042	4,396,033	62.38%
Transfers In (Out)	<u>174,029</u>	<u>1,166,117</u>	<u>(174,029)</u>	<u>(1,166,117)</u>	<u>-</u>	<u>-</u>	0.00%
Change in Net Position	<u>\$ (327,138)</u>	<u>\$ 754,793</u>	<u>\$ 12,011,180</u>	<u>\$ 3,641,240</u>	<u>\$ 11,684,042</u>	<u>\$ 4,396,033</u>	62.38%

Table A-2 details that the Authority's total revenue for the year was \$6.56 million less than the prior year and total expenses were more than \$725,000 higher than the prior year. The decrease in revenue was primarily the result of changes in the business-type activities. In the prior year, the Water Project construction began and was approximately 75% complete at June 30, 2025. As a result, the environmental services agreement revenue was higher in the prior year than in the year ended June 30, 2026. The increase in expense is primarily the result of a new grant in the governmental activities. See discussion below in the Governmental Activities and Governmental Funds section for more detail.

South Dakota Ellsworth Development Authority

Management's Discussion and Analysis (Unaudited)

June 30, 2026

The following sections of MD&A analyze the finances of the governmental activities and business-type activities separately.

Governmental Activities and Governmental Fund

The Authority's only governmental fund is the General Fund. As of June 30, 2026, the total net position of the Authority's governmental activities was approximately \$613,000, which is an increase of approximately \$755,000 from the prior year. The General Fund reported an ending fund balance of \$2.23 million, which is an increase of more than \$758,000 compared to the prior year. This is primarily due to transfers from the Water Project Fund totaling \$1,000,000 during the year, which increased cash by approximately \$128,000.

Total revenue in the General Fund increased by more than \$772,000 compared to the prior year. This increase is mostly the result of the Authority receiving a grant from the U.S. Department of Housing and Urban Development (HUD) to establish Affordable Housing Trust Funds for seven counties in South Dakota. The increase in revenue is offset by an increase in expenses of almost \$683,000 as the Authority partnered with a community foundation to administer the trust funds and subawarded grant funds to the community foundation.

Business-type Activities

The total net position of the Authority's business-type activities (which also are reported as major enterprise funds) increased \$3.64 million or 14.40 percent to \$28.92 million from the prior year. The increase is mostly due to the continued construction of the clean water transmission system, as the project is funded with revenue from an Environmental Services Agreement and the construction expenditures are included in capital assets. See the Capital Asset Activity section below for further detail.

Enterprise Funds

The Authority's three enterprise funds are the Waste Water Treatment Plant Fund, the Liberty Center Fund, and the Water Project Fund.

Waste Water Treatment Plant Fund - The Waste Water Treatment Plant Fund experienced an increase in net position of approximately \$610,000. This is the result of the fund collecting administrative fees in excess of operating costs and revenue for future bond payments from its customers during the year.

Liberty Center Fund - The Liberty Center Fund experienced a decrease in net position of approximately \$760,000 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. As of June 30, 2026, the Liberty Center has borrowed \$1.25 million from the General Fund to cover cash deficits.

Water Project Fund - The Water Project Fund experienced an increase in net position of \$3.79 million due to funds received for oversight and construction of the clean water transmission system. See Capital Asset Activity section below for further detail.

South Dakota Ellsworth Development Authority
Management's Discussion and Analysis (Unaudited)
June 30, 2026

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Asset Activity

The Authority has invested \$40,318,513 in capital assets, net of accumulated depreciation as of June 30, 2026. 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. During the year ended June 30, 2026, the Authority continued construction on the water system, which increased capital assets by \$4,275,679. The water system was completed in July 2026. The Authority also increased its capitalization threshold from \$1,000 to \$10,000 during the year. The change in capitalization threshold did not have a material effect on the financial statements.

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

	Governmental Activities		Business-type Activities		Total Dollar Change	Total Percentage Change
	2025	2026	2025	2026	2025 - 2026	2025 - 2026
Land and Land Easements	\$ 80	\$ 81	\$ 571,900	\$ 571,900	\$ 1	0.00%
Equipment	5,107	1,502	471,676	423,099	(52,182)	-10.94%
Buildings	-	-	21,538,899	20,578,215	(960,684)	-4.46%
Improvements	-	-	3,898,612	3,621,772	(276,840)	-7.10%
Construction in Progress	-	-	10,846,265	15,121,944	4,275,679	39.42%
Total Capital Assets (Net)	<u>\$ 5,187</u>	<u>\$ 1,583</u>	<u>\$ 37,327,352</u>	<u>\$ 40,316,930</u>	<u>\$ 2,985,974</u>	8.00%

Long-term Financing Activity

As of June 30, 2026, the Authority had \$13,790,778 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
	2025	2026	2025	2026	2025 - 2026	2025 - 2026
NSP Loan	\$ 1,620,500	\$ 1,620,500	\$ -	\$ -	\$ -	0.00%
Bonds	-	-	13,418,323	12,170,278	(1,248,045)	-9.30%
Total Outstanding Debt and Obligations	<u>\$ 1,620,500</u>	<u>\$ 1,620,500</u>	<u>\$ 13,418,323</u>	<u>\$ 12,170,278</u>	<u>\$ (1,248,045)</u>	-8.30%

The Authority retired bonds of \$1,248,045 related to the Waste Water Treatment Plant and infrastructure.

**South Dakota Ellsworth Development Authority
Management's Discussion and Analysis (Unaudited)
June 30, 2026**

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The Authority completed construction of the regional water transmission system in July 2026. During fiscal year 2027, the Authority will transfer ownership of the water system infrastructure to the City of Rapid City and the City of Box Elder, transfer the remaining fees paid to the Authority for overseeing the construction project to the General Fund, and close the Water Project Fund. This will significantly decrease the total net position of the business-type activities by decreasing the net investment in capital assets.

During fiscal year 2026, the State of South Dakota appropriated \$8 million to the Authority for roadway and related infrastructure improvements necessary to support, mitigate, and address impacts associated with construction activity at Ellsworth Air Force Base. Eligible uses include roadway reconstruction, rehabilitation, widening, traffic safety improvements, engineering, design, traffic studies, construction oversight, inspection, and related infrastructure activities. As of the date of these financial statements, the Authority is evaluating project needs, coordinating with regional stakeholders, and developing implementation plans. No awards have been approved and no significant expenditures have been incurred under the appropriation. Management anticipates that future project obligations and expenditures associated with this program will have a significant effect on the Authority's operating activities in future reporting periods.

The Authority is currently discussing a partnership with an economic development organization to build a secure facility in Rapid City that can be leased to defense contractors for office space close to Ellsworth Air Force Base. This discussion is in the beginning stages and no formal agreements have been made.

The Waste Water Treatment Plant remains supported by long-term agreements with the City of Box Elder and Ellsworth Air Force Base. These agreements continue to provide revenues necessary to support operations and debt service obligations.

The Authority continues to support development activities associated with Ellsworth Air Force Base, including anticipated economic growth resulting from deployment of the B-21 Raider mission.

BASIC FINANCIAL STATEMENTS

South Dakota Ellsworth Development Authority
Statement of Net Position
June 30, 2026

	Governmental Activities	Business-type Activities	Total Primary Government
ASSETS			
Cash	\$ 474,422	\$ 1,130,685	\$ 1,605,107
Accounts Receivable	162,105	1,886,552	2,048,657
Internal Balances	1,253,492	(1,253,492)	-
Long-term Notes Receivable, Net	50,000	-	50,000
Prepaid Expenses	-	16,663	16,663
Lease Receivable - Current	6,817	-	6,817
Capital Credits	-	101,197	101,197
Assets Held for Development, Net	361,350	-	361,350
Lease Receivable - Noncurrent	55,712	-	55,712
Land and Easements	81	571,900	571,981
Buildings	-	28,820,539	28,820,539
Improvements	-	6,920,781	6,920,781
Equipment	23,135	755,431	778,566
Construction in Progress	-	15,121,944	15,121,944
Accumulated Depreciation	<u>(21,633)</u>	<u>(11,873,665)</u>	<u>(11,895,298)</u>
TOTAL ASSETS	<u>2,365,481</u>	<u>42,198,535</u>	<u>44,564,016</u>
LIABILITIES			
Accounts Payable	69,798	1,066,912	1,136,710
Accrued Interest	-	36,359	36,359
Long-term Debt:			
Due in One Year	-	1,278,050	1,278,050
Due in More than One Year	<u>1,620,500</u>	<u>10,892,228</u>	<u>12,512,728</u>
TOTAL LIABILITIES	<u>1,690,298</u>	<u>13,273,549</u>	<u>14,963,847</u>
DEFERRED INFLOWS OF RESOURCES			
Lease-related Deferred Inflows	<u>61,736</u>	<u>-</u>	<u>61,736</u>
NET POSITION			
Net Investment in Capital Assets	1,583	28,520,256	28,521,839
Unrestricted	<u>611,864</u>	<u>404,730</u>	<u>1,016,594</u>
TOTAL NET POSITION	<u>\$ 613,447</u>	<u>\$ 28,924,986</u>	<u>\$ 29,538,433</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, 2026

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	\$ 1,452,170	\$ 90,043	\$ 779,915	\$ 168,498	\$ (413,714)	\$ -	\$ (413,714)
BUSINESS-TYPE ACTIVITIES							
Waste Water Treatment	2,331,736	3,102,465	-	-	-	770,729	770,729
Liberty Center	1,260,713	440,754	60,000	-	-	(759,959)	(759,959)
Water Project	-	324,718	-	4,466,461	-	4,791,179	4,791,179
Total Business-type Activities	3,592,449	3,867,937	60,000	4,466,461	-	4,801,949	4,801,949
TOTAL PRIMARY GOVERNMENT	<u>\$ 5,044,619</u>	<u>\$ 3,957,980</u>	<u>\$ 839,915</u>	<u>\$ 4,634,959</u>	<u>(413,714)</u>	<u>4,801,949</u>	<u>4,388,235</u>
GENERAL REVENUES							
Unrestricted Investment Earnings					2,390	5,408	7,798
Transfers In (Out)					1,166,117	(1,166,117)	-
Total General Revenues					1,168,507	(1,160,709)	7,798
CHANGE IN NET POSITION					754,793	3,641,240	4,396,033
NET POSITION - BEGINNING					(141,346)	25,283,746	25,142,400
NET POSITION - ENDING					<u>\$ 613,447</u>	<u>\$ 28,924,986</u>	<u>\$ 29,538,433</u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Balance Sheet - Governmental Fund
June 30, 2026

	General Fund
ASSETS	
Cash	\$ 474,422
Accounts Receivable	162,105
Lease Receivable	62,529
Due from Other Funds	1,253,492
Long-term Notes Receivable, Net of Allowance	50,000
Assets Held for Development, Net	<u>361,350</u>
TOTAL ASSETS	<u><u>\$ 2,363,898</u></u>
LIABILITIES	
Accrued Expenses	<u>\$ 69,798</u>
DEFERRED INFLOWS OF RESOURCES	
Lease-related Deferred Inflows	<u>61,736</u>
FUND BALANCE	
Nonspendable:	
Noncurrent Notes Receivable	50,000
Assets Held for Development, Net of Deferred Inflows of Resources	361,350
Unassigned	<u>1,821,014</u>
TOTAL FUND BALANCE	<u>2,232,364</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u><u>\$ 2,363,898</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, 2026**

Total Governmental Fund Balance	\$ 2,232,364
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.	1,583
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>\$ 613,447</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 - Governmental Fund
For the Year Ended June 30, 2026

	<u>General Fund</u>
REVENUES	
Federal Revenue:	
Capital Grants	\$ 168,498
Operating Grants	591,413
Local Revenue:	
Operating Contributions from Private Parties	188,502
Rentals	72,293
Administrative Charges	17,750
Interest Income	<u>2,390</u>
Total Revenues	<u>1,040,846</u>
EXPENDITURES	
Subawards for Housing Development	493,238
Contracted Services	453,494
Professional Fees	225,202
Capital Outlays	171,695
Office Expenses	51,162
Travel	34,489
Compatible Use	<u>19,286</u>
Total Expenditures	<u>1,448,566</u>
EXCESS OF EXPEDITURES OVER REVENUES	(407,720)
OTHER FINANCING SOURCES	
Transfers In	<u>1,166,117</u>
CHANGE IN FUND BALANCES	758,397
FUND BALANCES - BEGINNING	<u>1,473,967</u>
FUND BALANCES - ENDING	<u>\$ 2,232,364</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, 2026

Total Governmental Fund Net Change in Fund Balances	\$ 758,397
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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.

(3,604)

Change in Net Position of Governmental Activities	<u>\$ 754,793</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, 2026

	Waste Water Treatment Plant	Liberty Center	Water Project	Total Proprietary Funds
ASSETS				
Current Assets:				
Cash	\$ 354,845	\$ -	\$ 775,840	\$ 1,130,685
Accounts Receivable	746,006	96,264	1,044,282	1,886,552
Prepaid Expenses	-	16,663	-	16,663
Total Current Assets	<u>1,100,851</u>	<u>112,927</u>	<u>1,820,122</u>	<u>3,033,900</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	164,287	591,144	-	755,431
Construction in Progress	-	-	15,121,944	15,121,944
Accumulated Depreciation	<u>(10,144,397)</u>	<u>(1,729,268)</u>	<u>-</u>	<u>(11,873,665)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>14,140,046</u>	<u>11,054,940</u>	<u>15,121,944</u>	<u>40,316,930</u>
Noncurrent Assets:				
Capital Credits	<u>101,197</u>	<u>-</u>	<u>-</u>	<u>101,197</u>
TOTAL ASSETS	<u>15,342,094</u>	<u>11,167,867</u>	<u>16,942,066</u>	<u>43,452,027</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	98,154	69,057	899,701	1,066,912
Due to Other Funds	-	1,253,492	-	1,253,492
Accrued Interest	36,359	-	-	36,359
Current Maturities of Long-term Debt	<u>1,278,050</u>	<u>-</u>	<u>-</u>	<u>1,278,050</u>
Total Current Liabilities	1,412,563	1,322,549	899,701	3,634,813
Long-term Liabilities	<u>10,892,228</u>	<u>-</u>	<u>-</u>	<u>10,892,228</u>
TOTAL LIABILITIES	<u>12,304,791</u>	<u>1,322,549</u>	<u>899,701</u>	<u>14,527,041</u>
NET POSITION				
Net Investment in Capital Assets	2,343,372	11,054,940	15,121,944	28,520,256
Unrestricted	<u>693,931</u>	<u>(1,209,622)</u>	<u>920,421</u>	<u>404,730</u>
TOTAL NET POSITION	<u>\$ 3,037,303</u>	<u>\$ 9,845,318</u>	<u>\$ 16,042,365</u>	<u>\$ 28,924,986</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, 2026

	Waste Water Treatment Plant	Liberty Center	Water Project	Total Proprietary Funds
OPERATING REVENUES				
Charges for Services	\$ -	\$ 440,754	\$ 324,718	\$ 765,472
Revenue Dedicated to Servicing Debt	<u>3,102,465</u>	<u>-</u>	<u>-</u>	<u>3,102,465</u>
Total Operating Revenues	<u>3,102,465</u>	<u>440,754</u>	<u>324,718</u>	<u>3,867,937</u>
OPERATING EXPENSES				
Contracted Services	632,592	539,964	-	1,172,556
Other Operating Expenses	524,958	255,961	-	780,919
Depreciation	<u>864,629</u>	<u>464,788</u>	<u>-</u>	<u>1,329,417</u>
Total Operating Expenses	<u>2,022,179</u>	<u>1,260,713</u>	<u>-</u>	<u>3,282,892</u>
Operating Income (Loss)	<u>1,080,286</u>	<u>(819,959)</u>	<u>324,718</u>	<u>585,045</u>
NONCAPITAL SUBSIDIES				
Grants and Donations	-	60,000	-	60,000
Transfer Out	<u>(166,117)</u>	<u>-</u>	<u>(1,000,000)</u>	<u>(1,166,117)</u>
Total Noncapital Subsidies	<u>(166,117)</u>	<u>60,000</u>	<u>(1,000,000)</u>	<u>(1,106,117)</u>
Operating Income (Loss) and Noncapital Subsidies	<u>914,169</u>	<u>(759,959)</u>	<u>(675,282)</u>	<u>(521,072)</u>
OTHER NONOPERATING REVENUES (EXPENSES)				
Capital Grants	-	-	4,466,461	4,466,461
Interest Income	5,408	-	-	5,408
Interest Expense	<u>(309,557)</u>	<u>-</u>	<u>-</u>	<u>(309,557)</u>
Total Other Nonoperating Revenues (Expenses)	<u>(304,149)</u>	<u>-</u>	<u>4,466,461</u>	<u>4,162,312</u>
INCREASE (DECREASE) IN FUND NET POSITION	<u>610,020</u>	<u>(759,959)</u>	<u>3,791,179</u>	<u>3,641,240</u>
NET POSITION - BEGINNING	<u>2,427,283</u>	<u>10,605,277</u>	<u>12,251,186</u>	<u>25,283,746</u>
NET POSITION - ENDING	<u>\$ 3,037,303</u>	<u>\$ 9,845,318</u>	<u>\$ 16,042,365</u>	<u>\$ 28,924,986</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, 2026

	Waste Water Treatment Plant	Liberty Center	Water Project	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Receipts from Customers	\$ 2,845,151	\$ 379,258	\$ 370,219	\$ 3,594,628
Cash Payments to Vendors for Goods and Services	<u>(1,145,104)</u>	<u>(813,607)</u>	<u>-</u>	<u>(1,958,711)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,700,047</u>	<u>(434,349)</u>	<u>370,219</u>	<u>1,635,917</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund Borrowing	-	374,349	(18,778)	355,571
Grants and Donations	-	60,000	-	60,000
Transfers to Other Funds	<u>(166,117)</u>	<u>-</u>	<u>(1,000,000)</u>	<u>(1,166,117)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(166,117)</u>	<u>434,349</u>	<u>(1,018,778)</u>	<u>(750,546)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Grants	-	-	4,466,461	4,466,461
Purchase of Capital Assets	(43,316)	-	(4,533,815)	(4,577,131)
Interest Paid on Capital Debt	(313,286)	-	-	(313,286)
Principal Paid on Capital Debt	<u>(1,248,045)</u>	<u>-</u>	<u>-</u>	<u>(1,248,045)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,604,647)</u>	<u>-</u>	<u>(67,354)</u>	<u>(1,672,001)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(70,717)</u>	<u>-</u>	<u>(715,913)</u>	<u>(786,630)</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>425,562</u>	<u>-</u>	<u>1,491,753</u>	<u>1,917,315</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 354,845</u>	<u>\$ -</u>	<u>\$ 775,840</u>	<u>\$ 1,130,685</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 1,080,286	\$ (819,959)	\$ 324,718	\$ 585,045
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	864,629	464,788	-	1,329,417
Change in Assets and Liabilities:				
Accounts Receivable	(257,314)	(61,496)	45,501	(273,309)
Prepaid Expenses	-	(1,142)	-	(1,142)
Accounts Payable	<u>12,446</u>	<u>(16,540)</u>	<u>-</u>	<u>(4,094)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,700,047</u>	<u>\$ (434,349)</u>	<u>\$ 370,219</u>	<u>\$ 1,635,917</u>
SUPPLEMENTAL CASH FLOW INFORMATION				
Construction in Progress Included in Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 899,701</u>	<u>\$ 899,701</u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Statement of Net Position - Fiduciary Funds
June 30, 2026

	Custodial Fund
ASSETS	
Cash	\$ 83,026
Accounts Receivable	<u>63,519</u>
TOTAL ASSETS	<u>146,545</u>
LIABILITIES	
Accounts Payable	<u>52,831</u>
NET POSITION	
Restricted for Black Hills Military Advisory Coalition	<u>\$ 93,714</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, 2026

	Custodial Fund
ADDITIONS	
Contributions	\$ 157,921
Event Income	<u>28,384</u>
Total Additions	<u>186,305</u>
DEDUCTIONS	
Events and Military Support Expenses	<u>214,708</u>
CHANGE IN NET POSITION	
Restricted for Black Hills Military Advisory Coalition	(28,403)
NET POSITION - BEGINNING	<u>122,117</u>
NET POSITION - ENDING	<u><u>\$ 93,714</u></u>

The accompanying notes are an integral part of this statement.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2026

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 as a whole. 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 the primary operating fund 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

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 always a major fund.

Proprietary Funds:

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

- a. The activity is financed with debt that is secured solely by the pledge of the net revenues from fees and charges of the activity.
- b. Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

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 system 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.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2026, 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.

J. ASSETS HELD FOR DEVELOPMENT

Assets held for development are recorded at cost, which includes the initial purchase of the property net of 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 of 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 \$10,000 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. There were no impaired assets as of June 30, 2026.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

Lessee:

The Authority may be a lessee for noncancellable leases of property. 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 \$10,000 or more. As of June 30, 2026, the Authority did not have any leases that met the requirements for recognition of a lease asset and lease liability.

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 estimated 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.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Lessor:

The Authority is a lessor for noncancellable leases of billboards located on land held by the Authority. 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 \$10,000 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. PROGRAM REVENUES

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

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.

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.

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, 2026

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. DEFERRED INFLOWS OF RESOURCES

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

P. PROPRIETARY FUND REVENUE AND EXPENSE CLASSIFICATIONS

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Nonoperating revenues and expenses include capital subsidies, financing-related revenues and expenses, investment income and expenses, and gains and losses from the disposal of capital assets and inventory.

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 deferred outflows of resources 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, 2026

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, 2026 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. 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 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.

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, 2026, 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, 2026 generally consist of receivables for reimbursement of expenses incurred under grant agreements and amounts due from unrelated parties for leasing various parcels of land of the Authority. As of June 30, 2026, the Authority was owed \$162,105 for these receivables.

For the proprietary fund and business-type activities, accounts receivable at June 30, 2026 consist of (1) monthly membership fees for the Liberty Center, (2) administrative charges for overseeing the construction of the water system and reimbursements for construction costs for the Water Project, and (3) usage charges and reimbursements 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.

Accounts receivable at June 30, 2026 are considered fully collectible and, as such, no allowance has been recorded.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2026

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 with a basis of \$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. As not all of the purchasers qualified for financing for the entire \$125,000 purchase price of each home, 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, 2026, notes receivable outstanding, less an allowance of \$25,000, totaled \$50,000 and represents 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, 2026

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2026 was as follows:

	Balance June 30, 2025	Additions	Deletions	Balance June 30, 2026
Governmental Activities:				
Nondepreciable Capital Assets:				
Land and Easements	\$ 80	\$ 171,695	\$ (171,694)	\$ 81
Depreciable Capital Assets:				
Equipment	23,135	-	-	23,135
Less Accumulated Depreciation:				
Equipment	18,028	3,605	-	21,633
Depreciable Capital Assets, Net	5,107	(3,605)	-	1,502
Total Capital Assets, Net	\$ 5,187	\$ 168,090	\$ (171,694)	\$ 1,583
Business-type Activities:				
Nondepreciable Capital Assets:				
Land	\$ 571,900	\$ -	\$ -	\$ 571,900
Construction in Progress	10,846,265	4,275,679	-	15,121,944
Total Nondepreciable Assets	11,418,165	4,275,679	-	15,693,844
Capital Assets Depreciable:				
Buildings	28,820,539	-	-	28,820,539
Improvements	6,920,781	-	-	6,920,781
Equipment	712,115	43,316	-	755,431
Total Depreciable Capital Assets	36,453,435	43,316	-	36,496,751
Less Accumulated Depreciation:				
Buildings	7,281,640	960,684	-	8,242,324
Improvements	3,022,169	276,840	-	3,299,009
Equipment	240,439	91,893	-	332,332
Total Accumulated Depreciation	10,544,248	1,329,417	-	11,873,665
Depreciable Capital Assets, Net	25,909,187	(1,286,101)	-	24,623,086
Total Capital Assets, Net	\$ 37,327,352	\$ 2,989,578	\$ -	\$ 40,316,930

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2026

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation of \$864,629 was charged to the Waste Water Treatment Plant Fund, depreciation of \$464,788 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 provided 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. The remaining REPI program funds were expended during the year ended June 30, 2026.

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 \$15.4 million. As of June 30, 2026, construction costs of \$15.1 million have been incurred, which are included in construction in progress. Estimated costs to complete the system are \$300,000. Remaining project costs will be funded by an Environmental Services Agreement with the Air Force Civil Engineer Center. Construction was completed in July 2026.

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2026:

	Balance June 30, 2025	Increase	Decrease	Balance June 30, 2026	Amounts Due Within 1 Year
Governmental Activities:					
NSP Loan	\$ 1,620,500	\$ -	\$ -	\$ 1,620,500	\$ -
Business-type Activities:					
Bonds:					
Refunding Bond 2012A: Box Elder	4,339,983	-	(412,099)	3,927,884	422,007
Refunding Bond 2012B: USAF	4,339,983	-	(412,099)	3,927,884	422,007
Refunding Bond 2013A: Box Elder	964,696	-	(86,487)	878,209	88,566
Refunding Bond 2013B: USAF	2,923,209	-	(262,070)	2,661,139	268,371
Refunding Bond 2013C: Box Elder	411,659	-	(38,055)	373,604	38,970
Refunding Bond 2013D: USAF	438,793	-	(37,235)	401,558	38,129
Total Business-type Activities	13,418,323	-	(1,248,045)	12,170,278	1,278,050
Total Long-term Liabilities	\$ 15,038,823	\$ -	\$ (1,248,045)	\$ 13,790,778	\$ 1,278,050

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2026

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

Outstanding debt obligations at June 30, 2026 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.

\$ 12,170,278

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
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	1,405,466	155,863	1,561,329
2032 - 2036	5,465,271	277,596	5,742,867
	<u>\$ 12,170,278</u>	<u>\$ 1,379,234</u>	<u>\$ 13,549,512</u>

The bond debt agreement requires the Authority to ensure its waste water treatment plant revenues for each fiscal year equal at least 120% of its debt service requirement for the fiscal year as discussed in Note 8. The Authority has annual revenues in excess of this requirement.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2026

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	\$ 13,549,512
Pledged Revenue Recognized	3,102,465
Annual Principal and Interest Requirements	1,561,329

NOTE 9 - INTERFUND BALANCES AND TRANSACTIONS

During the year ended June 30, 2026, the Waste Water Treatment Plant Fund transferred \$166,117 to the General Fund for overhead costs related to the operations of the plant.

As of June 30, 2025, \$18,778 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, 2026, the Water Project Fund transferred funds to the General Fund to pay the outstanding amount and transferred an additional \$1 million to the General Fund for administrative fees related to the oversight of the water system construction project.

During the year ended June 30, 2026, the Liberty Center Fund had expenditures in excess of its cash balance of \$374,349. These expenditures were paid using cash from the General Fund and will be repaid by the Liberty Center Fund in a future year. This amount is included in Due to (from) Other Funds as of June 30, 2026. The total amount due from the Liberty Center Fund to the General Fund was \$1,253,492 as of June 30, 2026.

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, 2026

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 for 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, 2026, 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 (52%) and the City of Box Elder (48%). Accounts receivable for the waste water treatment plant fund were also composed of balances from the United States Air Force (34%) and the City of Box Elder (66%). 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 through June 30, 2029. The contract may be terminated at any time with 90 days' written notice. The Authority pays the contractor a firm fixed price each month plus reimbursable expenses. Amounts paid under the contract for the year ended June 30, 2026 were \$632,592. Expected future payments under the firm fixed price contract are as follows:

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

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2026

NOTE 15 - LEASES

Lessee:

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, 2026 was \$6,875. Future minimum rents are as follows for the years ended June 30:

<u>Year</u>	<u>Rent Payments</u>
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.

Lessor:

The Authority allows the use of owned properties by other parties under various short-term agreements. Annual short-term lease revenues were \$64,440 for the year ended June 30, 2026. Revenues related to these agreements are recorded when amounts are collected. Future minimum lease revenues are as follows for the years ended June 30:

<u>Year</u>	<u>Minimum Lease Revenues</u>
2027	\$ 9,600

During the year ended June 30, 2026, the Authority entered a ten-year lease as lessor for the use of four billboards located on land owned by the Authority. An initial lease receivable was recorded in the amount of \$56,985. As of June 30, 2026, the value of the lease receivable was \$51,375. The lessee is required to make annual fixed payments of \$8,000 for the first five years, followed by annual fixed payments of \$6,000 for the remaining five years, at which time the number of billboards included in the lease decreases from four to three. The lease is discounted using the Authority's incremental borrowing rate on the date of lease commencement. The value of the deferred inflow of resources as of June 30, 2026 was \$50,393, and the Authority recognized lease revenue of \$6,593 during the fiscal year.

During the year ended June 30, 2026, the Authority entered a ten-year lease as lessor for the use of two billboards located on land owned by the Authority. An initial lease receivable was recorded in the amount of \$12,603. As of June 30, 2026, the value of the lease receivable was \$11,154. The lessee is required to make annual fixed payments of \$1,450 for the first five years, followed by annual fixed payments of \$1,595 for the remaining five years. The lease is discounted using the Authority's incremental borrowing rate on the date of lease commencement. The value of the deferred inflow of resources as of June 30, 2026 was \$11,343, and the Authority recognized lease revenue of \$1,260 during the fiscal year.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
June 30, 2026

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 was 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. The grant was finalized and \$903 of this funding was recognized as revenue during the year ended June 30, 2026.

During the year ended June 30, 2026, the State of South Dakota appropriated \$8 million to the Authority for roadway and related infrastructure improvements necessary to support, mitigate, and address impacts associated with construction activity at Ellsworth Air Force Base. Eligible uses include roadway reconstruction, rehabilitation, widening, traffic safety improvements, engineering, design, traffic studies, construction oversight, inspection, and related infrastructure activities. As of June 30, 2026, the Authority is evaluating project needs, coordinating with regional stakeholders, and developing implementation plans. No awards have been approved and no significant expenditures have been incurred under the appropriation. Management anticipates that future project obligations and expenditures associated with this program will have a significant effect on the Authority's operating activities in future reporting periods.

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLE

Effective for the fiscal year ended June 30, 2026, the Authority implemented GASB Statement No. 103, *Financial Reporting Model Improvements* and GASB Statement No. 105, *Subsequent Events*. Implementation of these Statements is reported as a change in accounting principle in accordance with GASB Statement No. 100.

For the Authority, GASB 103 affected only the presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position and the format and content of management's discussion and analysis. These changes did not affect the measurement or recognition of assets, liabilities, deferred inflows/outflows of resources, or resource flows; therefore, no restatement of beginning net position, fund balances, or fund net position was required.

GASB 105 establishes guidance for evaluating and disclosing subsequent events through the date the financial statements are available to be issued and is applied prospectively. No restatements of prior periods were required. Related disclosures about subsequent events are presented in Note 18.

South Dakota Ellsworth Development Authority
Notes to the Financial Statements
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NOTE 18 - SUBSEQUENT EVENTS

Construction of the regional clean water transmission system included within the Water Project Fund was completed in July 2026. At June 30, 2026, project costs were reported as construction in progress. Because the completion of the project resulted from conditions arising subsequent to June 30, 2026, the event is considered a nonrecognized subsequent event. As a result, no adjustment has been made to the accompanying financial statements; however, the event has been disclosed due to its significance to users of the financial statements.

Management has evaluated subsequent events through September 29, 2026, which is the date these financial statements were available to be issued.