SOUTH DAKOTA ECONOMIC DEVELOPMENT FINANCE AUTHORITY

AUDIT REPORT

Fiscal Year Ended June 30, 2025

State of South Dakota
Department of Legislative Audit
427 South Chapelle
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Pierre, SD 57501-5070

SOUTH DAKOTA ECONOMIC DEVELOPMENT
FINANCE AUTHORITY
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RUSSELL A. OLSON
AUDITOR GENERAL

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

The Honorable Larry Rhoden
Governor of South Dakota

and

Board of Directors
South Dakota Economic Development Finance Authority

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, the financial statements of the Economic Development Finance Authority (Authority), a component unit of the State of South Dakota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 10, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this 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.

Russell A. Olson, Auditor General
Pierre, South Dakota

October 10, 2025

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RUSSELL A. OLSON
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable Larry Rhoden
Governor of South Dakota

and

Board of Directors
South Dakota Economic Development Finance Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the South Dakota Economic Development Finance Authority (Authority), a component unit of the State of South Dakota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the 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 financial position of the Authority as of June 30, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 the Management's Discussion and Analysis on pages 6-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Authority’s internal control over financial reporting and compliance.

Russell A. Olson

Russell A. Olson, Auditor General
Pierre, South Dakota

October 10, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the South Dakota Economic Development Finance Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2025. This analysis should be read in conjunction with the Independent Auditor's Report, financial statements, and notes to the financial statements.

FINANCIAL ANALYSIS

During the year, the Authority received $812,194 in regularly scheduled pooled loan payments and paid $839,370 in principal and interest payments on the Series 2013A bonds. There is no debt owed under the APEX loan program. The Authority received $96,859 in VAARP loan repayments. There were no additional APEX, pooled, or VAARP loans issued during the year.

FINANCIAL HIGHLIGHTS

- Total assets of the Authority decreased by $571,680 (or 3.51%) primarily due to the use of cash for the payment of loans and the contribution of $465,000 to the South Dakota Revolving Economic Development and Initiative Fund during the year ending June 30, 2025.
- Total liabilities of the Authority decreased by $473,350 (or 7.01%) primarily due to the repayment of regular payments on bonds payable during the year ending June 30, 2025.
- The related decreases in the balances of loans receivable and debt outstanding resulted in associated decreases in interest income on loans and interest expense.

DEBT ADMINISTRATION

- Outstanding pooled loan bonds payable bear interest at rates ranging from 4.65% to 5.80% as of June 30, 2025. $505,000 of regularly scheduled bonds were redeemed during fiscal year 2025.
- The Authority's pooled loan bonds are rated AA by Standard and Poor's as of June 30, 2025.
- More detailed information about the Authority's debt can be found in Note 5.

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

Changes in Assets and Liabilities

	FY 2024	FY 2025	Increase (Decrease)	% Increase (Decrease)
Assets:				
Cash and Cash Equivalents	$ 9,906,212	$ 10,070,106	$ 163,894	1.65%
Investments	173,103	-	(173,103)	-100.00%
Loans Receivable	6,321,056	5,748,259	(572,797)	-9.06%
Allowance for Uncollectible Loans	(119,254)	(108,928)	10,326	-8.66%
Total Assets	16,281,117	15,709,437	(571,680)	-3.51%
Liabilities:				
Current Portion of Bonds Payable	505,000	535,000	30,000	5.94%
Accrued Interest Payable	83,593	76,270	(7,323)	-8.76%
Loan Escrow Payable	908,672	947,645	38,973	4.29%
Noncurrent Bonds Payable	5,260,000	4,725,000	(535,000)	-10.17%
Total Liabilities	6,757,265	6,283,915	(473,350)	-7.01%
Net Position:				
Restricted Net Position	5,000,000	5,000,000	-	0.00%
Unrestricted Net Position	4,523,852	4,425,522	(98,330)	-2.17%
Total Net Position	$ 9,523,852	$ 9,425,522	$ (98,330)	-1.03%

Change in Net Position

	FY 2024	FY 2025	Increase (Decrease)	% Increase (Decrease)
Revenues:				
Interest Income on Loans	$ 380,225	$ 354,719	$ (25,506)	-6.71%
Investment Income (Loss)	405,677	380,942	(24,735)	6.10%
Total Revenues	785,902	735,661	(50,241)	-6.39%
Expenses:				
Interest Expense	355,250	327,048	(28,202)	-7.94%
Provision for Loan Loss	(10,682)	(10,326)	356	-3.33%
Contractual Services	36,522	52,269	15,747	43.12%
Payment to REDI	-	465,000	465,000	100.00%
Total Expenses	381,090	833,991	452,901	118.84%
Changes in Net Position	$ 404,812	$ (98,330)	$ (503,142)	-124.29%

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

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 3,534,956
Restricted Cash and Cash Equivalents	6,535,150
Total Cash and Cash Equivalents	10,070,106
Loan Interest Receivable	26,237
Loans Receivable (Net of Allowance for Loan Loss)	674,317
Total Current Assets	10,770,660
Noncurrent Assets:	
Loans Receivable (Net of Allowance for Loan Loss)	4,938,777
Total Assets	15,709,437
LIABILITIES	
Current Liabilities:	
Accrued Interest Payable	76,270
Current Portion of Bonds Payable	535,000
Total Current Liabilities	611,270
Noncurrent Liabilities:	
Loan Escrow Payable	947,645
Long-term Portion of Bonds Payable	4,725,000
Total Noncurrent Liabilities	5,672,645
Total Liabilities	6,283,915
NET POSITION	
Restricted for Debt Service	5,000,000
Unrestricted	4,425,522
TOTAL NET POSITION	$ 9,425,522

The accompanying notes are an integral part of this statement.

South Dakota Economic Development Finance Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2025

OPERATING REVENUE	
Interest Income on Loans	$ 354,719
OPERATING EXPENSES	
Contractual Services	52,269
Provision for Loan Loss	(10,326)
Interest Expense	327,048
Total Operating Expenses	368,991
Operating Loss	(14,272)
NONOPERATING REVENUE (EXPENSE)	
Payment to SD Revolving Economic Development and Initiative Fund	(465,000)
Investment Return	380,942
Net Nonoperating Revenue (Expense)	(84,058)
CHANGE IN NET POSITION	(98,330)
NET POSITION - BEGINNING	9,523,852
NET POSITION - ENDING	$ 9,425,522

The accompanying notes are an integral part of this statement.

South Dakota Economic Development Finance Authority
Statement of Cash Flows
For the Year Ended June 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for Pooled Loan Repayments	$ 473,056
Receipts for VAARP Loan Repayments	96,859
Payments for Contractual Services	(52,269)
Receipts for Interest on Loan Repayments	357,601
Net Cash Provided by Operating Activities	875,247
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Principal Paid on Revenue Bonds	(505,000)
Earnings on Loan Escrow Payable	38,972
Payment to SD Revolving Economic Development and Initiative Fund	(465,000)
Interest Payments on Loans, Bonds, and Notes	(334,371)
Net Cash Used by Noncapital Financing Activities	(1,265,399)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investment Securities	173,104
Investment Income	380,942
Net Cash Provided by Investing Activities	554,046
NET INCREASE IN CASH AND CASH EQUIVALENTS	163,894
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	9,906,212
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 10,070,106
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Loss	$ (14,272)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Interest Expense	327,048
Change in Provision for Loan Loss	(10,326)
Change in Assets and Liabilities:	
Loan Interest Receivable	2,882
Loans Receivable	569,915
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 875,247

The accompanying notes are an integral part of this statement.

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

NOTE 1 - AUTHORIZING LEGISLATION

Executive Order 87-1 established the South Dakota Economic Development Finance Authority (the Authority). The Authority was established for the purpose of making loans to businesses for the acquisition and construction of land, buildings, machinery, and equipment to spawn economic growth. The Authority is authorized by South Dakota Codified Law to issue negotiable notes and bonds in such principal amounts as it determines necessary to provide sufficient funds for achieving any of its corporate purposes. The total outstanding amount of such notes and bonds shall not exceed three hundred million dollars at any time. No obligation issued by the Authority shall constitute debt or liability or obligation of the State of South Dakota or any political subdivision or a pledge of the faith and credit of the State or any political subdivision. Because the State of South Dakota is able to impose its will over the Authority but does not meet any of GASB's criteria for blending, it is considered a discretely presented component unit of the State. The Authority is a business-type activity component unit of the State of South Dakota and, as such, the accompanying financial statements are included in the Annual Comprehensive Financial Report of the State of South Dakota.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FUND ACCOUNTING

The Authority is accounted for as an enterprise fund. Enterprise funds are used to account for activities for which a fee is charged to external users for goods or services. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from fees.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The Authority uses the "economic resources" measurement focus and reports on the accrual basis of accounting. Revenue is recognized in the accounting period in which it is earned and expenses are recognized when they are incurred.

C. CASH AND CASH EQUIVALENTS

This account includes cash and investments with original maturities of ninety days or less. Cash and cash equivalents reported in the Statement of Cash Flows represent all investments with an original maturity of ninety days or less.

D. INVESTMENTS

Investments are reported at fair value. Unrealized gains and losses due to fluctuations in market value are included in investment income.

E. LOAN ESCROW PAYABLE

All bond issues require that ten percent of the original principal amount of the bond or the largest principal and interest payment for any one year be deposited into the loan escrow payable. Amounts accumulating in excess of the loan escrow payable requirements are applied toward borrower principal and interest payments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. NET POSITION

Net position is classified in the following three components:

Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets. The Authority has no capital assets.

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

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

G. RESTRICTED NET POSITION

The bond indentures provide that certain reserve accounts be established. The reserve accounts, as of June 30, 2025, are comprised of restricted net position as follows:

Capital Reserve Account	$5,000,000

The pooled bond issues require amounts to be deposited into the capital reserve account. The money on deposit in the capital reserve account is irrevocably pledged to the payment of all outstanding bonds and interest, only when and to the extent that other moneys are not available. The amount on deposit in the capital reserve account must be equal to at least 12.5 percent of the related bond principal outstanding. Amounts in excess of the reserve requirements may be transferred and used for other purposes.

H. CONDUIT DEBT OBLIGATIONS

The Authority issues pooled and stand-alone bond issues. A pooled bond issue is secured by the Authority's capital reserve account. A stand-alone issue is based solely on the credit of the borrower and the Authority acts only as a conduit to the financing.

Conduit debt obligations are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by an entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The Authority has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued and the debt is not included in the accompanying financial statements. As of June 30, 2025, the Authority had the following conduit debt obligations:

Beginning Farmer Bond Program

The South Dakota Beginning Farmer Bond Program is a tax-exempt bond program designed to assist qualifying beginning farmers in the state of South Dakota to acquire agricultural property at lower interest rates. The Beginning Farmer Bond Program enables lenders, individuals, and other entities to receive federally tax-exempt interest with respect to a loan or contract sale made to beginning farmers. Annually, the Beginning Farmer Bond Program is allocated $10 million of the state's tax-exempt bond volume cap for the purpose of assisting beginning farmers in acquiring capital at reduced interest rates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Activities eligible under the Beginning Farmer Bond Program include loans for the acquisition of agricultural land, the acquisition, construction, or reconstruction of agricultural buildings and fixtures, and the acquisition of depreciable agricultural property including machinery, equipment, and livestock. The maximum amount of a Beginning Farmer Bond is $600,000 for the calendar year 2025 (indexed annually).

Created in 1996, the Beginning Farmer Bond Program made an immediate impact on South Dakota's beginning farmers. Since inception, 351 bonds have been issued, financing $49,359,226.

As of June 30, 2025, there were 77 Beginning Farmer Bond Program Series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2025, could not be determined; however, the original issue amount totaled $19.2 million.

Agribusiness Bond Program

The purpose of the Agribusiness Bond Program is to assist in the development and expansion of agricultural and business enterprises within the State of South Dakota. The Authority issues tax-exempt bonds to finance qualified projects according to the provisions of the Internal Revenue Code of 1986. Such provisions limit the list of projects that can be financed with tax-exempt bonds to manufacturing projects, including processing, certain housing projects, projects for tax-exempt organizations (501(c)(3)), and projects for first-time farmers. Therefore, with regard to the Authority's goal, the Agribusiness Bond Program is intended to finance value-added agricultural processing and manufacturing projects.

As of June 30, 2025, there were 5 Agribusiness Bond Program Series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2025, could not be determined. However, the original issue amount totaled $12.3 million.

Livestock Nutrient Management Bond Program

The Livestock Nutrient Management Bond Program was developed as part of the Agribusiness Bond Program. Its purpose is to assist livestock producers in developing a livestock nutrient management facility. This program will assist producers in obtaining lower-interest financing for costs associated with a management plan. The Authority issues tax-exempt bonds to finance the capital expenditures associated with the handling and/or processing of byproducts and livestock nutrients (manure). Any costs incurred for property or any portion used for the collection, storage, treatment, utilization, processing, or final disposal of livestock nutrients up to the point that the livestock nutrients have value are eligible.

The Livestock Nutrient Management Bond program has closed a total of 35 bonds since the program started in State Fiscal Year 2002. To date, $99,127,880 has been issued since the program began.

As of June 30, 2025, there were 19 Livestock Nutrient Management Bond Program Series Revenue Bonds outstanding. The aggregate principal amount payable on June 30, 2025, could not be determined. However, the original issue amount totaled $93 million.

The Board approved ten bonds for a total of $397,000,000 under the Livestock Nutrient Management Bond Program. As of the date of the independent auditor's report, these loans have not been funded.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. RESTRICTED RESOURCES

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

J. REVENUE AND EXPENSE RECOGNITION

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering items in connection with an enterprise fund's principal ongoing operations. The Authority records all revenues derived from interest on loans as operating revenues since these revenues are generated from the Authority's daily operations needed to carry out its purpose. Operating expenses include interest expense, grants and subsidies, and contractual service expenses related to the administration of the Authority's programs.

K. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

NOTE 3 - DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK

Under the terms of the general bond resolution of the 2013A pooled bond issue, the Authority is generally restricted to investments in direct obligations of the federal government and of any agency or instrumentality of the United States of America; debt obligation guaranteed by the federal government; bank instruments collateralized by debt obligations guaranteed by the federal government; and shares of an investment company whose investments are in debt obligations guaranteed by the federal government. The funds associated with the 2013A pooled bond issue can also be invested in notes, bonds, or indentures issued by a corporation organized under the laws of one of the states of the United States of America, provided they are rated in one of the two highest rating categories.

Restricted and Unrestricted Cash and Investments

A portion of the total reported cash and investments is restricted resources set aside to subsidize potential deficiencies from the enterprise fund's operation that could adversely affect debt service payments. At June 30, 2025, cash and investments were broken down as follows:

	Fair Value
Unrestricted Cash and Investments	$ 3,534,956
Restricted Cash and Investments -	
Capital Reserve Account and Loan Reserve Accounts	6,535,150
	$ 10,070,106

Custodial Credit Risk

The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment securities and deposits that are in the possession of an outside party. The Authority does not have a policy in place for custodial credit risk. Investment securities totaling $9,315,805 were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Authority's name.

NOTE 3 - DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK (CONTINUED)

Interest Rate Risk

The Authority limits the maturities of investments for its restricted accounts (all accounts other than the general account) to terms of two years or less from the date of investment.

Credit Risk

The investment management policy of the Authority limits investments in corporate bonds to those rated in either of the two highest rating categories by either Moody's Investors Service or Standard & Poor's Corporation.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Authority does not have a policy on concentration of credit risk. The Authority does not have any concentration of credit risk, excluding any government issues.

The Authority's policy allows the maximum portfolio exposure to permitted investments as follows:

	Restricted Amount Portfolio Exposure		Unrestricted Amount Portfolio Exposure	
	Total	Individual	Total	Individual
U.S. Governments	100%	100%	100%	100%
U.S. Agencies	100%	100%	100%	100%
Repurchase Agreements	50%	25%	50%	25%
Corporate Bonds	0%	0%	50%	10%
Municipal Bonds	0%	0%	50%	10%
Certificates of Deposit	100%	100%	100%	100%
Money Market Funds	25%	25%	25%	25%

NOTE 3 - DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK, AND INTEREST RATE RISK (CONTINUED)

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 4 - LOANS RECEIVABLE

The following is a breakdown of the activity in the subfund for fiscal year 2025 and its corresponding restricted net position at June 30, 2025:

Beginning Balance	$ 6,291,937
Pooled Loans Principal Payments	(473,056)
VAARP Program Loan Principal Payments	(96,859)
Loans Receivable - Before Allowance	5,722,022
Allowance for Loan Loss Applicable to:	
Pooled Loan Program	(103,416)
VAARP Loan Program	(5,512)
Total Loans Receivable - Net of Allowance	$ 5,613,094

The allowance for loan loss applicable to the pooled loans is greater than the 1% required for the year ending June 30, 2025. The pooled loan associated with the 2013A bond issuance has an ending balance of $5,170,884 before allowance.

NOTE 5 - LONG-TERM DEBT

Tax-exempt debt in the form of revenue bonds was issued by the Authority. The following represents the changes in revenue bonds for the pooled bond program as of June 30, 2025:

Beginning Balance	$ 5,765,000
Bonds Retired	(505,000)
Ending Balance	$ 5,260,000
Due Within One Year	$ 535,000

The following are the revenue bonds outstanding for the pooled bond program at June 30, 2025:

Issue	Interest Rate	Maturity Through	Principal Balance
Series 2013A Term Bonds	4.65 - 5.80%	2033	$ 5,260,000

NOTE 5 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of future bond payments and future interest payments remaining at June 30, 2025:

Year Ended June 30,	Principal	Interest	Total Principal and Interest
2026	$ 535,000	$ 305,080	$ 840,080
2027	565,000	274,050	839,050
2028	600,000	241,280	841,280
2029	635,000	206,480	841,480
2030	670,000	169,650	839,650
2031 - 2033	2,255,000	266,510	2,521,510
	$ 5,260,000	$ 1,463,050	$ 6,723,050

NOTE 6 - PAYMENT TO REVOLVING ECONOMIC DEVELOPMENT AND INITIATIVE FUND

During the year ended June 30, 2025, a payment of fully revolved loan funds in the amount of $465,000 was made to the South Dakota Revolving Economic Development and Initiative Fund for the purpose of consolidating loan funds.

NOTE 7 - PUBLIC ENTITY POOL FOR LIABILITY

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority participates in the various programs administered by the State of South Dakota. These risk management programs are funded through assessments charged to participating entities. The risk management program includes coverage for risks associated with automobile liability and general tort liability (including public officials' errors and omissions liability, medical malpractice liability, law enforcement liability, and product liability) through the State's Public Entity Pool for Liability Fund. Financial information relative to the self-insurance funds administered by the State is presented in the State of South Dakota Annual Comprehensive Financial Report.

NOTE 8 - SUBSEQUENT EVENTS

In October 2025, the Authority expects to pay $2,500,000 of excess reserves in the Capital Reserve Account to the South Dakota Revolving Economic Development and Initiative Fund, as allowed under the bond agreement.

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