Financial Statements
December 31, 2025

City of Dell Rapids, South Dakota

Elected	Term Position	Term Expires December 31,
Marsha Symens	Mayor	2029
Denise Hanzlik	Council Member	2027
Wendy Nelson	Council Member	2028
Fran Ruesink	Council Member	2027
Chad Ronshaugen	Council Member	2027
Amanda Hein	Council Member	2028
Chuck Jones	Council Member	2028
Denise Caviegeli	Council Member	2027
Bill Schmidt	Council Member	2028
Hired		
Steve McFarland	City Administrator	
Appointed		
Christina Smith	Finance Officer	

Independent Auditor's Report

To the City Council
City of Dell Rapids
City of Dell Rapids, South Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dell Rapids (the City), as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the City'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 the City of Dell Rapids, as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 City, 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.

Correction of Error

As discussed in Note 11 to the financial statements, certain errors resulting in an understatement of amounts previously reported for construction in progress as of December 31, 2024, were discovered by management of the City during the current year. Accordingly, a restatement has been made to the governmental activities net position as of January 1, 2025, to correct the error. Our opinions are not modified with respect to that matter.

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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 City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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 City'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, schedule of employer's proportionate share of net pension liability (asset) and schedule of employer's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of Elected and Appointed Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2026 on our consideration of the City'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 City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
September 3, 2026

This section of City of Dell Rapids (City) financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended on December 31, 2025. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the City's governmental activities' revenues generated from charges for services, taxes and other revenues of the governmental programs were $6,012,431 and $4,270,918 of governmental expenditures. This is an increase from the prior year when revenue exceeded expenditures by $773,027.
- In the City's business-type activities, revenues were $4,181,802 and $4,596,728 business-type expenditures. This is a decrease from the prior year when revenue exceeded expenditures by $1,575,495.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the Municipal government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2

Major Features of Municipality of Dell Rapids's Government-wide and Fund Financial Statements

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

Government-wide Statements

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

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

- Increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City's property tax base and changes in the sales tax revenue base.

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

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

Fund Financial Statements

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

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET POSITION

The City's combined net position increased by 4.38% between fiscal year 2024 and 2025 – for an increase of $1,326,587 after the adjustment as noted in Note 11 (See Table A-1).

Table A-1
City of Dell Rapids
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		
	2024* (Restated)	2025	2024	2025	2024* (Restated)	2025	Total % Changed
Current and Other Assets	$ 4,474,972	$ 3,904,965	$ 5,499,061	$ 5,394,904	$ 9,974,033	$ 9,299,869	-6.76%
Capital Assets	20,117,665	22,025,984	27,366,153	26,271,969	47,483,818	48,297,953	1.71%
Total Assets	$ 24,592,637	$ 25,930,949	$ 32,865,214	$ 31,666,873	$ 57,457,851	$ 57,597,822	0.24%
Deferred Outflows of Resources	$ 135,079	$ 189,041	$ 82,554	$ 103,982	$ 217,633	$ 293,023	34.64%
AP and Other Current Liabilities	$ 543,337	$ 299,286	$ 910,437	$ 842,972	$ 1,453,774	$ 1,142,258	-21.43%
Noncurrent Liabilities	2,061,226	1,926,786	13,922,725	13,324,810	15,983,951	15,251,596	-4.58%
Total Liabilities	$ 2,604,563	$ 2,226,072	$ 14,833,162	$ 14,167,782	$ 17,437,725	$ 16,393,854	-5.99%
Deferred Inflows of Resources	$ 93,203	$ 102,463	$ 305,802	$ 229,187	$ 399,005	$ 331,650	-16.88%
Net Position							
Net Investment in Capital Assets	$ 18,038,777	$ 20,074,685	$ 12,916,757	$ 12,387,499	$ 30,955,534	$ 32,462,184	4.87%
Restricted	594,992	657,778	965,236	1,314,200	1,560,228	1,971,978	26.39%
Unrestricted	3,396,181	3,058,992	3,926,811	3,672,187	7,322,992	6,731,179	-8.08%
Total Net Position	22,029,950	23,791,455	$ 17,808,804	$ 17,373,886	$ 39,838,754	$ 41,165,341	3.33%

*The information for the year ended December 31, 2024, was restated above for a correction of an error. See Note 11 to the financial statements for further information on the error correction.

The Statement of Net Position presents the assets and liabilities in order of relative liquidity. Liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. Long-term liabilities of the City, consisting of compensated absences payable, sales tax revenue bonds payable and water revenue bonds payable, have been reported in this manner on the Statement of Net Position. The difference between the City's assets and liabilities is its net position.

The City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The increase in net position invested in capital assets, net of related debt relates to the City's purchase of multiple improvement projects, library furniture and equipment, library books, and new street department equipment for use by the appropriate City Departments.

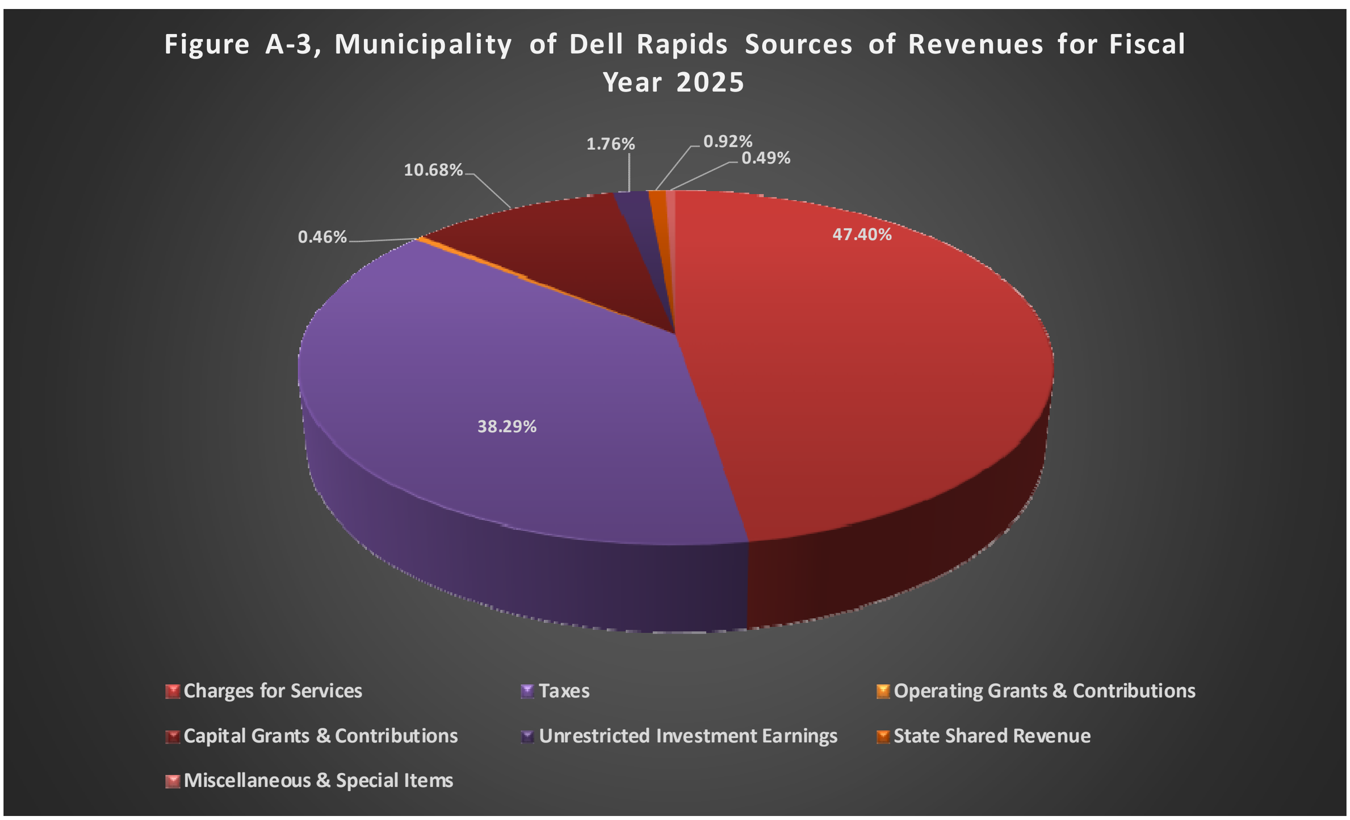
The City's restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations or debt covenants. There was an increase in restricted net position due to additional debt service and new GASB 68 standards of reporting SDRS Pension on the face of the financial statements.

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

At the end of the current year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Changes in Net Position

The City's revenues totaled $10,194,233. (See Table A-2.) Over 85% of the City's revenue comes from charges for services and taxes, with 47.40 cents of every dollar raised coming from charges for services (primarily water, sewer, and liquor operations) and 38.29 cents of every dollar raised comes from some type of tax. (See Figure A-3). The remaining 14% comes from capital grants and contributions, state-shared revenues, interest earnings and miscellaneous and special items.



The City's expenses cover a range of services, with just over half related to Business-type Activities (Water – 14.31%, Sewer – 19.58%, and Liquor Funds – 17.95%). (See Figure A-4)

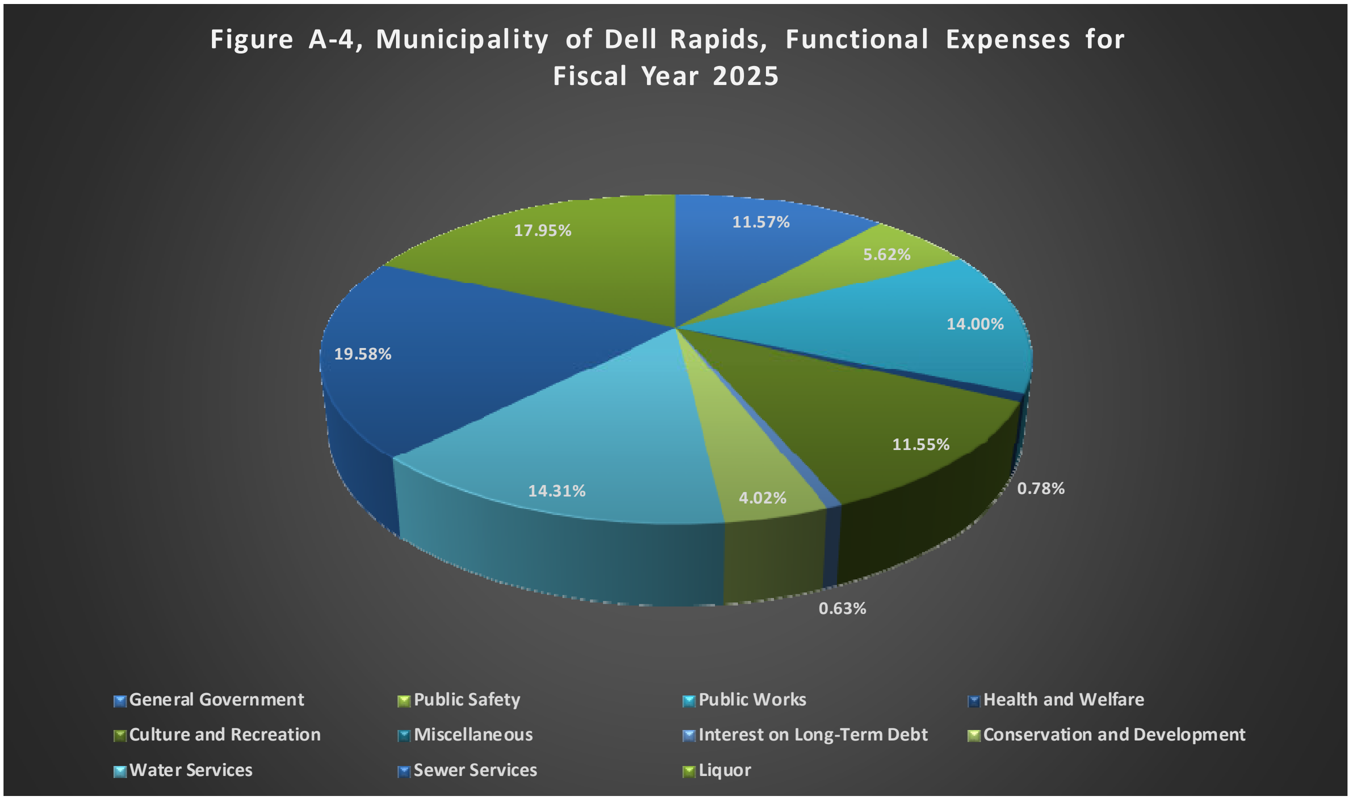


Table A-2
City of Dell Rapids
Statement of Activities

	Governmental Activities		Business-Type Activities		Total		Total
	2024*	2025	2024	2025	2024*	2025	% Change
Revenues							
Program Revenues							
Charges for Services	$ 620,725	$ 755,840	$ 4,019,723	$ 4,076,645	$ 4,640,448	$ 4,832,485	4.14%
Operating Grants	1,000	47,228	-	-	1,000	47,228	4622.80%
Capital Grants and Contributions	129,615	1,088,833	1,662,402	-	1,792,017	1,088,833	-39.24%
General Revenues							
Taxes	3,557,481	3,903,106	-	-	3,557,481	3,903,106	9.72%
Revenue State Sources	72,423	93,444	-	-	72,423	93,444	29.03%
Unrestricted Investment Earnings	117,282	74,440	88,575	105,144	205,857	179,584	-12.76%
Miscellaneous	34,148	49,540	4,202	13	38,350	49,553	29.21%
Total Revenues	$ 4,532,674	6,012,431	$ 5,774,902	$ 4,181,802	$ 10,307,576	$ 10,194,233	-1.10%
Expenses							
General Government	$ 1,060,119	$ 1,025,626	$ -	$ -	$ 1,060,119	$ 1,025,626	-3.25%
Public Safety	579,203	497,940	-	-	579,203	497,940	-14.03%
Public Works	893,188	1,241,348	-	-	893,188	1,241,348	38.98%
Health and Welfare	66,082	69,014	-	-	66,082	69,014	4.44%
Culture and Recreation	431,898	1,024,337	-	-	431,898	1,024,337	137.17%
Conservation and Development	284,432	356,377	-	-	284,432	356,377	25.29%
Miscellaneous	-		-	-	-	-	
Interest on Long-Term Debt	84,921	56,276	-	-	84,921	56,276	-33.73%
Water Services	-	-	1,033,603	1,268,799	1,033,603	1,268,799	22.75%
Wastewater Services	-	-	1,557,234	1,735,844	1,557,234	1,735,844	11.47%
Liquor	-	-	1,568,578	1,592,085	1,568,578	1,592,085	1.50%
Total Expenses	$ 3,399,843	$ 4,270,918	$ 4,159,415	$ 4,596,728	$ 7,559,258	$ 8,867,646	17.31%
Excess (Deficiency) Before Transfers	1,132,831	1,741,513	1,615,487	(414,926)	2,748,318	1,326,587	-51.73%
Transfers	39,992	19,992	(39,992)	(19,992)	-	-	
Change in Net Position	1,172,823	1,761,505	1,575,495	(434,918)	2,748,318	1,326,587	
Beginning Net Position, as previously reported	20,857,127	21,630,154	16,233,309	17,808,804	37,090,436	39,438,958	6.33%
Adjustments (Note 11)	-	399,796	-	-	-	399,796	
Beginning Net Position, as restated	20,857,127	22,029,950	16,233,309	17,808,804	37,090,436	39,838,754	
Ending Net Position	$ 22,029,950	$ 23,791,455	$ 17,808,804	$ 17,373,886	$ 39,838,754	$ 41,165,341	3.33%

*The information for the year ended December 31, 2024, was restated above for a correction of an error. See Note 11 to the financial statements for further information on the error correction.

Governmental Activities

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

Governmental revenues for the City increased by 32.65% compared to the prior year, while governmental expenses rose by 12.40%. Although intergovernmental revenues decreased, the overall decrease in revenue is primarily attributed to ARPA federal grant funding received in 2024 but not received in 2025. The rise in expenditures is largely due to the completion of major capital projects.

Business-type Activities

Revenues from the City's business-type activities decreased by 27.59%, while expenses saw an increase of 10.51%. The City undertook minimal new initiatives in this area, choosing to focus on completing the 3rd Street project before pursuing additional large-scale efforts. Revenue declined during 2025 as a result of the above mentioned ARPA federal grant funding received in 2024 but not 2025. This was one time grant funding as a result of the COVID-19 pandemic.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The financial analysis of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The Municipality maintains four governmental funds - General, Gross Receipts, Library Fines and Fees, and Library Donations Funds and three business type funds – Water, Sewer and Liquor Funds.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the Municipal budget one time. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.
- Increases in appropriation line items, primarily by contingency transfer, to prevent budget overruns.

General Government was approved for an additional $421,700 in 2025 to cover various unanticipated expenses. Parks department was approved for an additional $370,000 for the remaining expenses of the park pavilion building; however, a portion is offset with a grant of $133,150 with the remaining coming from fund balance. The Finance Department was approved for an additional $20,000 for unanticipated attorney and audit professional services. Buildings, Fire and Mosquito property insurance was approved for an additional $27,700 for unanticipated increases in property insurance. Animal control was approved for an additional $4,000 for unanticipated expenditures throughout 2025.

The Library Donation fund was approved for an additional $8,600 in 2025 to cover expenditures approved by the Library Board for additional supplies and equipment.

CAPITAL ASSET ADMINISTRATION

In 2025, the City continued and completed four major capital projects: the Park Shelter, 2025 Slurry Seal project, Transit Building, and Old Highway 77 Improvement project. Due to the scale and cost of these undertakings, the City did not initiate any additional high-dollar projects during the year however construction continued on the 3rd Street Bridge, Sioux River Red Rock Trail, Western Utilities, and Orelans Ave. projects. (See Table A-3.)

Table A-3
City of Dell Rapids - Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	Total
	2024* (as restated)	2025	2024	2025	Dollar Change	% Change
Land	$ 1,699,294	$ 1,699,294	$ 85,157	$ 85,157	$ -	0.00%
Construction in Progress	1,239,662	1,831,072	123,363	308,926	776,973	57.00%
Buildings and structures	6,699,124	8,029,138	8,610,511	6,487,375	(793,122)	-5.18%
Improvements Other Than Buildings	9,344,513	9,272,725	18,254,373	19,092,099	765,938	2.78%
Intangible Assets	-	-	12,000	-	(12,000)	-100.00%
Machinery and Equipment	1,135,072	1,193,755	280,749	298,412	76,346	5.39%
Total Capital Assets (Net)	$ 20,117,665	$ 22,025,984	$ 27,366,153	$ 26,271,969	$ 814,135	1.71%

*The information for the year ended December 31, 2024, was restated above for a correction of an error. See Note 11 to the financial statements for further information on the error correction.

LONG-TERM DEBT

At year-end, the City had $16,013,450 in Sales Tax Revenue Bonds, Water and Wastewater SRF loans, and other long-term obligations. This is a decrease of 4.10% as shown on Table A-4 below.

Table A-4
City of Dell Rapids - Outstanding Debt and Obligations

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2024	2025	2024	2025		
Compensated Absences	$ 110,765	$ 108,183	$ 58,375	$ 69,499	$ 8,542	5.05%
Sales Tax Revenue Bond	2,078,888	1,951,299	-	-	(127,589)	-6.14%
Water SRF Loans	-	-	5,536,205	5,361,707	(174,498)	-3.15%
Wastewater SRF Loans	-	-	8,913,190	8,522,762	(390,428)	-4.38%
Total Outstanding Debt and Obligations	$ 2,189,653	$ 2,059,482	$ 14,507,770	$ 13,953,968	$ (683,973)	-4.10%

The City is liable for 25% of unused accrued sick leave hours to all full-time employees who have accumulated the maximum number of allowed sick leave hours. The overall increase in combined Governmental and Business-type Activities is due to a higher balance of leave being carried by those eligible.

The City has one Sales Tax Revenue Bond associated with the Quartzite Street Project. This bond is secured and paid for by sales tax revenue.

The City has one Sales Tax Revenue Bond for the purpose of upgrading a building to become the new City Hall and a Community Hall Center. This bond is secured and paid for by sales tax revenue.

The City has seven outstanding SRF Drinking Water Loans totaling $5,361,707. The loans are secured and paid for from the Water Fund. These bonds were used for various projects and the last one will be fully paid off in 2055.

The City has ten outstanding SRF Clean Water Loans totaling $8,522,762. The bonds are secured and paid for from the Wastewater Fund. These bonds were used for various projects and the last one will be fully paid off in 2055.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Several key economic factors were considered during the preparation of the City's 2026 budget for the fiscal year. Local economic conditions have remained relatively stable, with steady property values and consistent sales tax revenues. While inflationary pressures have continued to impact operating costs—particularly in utilities, materials, and contracted services—the City has worked to manage expenditures carefully and maintain service levels without placing additional financial burden on residents.

For 2026, the City has adopted a conservative budgeting approach. Property tax rates have remained relatively unchanged, and utility rates were reviewed to ensure they continue to support infrastructure maintenance and operational costs without exceeding necessary levels. However, the City did budget and implement a 5% increase in utility billing for the 2026 year. The City will continue to monitor costs and adjust if needed to maintain fiscal responsibility and service quality.

Looking ahead, the City will focus on maintaining a balanced budget while addressing key priorities such as infrastructure maintenance, community development, essential services and quality of life impact. The completion of major projects like the new City Hall and 3rd Street improvements will allow the City to shift attention toward planning for future capital needs in a measured and strategic manner.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors/creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Dell Rapids Finance Office, 317 E. 4th Street, Po Box 10, Dell Rapids, SD 57022. 605-340-1670.

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	$ 804,599	$ 1,854,121	$ 2,658,720
Investments	2,368,636	1,653,753	4,022,389
Taxes Receivable	17,971	-	17,971
Accounts Receivable	101,287	360,645	461,932
Special Assessments Receivable	456,592	-	456,592
Leases Receivable	200	163,640	163,840
Due from Other Governments	65,600	-	65,600
Inventory of Supplies	37,381	65,569	102,950
Prepaid Items	53,721	30,062	83,783
Restricted Assets:	-	-	-
Investments	-	1,263,019	1,263,019
Net Pension Asset	(1,022)	4,095	3,073
Capital Assets:			
Land and Construction in Progress	3,530,366	394,083	3,924,449
Other Capital Assets, Net of Depreciation/Amortization	18,495,618	25,877,886	44,373,504
TOTAL ASSETS	25,930,949	31,666,873	57,597,822
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	189,041	103,982	293,023
LIABILITIES:			
Accounts Payable	85,955	113,366	199,321
Other Current Liabilities	66,615	100,448	167,063
Unearned Revenue	14,020	-	14,020
Noncurrent Liabilities:			
Due Within One Year - bonds and compensated absences	132,696	629,158	761,854
Due in More than One Year - bonds and compensated absences	1,926,786	13,324,810	15,251,596
TOTAL LIABILITIES	2,226,072	14,167,782	16,393,854
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	102,263	65,547	167,810
Other Deferred Inflows of Resources	200	163,640	163,840
TOTAL DEFERRED INFLOWS OF RESOURCES	102,463	229,187	331,650
NET POSITION:			
Net Investment in Capital Assets	20,074,685	12,387,499	32,462,184
Restricted For:			
Library	61,783	-	61,783
City Promotion	279,859	-	279,859
Revenue Bond Debt Service	230,380	1,271,670	1,502,050
SDRS Pension Purposes	85,756	42,530	128,286
Unrestricted	3,058,992	3,672,187	6,731,179
TOTAL NET POSITION	$ 23,791,455	$ 17,373,886	$ 41,165,341

City of Dell Rapids, South Dakota
Statement of Activities
Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	$ 1,025,626	$ 1,473	$ -	$ -	$ (1,024,153)	$ -	$ (1,024,153)
Public Safety	497,940	45,825	-	-	(452,115)	-	(452,115)
Public Works	1,241,348	587,362	47,228	910,801	304,043	-	304,043
Health and Welfare	69,014	-	-	-	(69,014)	-	(69,014)
Culture and Recreation	1,024,337	121,180	-	133,150	(770,007)	-	(770,007)
Conservation and Development	356,377	-	-	-	(356,377)	-	(356,377)
Interest on Long-term Debt	56,276	-	-	-	(56,276)	-	(56,276)
Total Governmental Activities	4,270,918	755,840	47,228	1,043,951	(2,423,899)	-	(2,423,899)
Business-type Activities:							
Water	1,268,799	1,051,702	-	-	-	(217,097)	(217,097)
Wastewater	1,735,844	1,272,237	-	-	-	(463,607)	(463,607)
Liquor	1,592,085	1,752,706	-	-	-	160,621	160,621
Total Business-Type Activities	4,596,728	4,076,645	-	-	-	(520,083)	(520,083)
Total Primary Government	$ 8,867,646	$ 4,832,485	$ 47,228	$ 1,043,951	(2,423,899)	(520,083)	(2,943,982)
General Revenues:							
Taxes:							
Property Taxes					1,715,900	-	1,715,900
Sales Taxes					2,187,206	-	2,187,206
State Shared Revenues					93,444	-	93,444
Grants and Contributions not Restricted to Specific Programs					44,882	-	44,882
Unrestricted Investment Earnings					74,440	105,144	179,584
Miscellaneous Revenue					49,540	13	49,553
Transfers					19,992	(19,992)	-
Total General Revenues and Transfers					4,185,404	85,165	4,270,569
Change in Net Position					1,761,505	(434,918)	1,326,587
Net Position - Beginning, as previously reported					21,630,154	17,808,804	39,438,958
Adjustments (Note 11)					399,796		399,796
Net Position - Beginning, as restated					22,029,950	17,808,804	39,838,754
NET POSITION - ENDING					$ 23,791,455	$ 17,373,886	$ 41,165,341

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Assets:			
Cash and Cash Equivalents	$ 352,164	$ 229,745	$ 581,909
Investments	2,202,987	110,409	2,313,396
Taxes Receivable	17,971	-	17,971
Accounts Receivable	101,287	-	101,287
Special Assessments Receivable--Current	53,811	-	53,811
Special Assessments Receivable--Delinquent	2,802	-	2,802
Special Assessments Receivable--Noncurrent	365,715	-	365,715
Interest Receivable--Special Assessments	34,264	-	34,264
Leases Receivable	200	-	200
Due from other Governments	64,112	1,488	65,600
Inventory of Supplies	37,247	134	37,381
Prepaid Items	53,721	-	53,721
TOTAL ASSETS	3,286,281	341,776	3,628,057
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	85,955		85,955
Accrued Interest Payable	6,432	-	6,432
Accrued Wages Payable	45,452	-	45,452
Accrued Taxes Payable	9,616	-	9,616
Amounts Held for Others	2,027	-	2,027
Customer Deposits	3,088	-	3,088
Unearned Revenue	14,020	-	14,020
Total Liabilities	166,590	-	166,590
Deferred Inflows of Resources:			
Unavailable Revenue--Property Taxes	7,721	-	7,721
Unavailable Revenue--Special Assessments	456,082	-	456,082
Other Deferred Inflows of Resources	200	-	200
Total Deferred Inflows of Resources	464,003	-	464,003
Fund Balances:			
Nonspendable	90,968	134	91,102
Restricted	230,380	341,642	572,022
Assigned	191,071	-	191,071
Unassigned	2,143,269	-	2,143,269
Total Fund Balances	2,655,688	341,776	2,997,464
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,286,281	$ 341,776	$ 3,628,057

Total Fund Balances - Governmental Funds	$	2,997,464
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.		(1,022)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		21,388,258
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.		189,041
Long-term liabilities, including bonds payable and compensated absences payable are not due and payables in the current period and therefore are not reported in the funds.		(2,059,482)
Assets such as taxes receivable (delinquent) and special assessment receivables (delinquent and noncurrent) are not available to pay for current period expenditures and therefore are deferred in the funds.		463,803
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.		(102,263)
Internal service funds are used by management to charge the costs of activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		915,656
Net Position - Governmental Activities	$	23,791,455

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes:			
General Property Taxes	$ 1,721,960	$ -	$ 1,721,960
General Sales and Use Taxes	2,103,289	83,916	2,187,205
Penalties and Interest on Delinquent Taxes	2,818	-	2,818
Licenses and Permits	30,067	-	30,067
Intergovernmental Revenue:			
Federal Grants	47,227	-	47,227
State Grants	1,043,951	-	1,043,951
State Shared Revenue:			
Bank Franchise Tax	66,297	-	66,297
Prorate License Fees	3,717	-	3,717
Liquor Tax Reversion (25%)	27,147	-	27,147
Motor Vehicle Licenses	37,276	-	37,276
Local Government Highway and Bridge Fund	55,801	-	55,801
County Shared Revenue:			
County Wheel Tax	6,897	-	6,897
Charges for Goods and Services:			
General Government	1,473	-	1,473
Public Safety	1,430	-	1,430
Sanitation	8,653	-	8,653
Culture and Recreation	110,805	-	110,805
Fines and Forfeits:			
Court Fines and Costs	5,128	-	5,128
Library	-	5,556	5,556
Miscellaneous Revenue:			
Investment Earnings	64,268	5,506	69,774
Rentals	2,200	-	2,200
Special Assessments	184,221	-	184,221
Contributions and Donations from Private Sources	800	600	1,400
Other	50,441	-	50,441
Total Revenue	5,575,866	95,578	5,671,444
Expenditures:			
General Government:			
Legislative	55,037	-	55,037
Executive	356,781	-	356,781
Elections	2,950	-	2,950
Financial Administration	347,563	-	347,563
Other	178,140	-	178,140
Total General Government	940,471	-	940,471
Public Safety:			
Police	336,186	-	336,186
Fire	83,472	-	83,472
Protective Inspection	48,426	-	48,426
Total Public Safety	468,084	-	468,084

	General Fund	Other Governmental Funds	Total Governmental Funds
Public Works:			
Highways and Streets	2,180,753	-	2,180,753
Sanitation	11,817	-	11,817
Transit	20,279	-	20,279
Total Public Works	2,212,849	-	2,212,849
Health and Welfare:			
Health	5,813	-	5,813
Humane Society	8,200	-	8,200
Ambulance	55,000	-	55,000
Total Health and Welfare	69,013	-	69,013
Culture and Recreation:			
Recreation	598,349	-	598,349
Parks	923,718	-	923,718
Libraries	327,185	13,231	340,416
Total Culture and Recreation	1,849,252	13,231	1,862,483
Conservation and Development:			
Economic Development and Assistance	292,161	65,639	357,800
Debt Service	183,865	-	183,865
Total Expenditures	6,015,695	78,870	6,094,565
Excess of Revenues Over (Under) Expenditures	(439,829)	16,708	(423,121)
Other Financing Sources (Uses):			
Transfers In	100,000	-	100,000
Sale of Municipal Property	54,301	28	54,329
Transfers Out	(80,008)	-	(80,008)
Total Other Financing Sources (Uses)	74,293	28	74,321
Net Change in Fund Balances	(365,536)	16,736	(348,800)
Fund Balance - Beginning	3,021,224	325,040	3,346,264
FUND BALANCE- ENDING	$ 2,655,688	$ 341,776	$ 2,997,464

Net Change in Fund Balances - Total Governmental Funds	$ (348,800)
Amounts reported for governmental activities in the Statement of Activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	2,677,308
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(877,291)
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(14,934)
Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	127,589
The fund financial statement governmental fund property tax accruals differ from the government wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	(8,368)
Governmental funds report special assessments and lease receivables as revenue when "available", but the statement of activities includes the full amount of special assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	168,088
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	3,423
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g., accrued interest expense, pension expense)	48,367
Internal service funds are used by management to charge the costs of certain activities, such as insurance to individual funds. The net expense of the internal service funds is reported with governmental activities.	(13,877)
Change in Net Position of Governmental Activities	$ 1,761,505

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	$ 1,735,956	$ 1,735,956	$ 1,721,960	$ (13,996)
General Sales and Use Taxes	1,800,000	1,800,000	2,103,289	303,289
Penalties and Interest on Delinquent Taxes	3,000	3,000	2,818	(182)
Licenses and Permits	32,000	32,000	30,067	(1,933)
Intergovernmental Revenue:				
Federal Grants	600,000	600,000	47,227	(552,773)
State Grants	1,280,500	1,413,650	1,043,951	(369,699)
Bank Franchise Tax	45,000	45,000	66,297	21,297
Prorate License Fees	3,500	3,500	3,717	217
Liquor Tax Reversion (25%)	27,000	27,000	27,147	147
Motor Vehicle Licenses	34,000	34,000	37,276	3,276
Local Government Highway and Bridge Fund	52,000	52,000	55,801	3,801
County Wheel Tax	6,200	6,200	6,897	697
Charges for Goods and Services:				
General Government	800	800	1,473	673
Public Safety	2,000	2,000	1,430	(570)
Sanitation	6,500	6,500	8,653	2,153
Culture and Recreation	133,300	133,300	110,805	(22,495)
Fines and Forfeits:				
Court Fines and Costs	-	-	5,128	5,128
Parking Meter Fines	2,100	2,100	-	(2,100)
Other	-	-	-	-
Miscellaneous Revenue:				
Investment Earnings	50,000	50,000	64,268	14,268
Rentals	2,400	2,400	2,200	(200)
Special Assessments	45,000	45,000	184,221	139,221
Contributions and Donations from Private Sources	100,000	100,000	800	(99,200)
Other	35,200	35,200	50,441	15,241
Total Revenue	5,996,456	6,129,606	5,575,866	(553,740)

Expenditures:				
General Government:				
Legislative	70,300	70,300	55,037	15,263
Contingency	48,300	48,300	-	48,300
Executive	394,325	394,325	356,781	37,544
Elections	3,500	3,500	2,950	550
Financial Administration	354,350	354,350	347,563	6,787
Other	188,000	188,000	178,140	9,860
Total General Government	1,058,775	1,058,775	940,471	118,304
Public Safety:				
Police	336,186	336,186	336,186	-
Fire	87,437	87,437	83,472	3,965
Protective Inspection	98,450	98,450	48,426	50,024
Total Public Safety	522,073	522,073	468,084	53,989
Public Works:				
Highways and Streets	2,745,591	2,745,591	2,180,753	564,838
Sanitation	21,830	21,830	11,817	10,013
Transit	30,000	30,000	20,279	9,721
Total Public Works	2,797,421	2,797,421	2,212,849	584,572
Health and Welfare:				
Health	12,275	12,275	5,813	6,462
Humane Society	8,150	8,150	8,200	(50)
Ambulance	55,000	55,000	55,000	-
Total Health and Welfare	75,425	75,425	69,013	6,412
Culture and Recreation:				
Recreation	1,152,750	1,152,750	598,349	554,401
Parks	652,550	1,022,550	923,718	98,832
Libraries	367,350	367,350	327,185	40,165
Total Culture and Recreation	2,172,650	2,542,650	1,849,252	693,398
Conservation and Development:				
Economic Development and Assistance	334,750	334,750	292,161	42,589
Debt Service	210,000	210,000	183,865	26,135
Total Expenditures	7,171,094	7,541,094	6,015,695	1,525,399
Excess of Revenues Over (Under) Expenditures	(1,174,638)	(1,411,488)	(439,829)	971,659
Other Financing Sources (Uses):				
Transfers In	1,254,646	1,254,646	100,000	(1,154,646)
Sale of Municipal Property	-	-	54,301	54,301
Transfers Out	(80,008)	(80,008)	(80,008)	-
Total Other Financing Sources (Uses)	1,174,638	1,174,638	74,293	(1,100,345)
Net Change in Fund Balances	-	(236,850)	(365,536)	(128,686)
Fund Balance - Beginning	3,021,224	3,021,224	3,021,224	-
FUND BALANCE - ENDING	$ 3,021,224	$ 2,784,374	$ 2,655,688	$ (128,686)

	Enterprise Funds				
	Water Fund	Wastewater Fund	Liquor Fund	Totals	Internal Service Funds
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	$ 705,773	$ 983,639	$ 164,709	$ 1,854,121	$ 222,690
Investments	569,752	873,223	210,778	1,653,753	55,240
Accounts Receivable, Net	69,306	98,408	159,474	327,188	-
Unbilled Revenue	14,835	18,622	-	33,457	-
Leases Receivable	62,292	-	9,000	71,292	-
Inventory of Supplies	58,831	6,738	-	65,569	-
Prepaid Items	11,080	15,119	3,863	30,062	-
Total Current Assets	1,491,869	1,995,749	547,824	4,035,442	277,930
Noncurrent Assets:					
Restricted Investments	432,347	830,672	-	1,263,019	-
Lease Receivable - Non Current	92,348	-	-	92,348	-
Net Pension Asset	2,043	2,052	-	4,095	-
Capital Assets:					
Land	45,128	37,029	3,000	85,157	-
Buildings	2,625,463	8,636,423	218,785	11,480,671	-
Improvements Other Than Buildings	7,685,820	15,694,994	-	23,380,814	-
Furnishings and Equipment	539,377	140,791	79,288	759,456	1,774,900
Construction in Progress	86,157	222,769	-	308,926	-
Less: Accumulated Depreciation	(3,501,796)	(6,059,394)	(181,865)	(9,743,055)	(1,137,174)
Intangible Assets	300,000	-	-	300,000	-
Less: Accumulated Amortization	(300,000)	-	-	(300,000)	-
Total Noncurrent Assets	8,006,887	19,505,336	119,208	27,631,431	637,726
TOTAL ASSETS	9,498,756	21,501,085	667,032	31,666,873	915,656
DEFERRED OUTFLOWS OF RESOURCES:					
Pension Related Deferred Outflows	49,945	54,037	-	103,982	-
LIABILITIES:					
Current Liabilities:					
Accounts Payable	32,997	32,457	47,912	113,366	-
Accrued Interest Payable	27,790	36,649	-	64,439	-
Accrued Wages Payable	8,569	10,205	-	18,774	-
Accrued Taxes Payable	2,010	2,307	-	4,317	-
Amounts Held for Others	653	920	-	1,573	-
Customer Deposits	11,345	-	-	11,345	-
Bonds Payable:					
Revenue	196,462	432,696	-	629,158	-
Total Current Liabilities	279,826	515,234	47,912	842,972	-
Noncurrent Liabilities:					
Bonds Payable:					
Revenue	5,165,242	8,090,069	-	13,255,311	-
Compensated Absences Payable	27,828	41,671	-	69,499	-
Total Noncurrent Liabilities	5,193,070	8,131,740	-	13,324,810	-
TOTAL LIABILITIES	5,472,896	8,646,974	47,912	14,167,782	-
DEFERRED INFLOWS OF RESOURCES:					
Other Deferred Inflows of Resources	154,640	-	9,000	163,640	-
Pension Related Deferred Inflows	32,003	33,544	-	65,547	-
TOTAL DEFERRED INFLOWS OF RESOURCES	186,643	33,544	9,000	229,187	-
NET POSITION:					
Net Investment in Capital Assets	2,118,444	10,149,847	119,208	12,387,499	637,726
Restricted For:					
Revenue Bond Debt Service	417,669	854,001	-	1,271,670	-
Equipment Repair and/or Replacement	-	-	-	-	277,930
SDRS Pension Purposes	19,985	22,545	-	42,530	-
Unrestricted	1,333,064	1,848,211	490,912	3,672,187	-
TOTAL NET POSITION	$ 3,889,162	$ 12,874,604	$ 610,120	$ 17,373,886	$ 915,656

	Enterprise Funds				
	Water Fund	Wastewater Fund	Liquor Fund	Totals	Internal Service Funds
Operating Revenue:					
Surcharge as Security for Debt	$ 350,634	$ 544,508	$ -	$ 895,142	$ -
Charges for Goods and Services	641,426	727,729	1,662,938	3,032,093	120,000
Lottery Sales	-	-	71,768	71,768	-
Miscellaneous	13	-	-	13	-
Total Operating Revenue	992,073	1,272,237	1,734,706	3,999,016	120,000
Operating Expenses:					
Personnel Services	168,833	266,603	-	435,436	-
Other Current Expense	235,490	303,231	19,182	557,903	8,890
Materials (Cost of Goods Sold)	332,458	-	1,560,673	1,893,131	-
Depreciation	374,311	972,806	12,230	1,359,347	129,652
Total Operating Expenses	1,111,092	1,542,640	1,592,085	4,245,817	138,542
Operating Income (Loss)	(119,019)	(270,403)	142,621	(246,801)	(18,542)
Nonoperating Revenue (Expense):					
Investment Earnings	36,457	57,681	11,006	105,144	4,665
Rental Revenue	59,642	-	18,000	77,642	-
Interest Expense	(157,707)	(193,018)	-	(350,725)	-
Gain (Loss) on Disposition of Assets	-	(186)	-	(186)	-
Total Nonoperating Revenue (Expense)	(61,608)	(135,523)	29,006	(168,125)	4,665
Income (Loss) Before Transfers	(180,627)	(405,926)	171,627	(414,926)	(13,877)
Transfers In	-	80,008	-	80,008	-
Transfers Out	-	-	(100,000)	(100,000)	-
Change in Net Position	(180,627)	(325,918)	71,627	(434,918)	(13,877)
Net Position - Beginning	4,069,789	13,200,522	538,493	17,808,804	929,533
NET POSITION - ENDING	$ 3,889,162	$ 12,874,604	$ 610,120	$ 17,373,886	$ 915,656

City of Dell Rapids, South Dakota
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2025

	Enterprise Funds				Internal
	Water	Wastewater	Liquor	Total	Service
Operating Activities					
Receipts from customers and users	$ 975,953	$ 1,297,029	$ 1,763,704	$ 4,036,686	$ -
Receipts for interfund services provided	-	-	-	-	120,000
Payments to employees and other vendors	(793,980)	(603,390)	(1,678,466)	(3,075,836)	(8,890)
Net cash from operating activities	181,973	693,639	85,238	960,850	111,110
Non-Capital Financing Activities					
Transfer to/from other funds	-	80,008	(100,000)	(19,992)	-
Capital and Related Financing Activities					
Purchase of capital assets	(68,382)	(151,190)	(45,779)	(265,351)	(249,706)
Payments on long-term debt					
Principal	(174,497)	(390,429)	-	(564,926)	-
Interest	(154,742)	(190,519)	-	(345,261)	-
Net cash used for capital and related financing activities	(397,621)	(732,138)	(45,779)	(1,175,538)	(249,706)
Investing Activity					
Purchase of investments	(847,291)	(1,703,314)	(201,778)	(2,752,383)	(55,240)
Interest earnings	36,457	57,681	11,006	105,144	4,665
Net cash from investing activities	(810,834)	(1,645,633)	(190,772)	(2,647,239)	(50,575)
Change in Cash and Cash Equivalents	(1,026,482)	(1,604,124)	(251,313)	(2,881,919)	(189,171)
Cash and Cash Equivalents - Beginning of Year	1,732,255	2,587,763	416,022	4,736,040	411,861
Cash and Cash Equivalents - End of Year	$ 705,773	$ 983,639	$ 164,709	$ 1,854,121	$ 222,690

	Enterprise Funds				Internal
	Water	Wastewater	Liquor	Total	Service
Reconciliation of Operating Income					
to Net Cash from Operating Activities					
Operating income (loss)	$ (119,019)	$ (270,403)	$ 142,621	$ (246,801)	$ (18,542)
Adjustments to reconcile operating					
income (loss) to net cash from					
operating activities					
Depreciation expense	374,311	972,806	12,230	1,359,347	129,652
Other income (expense)	59,642	-	18,000	77,642	-
Changes in assets and liabilities					
Accounts receivable	5,958	8,946	1,998	16,902	-
Unbilled revenue	8,784	14,120	-	22,904	-
Lease receivable	(90,504)	1,726	9,000	(79,778)	-
Inventory of supplies	15,757	8,435	-	24,192	-
Prepaid items	(1,848)	(2,315)	(592)	(4,755)	-
Net pension asset	(199)	(326)	-	(525)	-
Pension related deferred outflow of resources	(8,136)	(13,292)	-	(21,428)	-
Accounts payable	(8,428)	(35,942)	(80,019)	(124,389)	-
Accrued wages payable	2,259	84	-	2,343	-
Amounts held for others	313	920	-	1,233	-
Customer deposits	150	(696)	-	(546)	-
Lease related deferred inflow of resources	(62,292)	-	(18,000)	(80,292)	-
Pension related deferred inflow of resources	1,396	2,281	-	3,677	-
Compensated absences payable	3,829	7,295	-	11,124	-
Net cash from					
operating activities	$ 181,973	$ 693,639	$ 85,238	$ 960,850	$ 111,110

Note 1 - Summary of Significant Accounting Procedures

Financial Reporting Entity

The reporting entity of the Municipality of Dell Rapids, South Dakota ("the City") consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The City's financial statements include all funds for which the City is financially accountable.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. able to impose its will on that organization or

2. there is potential for the organization to provide specific financial benefits to, or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

Based on this criteria, there are no component units of the City requiring either a blended or discrete presentation.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of the government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund and internal service fund activity has been removed from these statements. Exceptions to this general rule are charges between the City's enterprise funds and governmental and internal service funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are prepared for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund 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 the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, special assessments, intergovernmental revenue, permits, charges for services and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in 60 days. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

General Fund – The general fund is the general operating fund of the City. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.

The City reports the following major proprietary funds:

Water Fund – This fund is used to account for the provision of water services to the City's residents and businesses.

Wastewater Fund – This fund is used to account for the provision of sewer services to the City's residents and businesses.

Liquor Fund – This fund is used to account for the sales and expenses of operating an on and off-sale liquor store. The City has entered into an operating lease agreement allowing the operator to operate an on-sale bar and an off-sale liquor store on the real property owned by the City. The City owns lottery machines maintained in the establishment. The lessee purchases all liquor from the City at cost plus ten percent. The operator pays the City $18,000 per year for the rent of the building and 65% of the video lottery profits.

The City reports the following other fund:

Internal Service Fund – This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary governments, or to other governments, on a cost-reimbursement basis. The particular types of goods or services provided to other funds consist of equipment purchases. Internal service funds are never considered to be major funds. The Equipment Replacement Fund is the only internal Service fund maintained by the City.

Amounts reported as program revenues include the following: amounts received from those who purchase, use, or directly benefit from a program; amounts received from parties outside the City that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Other Significant Accounting Policies

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.
7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States (U.S. GAAP).

Cash and Cash Equivalents and Investments

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

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

Restricted cash is displayed on the statement of net position for various enterprise funds. Cash is set aside to fulfill revenue bond requirements outlined in the applicable bond documents.

Receivables and Payables

Receivables are carried at invoice amount less an estimate made for uncollectible accounts. Management determines the allowance for uncollectible accounts by using historical experience and review of individual customer accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Accounts receivables of the City are considered to be fully collectible and, therefore, an allowance for uncollectible accounts is not provided.

All outstanding balances between funds are reported as “due to/from other funds” (current portion) or “advances to/from other funds” (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Lease Receivables

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

Inventory of Supplies

The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. Inventories in the liquor fund are presented at lower of cost or net realizable value, using first in/first out (FIFO) method.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2025, are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and are recorded as an expense or expenditure at the time of consumption.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with initial useful lives extending beyond a single reporting period and costs exceeding the thresholds detailed in the table below. Such assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are recorded at acquisition value at the date of donation. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend the useful life of a capital asset are also capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	All	N/A	N/A
Improvements other than buildings	$ 15,000	Straight-line	20 years
Water/sewer lines	$ 25,000	Straight-line	50 years
Roads	$ 50,000	Straight-line	15-75 years
Other improvements	$ 10,000	Straight-line	15-50 years
Buildings	$ 50,000	Straight-line	50 years
Machinery and equipment	$ 5,000	Straight-line	5-20 years

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows/inflows of resources, and pension revenue/expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension assets are recognized on an accrual basis of accounting.

Deferred Inflows and Outflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has four types of items that qualify for reporting in this category. The City reports unavailable revenues from special assessments and unavailable revenues from property taxes on the governmental funds balance sheet. These amounts are deferred and recognized as an outflow of resources in the period that the amounts became available. In addition, amounts due for lease receivables that are unavailable are reported as deferred inflows on the government-wide statement of net position. The other item is changes in the net pension liability/(asset) not included in pension expense reported in the government-wide statement of net position.

Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Fund Balance

The following classifications describe the relative strength of spending constraints:

Nonspendable Fund Balance – amounts that are not in spendable form (such as inventory and prepaid expenses) or are required to be maintained intact such as the South Dakota Public Assurance Alliance Cumulative Reserve Fund.

Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or Finance Officer.

Unassigned Fund Balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

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

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Property Taxes

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

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

Unearned revenue

The City receives grant funding from the federal and state government in advance of incurring expenditures. The amount that is not spent in the fiscal year is reported as unearned revenue. The grant funding will be spent in the subsequent fiscal year for various projects throughout the City.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on change in fund balance/net position or fund balance/net position.

Subsequent Events

The City has evaluated subsequent events through September 3, 2026, the date which the financial statements were available to be issued.

Note 2 - Deposits and Investments

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

Deposits

The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC or NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type. It is the City's policy to deposit all interest revenue to the fund making the investment.

The actual bank balances at December 31, 2025, were as follows:

	Bank Balance
Insured (FDIC/NCUA)	$ 500,000
Uninsured, collateral jointly held by state/Municipality's agent in the name of the state and institution	7,633,399
Total Deposits	$ 8,133,399

The carrying amount of deposits on the December 31, 2025, government-wide statement of net position was $7,944,127. The reconciliation of deposits to government-wide statement of net position is as follows:

Cash and cash equivalents, carrying amount	$ 7,944,128
Less petty cash	(550)
Less lottery cash	(10,000)
Add outstanding transactions (net)	199,821
	$ 8,133,399

Investments

In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SCDL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited into a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. There were no investments as of December 31, 2025. The investments reported in the financial statements consist of only certificates of deposit.

Credit Risk

State law limits eligible investments for the City, as discussed above. The City has an investment policy that would further limit its investment choices.

Custodial Credit Risk - Deposits

The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City will minimize credit risk by limiting the portfolio to the types of investments that are authorized and suitable to diminish the impact of potential losses from any one type of investment or from any one issuer. As of December 31, 2025, the City's deposits in financial institutions were fully insured or collateralized and were not exposed to custodial credit risk.

Custodial Credit Risk – Investments

The risk that, in the event of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of December 31, 2025, investments include certificate of deposits.

Concentration of Credit Risk

The City requires Qualified Public Depositories to furnish collateral in the sum equal to one hundred percent (100%) of the public deposit accounts that exceed deposit insurance. The financial institution shall submit a copy of their collateralization report to the Finance Officer.

Interest Rate Risk

The City strives to maintain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is secondary compared to the safety and liquidity objectives.

Assignment of Investment Income

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

Note 3 - Capital Assets

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,699,294	$ -	$ -	$ 1,699,294
Construction in progress	1,239,662	1,555,968	964,558	1,831,072
Total capital assets not being depreciated	2,938,956	1,555,968	964,558	3,530,366
Capital assets, being depreciated				
Buildings and structures	8,754,766	1,497,835	26,684	10,225,917
Improvements other than buildings	13,632,126	533,869	-	14,165,995
Machinery and equipment	2,955,296	303,898	130,885	3,128,309
Total capital assets being depreciated	25,342,188	2,335,602	157,569	27,520,221
Less accumulated depreciation for				
Buildings and structures	2,055,642	156,258	15,121	2,196,779
Improvements other than buildings	4,287,613	605,657	-	4,893,270
Machinery and equipment	1,820,224	245,028	130,698	1,934,554
Total accumulated depreciation	8,163,479	1,006,943	145,819	9,024,603
Governmental activities capital assets, net	$ 20,117,665	$ 2,884,627	$ 976,308	$ 22,025,984

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	$ 85,157	$ -	$ -	$ 85,157
Construction in progress	123,363	185,563		308,926
Total capital assets not being depreciated	208,520	185,563	-	394,083
Capital assets, being depreciated/amortized				
Buildings and structures	11,448,562	32,109	-	11,480,671
Improvements other than buildings	23,380,814	-	-	23,380,814
Intangible assets	300,000	-	-	300,000
Machinery and equipment	733,280	47,677	21,501	759,456
Total capital assets being depreciated/amortized	35,862,656	79,786	21,501	35,920,941
Less accumulated depreciation/amortization for				
Buildings and structures	4,579,822	413,474	-	4,993,296
Improvements other than buildings	3,384,670	904,045	-	4,288,715
Intangible assets	288,000	12,000	-	300,000
Machinery and equipment	452,531	29,828	21,315	461,044
Total accumulated depreciation/amortization	8,705,023	1,359,347	21,315	10,043,055
Business-type activities capital assets, net	$ 27,366,153	$ (1,093,998)	$ 186	$ 26,271,969

Depreciation/amortization expense was charged to functions/programs of the government as follows:

Governmental activities		
General government	$	193,470
Public safety		78,163
Public works		605,658
Culture and recreation		129,652
Total depreciation expense - governmental activities	$	1,006,943
Business-type activities		
Water	$	374,311
Sewer		972,806
Liquor		12,230
Total depreciation/amortization expense - business-type activities	$	1,359,347

Construction work in progress at December 31, 2025, is comprised of the following:

Project name		Project Authorization		Expended through December 31, 2025
City Park Road Phase 2	$	10,000	$	9,390
3rd Street Bridge		1,734,841		1,420,804
Sioux River Red Rock Trail		996,000		383,533
Western Utilities		4,800,000		107,970
Orelans Ave.		4,900,000		218,301
	$	12,440,841	$	2,139,998

Note 4 - Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2025:

Indebtedness	Beginning Balance	Additions	Deletions	Debt Ending Balance	Due Within One Year
Governmental Activities:					
Sales Tax Revenue Bond - TIF #3	$ 279,586	$ -	$ 20,750	$ 258,836	$ 111,330
Sales Tax Revenue Bond - CH	1,799,302	-	106,839	1,692,463	21,366
Accrued Compensated Absences-Governmental Funds*	110,765	-	2,582	108,183	-
Total Governmental Activity	2,189,653	-	130,171	2,059,482	132,696
Business-Type Activities:					
SRF 2003 Drinking Water	10,686	-	10,686	-	-
SRF 2006 Drinking Water	23,917	-	10,414	13,503	10,757
SRF 2007 Clean Water	286,398	-	63,887	222,511	65,989
SRF 2009 Clean Water	325,079	-	54,884	270,195	56,689
SRF 2011 Drinking Water	202,619	-	22,758	179,861	23,449
SRF 2013 Drinking Water	366,558	-	31,025	335,533	31,966
SRF 2013 Clean Water	358,900	-	30,376	328,524	31,298
SRF 2014 Clean Water	591,531	-	62,966	528,565	64,877
SRF 2016 Drinking Water	615,508	-	17,500	598,008	18,076
SRF 2017 Clean Water	1,740,783	-	47,326	1,693,457	48,883
SRF 2019 Drinking Water	2,051,742	-	54,632	1,997,110	56,010
SRF 2019 Clean Water Series A	2,093,254	-	64,104	2,029,150	65,071
SRF 2019 Clean Water Series NPS	314,756	-	9,639	305,117	9,784
SRF 2021 Drinking Water	713,201	-	18,204	694,997	18,594
SRF 2021 Clean Water Series A	1,555,593	-	44,436	1,511,157	45,050
SRF 2021 Clean Water Series NPS	189,764	-	2,979	186,785	5,392
SRF 2022 Drinking Water	1,551,974	-	9,279	1,542,695	37,611
SRF 2022 Clean Water Series A	1,457,132	-	9,831	1,447,301	39,662
Total Debt	14,449,395	-	564,926	13,884,469	629,158
Accrued Compensated Absences-Business-Type Funds*	58,375	11,124	-	69,499	-
Total Business-Type Activities	14,507,770	11,124	564,926	13,953,968	629,158
Total Primary Government	$ 16,697,423	$ 11,124	$ 695,097	$ 16,013,450	$ 761,854

*The roll-forward schedules only report the net change in compensated absences.

Long-term obligations currently outstanding are as follows:

State Revolving Fund (SRF) Loan 2006 Drinking Water: Note dated March 31, 2006 including an interest rate of 3.25% per annum and a maturity date of January 15, 2027. Principal payments to be made by Water Fund.	$	13,503
State Revolving Fund (SRF) Loan 2007 Clean Water: Note dated December 2, 2008 including an interest rate of 3.25% per annum and a maturity date of January 15, 2029. Principal payments to be made by Wastewater Fund.		222,511
State Revolving Fund (SRF) Loan 2009 Clean Water Note dated January 15, 2010 with a maturity date of January 15, 2030 and an interest rate of 3.25% per annum. Principal payments to be made by the Wastewater Fund.		270,195
State Revolving Fund (SRF) Loan 2011 Drinking Water Note dated April 15, 2011 with a maturity date of January 15, 2031 and an interest rate of 3.00% per annum. Principal payments to be made by the Water Fund.		179,861
State Revolving Fund (SRF) Loan 2013 Drinking Water Note dated October 18, 2013 with a maturity date of January 15, 2035 and an interest rate of 3.00% per annum. Principal payments to be made by the Water Fund.		335,533
State Revolving Fund (SRF) Loan 2013 Clean Water Note dated October 18, 2013 with a maturity date of January 15, 2035 and an interest rate of 3.00% per annum. Principal payments to be made by the Wastewater Fund.		328,524
State Revolving Fund (SRF) Loan 2014 Clean Water Note dated April 7, 2014 with payments starting on January 15, 2016, a maturity date of April 15, 2033, and an interest rate of 3.00% per annum. Principal payments to be made by the Wastewater Fund.		528,565
State Revolving Fund (SRF) Loan 2016 Drinking Water Note dated August 10, 2016 with payments starting on July 15, 2018, a maturity date of July 15, 2048, and an interest rate of 3.25% per annum. Principal payments to be made by the Water Fund.		598,008
State Revolving Fund (SRF) Loan 2017 Clean Water Note dated February 1, 2017 with payments starting on April 15, 2019, a maturity date of January 15, 2049, and an interest rate of 3.25% per annum. Principal payments to be made by the Wastewater Fund.		1,693,457
State Revolving Fund (SRF) Loan 2019 Drinking Water Note dated May 15, 2019 with payments starting on July 15, 2021, a maturity date of July 15, 2051, and an interest rate of 2.50% per annum. Principal payments to be made by the Water Fund.		1,997,110
State Revolving Fund (SRF) Loan 2019 Clean Water - Series A Note dated May 15, 2019 with payments starting on July 15, 2021, a maturity date of July 15, 2051, and an interest rate of 1.50% per annum. Principal payments to be made by the Wastewater Fund.		2,029,150

State Revolving Fund (SRF) Loan 2019 Clean Water Note dated May 15, 2019 with payments starting on July 15, 2021, a maturity date of July 15, 2051, and an interest rate of 1.50% per annum. Principal payments to be made by the Wastewater Fund.	305,117
State Revolving Fund (SRF) Loan 2021 Drinking Water Note dated April 16, 2021 with payments starting on July 15, 2023, a maturity date of July 15, 2053, and an interest rate of 2.125% per annum. Principal payments to be made by the Water Fund.	694,997
State Revolving Fund (SRF) Loan 2021 Clean Water - Series A Note dated April 16, 2021 with payments starting on July 15, 2023, a maturity date of July 15, 2053, and an interest rate of 1.375% per annum. Principal payments to be made by the Wastewater Fund.	1,511,157
State Revolving Fund (SRF) Loan 2021 Clean Water - Series NPS Note dated April 16, 2021 with payments starting on July 15, 2023, a maturity date of July 15, 2053, and an interest rate of 1.375% per annum. Principal payments to be made by the Wastewater Fund.	186,785
State Revolving Fund (SRF) Loan 2022 Drinking Water Note dated May 5, 2023 with payments starting on July 15, 2025, a maturity date of July 15, 2055, and an interest rate of 2.125% per annum. Principal payments to be made by the Water Fund.	1,542,695
State Revolving Fund (SRF) Loan 2022 Clean Water - Series A Note dated May 5, 2023 with payments starting on July 15, 2025, a maturity date of July 15, 2055, and an interest rate of 1.375% per annum. Principal payments to be made by the Wastewater Fund.	1,447,301
Sales Tax Revenue Bond 2016 General Fund Note dated July 6, 2016 with payments starting on June 1, 2018, a maturity date of June 1, 2036, and an interest rate of 2.95% per annum. Principal payments to be made by the General Fund.	258,836
Sales Tax Revenue Bond 2022 General Fund Note dated November 30, 2022 with payments starting on June 1, 2023, a maturity date of December 1, 2037, and an interest rate of 4.16% per annum. Principal payments to be made by the General Fund.	1,692,463
Compensated Absences: Accrued vacation and sick leave payable from the General Fund and Enterprise Funds.	177,682

The annual requirements to amortize all bonded debt and financed purchases outstanding as of December 31, 2025, are as follows:

Years Ending December 31, 2025	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	$ 132,696	$ 76,740	$ 629,158	$ 299,536
2027	138,011	71,425	636,976	283,493
2028	143,541	65,895	650,470	267,308
2029	149,295	60,141	612,466	251,072
2030	155,283	54,153	576,780	236,339
2031-2035	875,105	151,717	2,559,062	989,446
2036-2040	357,368	18,237	2,214,040	737,566
2041-2045	-	-	2,464,118	487,645
2046-2050	-	-	2,501,162	216,756
2051-2055	-	-	1,040,237	35,374
Total	$ 1,951,299	$ 498,308	$ 13,884,469	$ 3,804,535

Note 5 - Interfund Transfers

Transfers

The City had the following transfers during the year ended December 31, 2025.

	Transfer Out			
	General Fund	Federal Grant Special Revenue Fund	Liquor Fund	Totals
Transfer In				
General Fund	$ -	$ -	$ 100,000	$ 100,000
Wastewater Fund	80,008	-	-	80,008
Total	$ 80,008	$ -	$ 100,000	$ 180,008

The $80,008 transfer from the general fund to the wastewater fund is for sales tax revenue used to pay off clean water drinking bonds. The $100,000 transfer from the liquor fund to the general fund is for lottery income proceeds.

Note 6 - Multiple Employer Defined Benefit Plan – Public Employees Retirement Association

A. Plan Description

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. Authority for establishing, administering, and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at http://sdrs.sd.gov/publications.aspx or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

B. Benefits Provided

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

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

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

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

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

Legislation enacted in 2021 reduced the minimum COLA from .5 percent to 0.0 percent.

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

C. Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2025, 2024, and 2023, equal to required contributions each year, were $67,539, $59,632, and $42,595, respectively.

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

At June 30, 2025, SDRS is 100.10% funded and accordingly has a net pension asset. The proportionate share of the components of the net pension asset of the South Dakota Retirement System, for the City of Dell Rapids as of the measurement period ending June 30, 2025 and reported by the City as of December 31, 2025 are as follows

Proportionate share of total pension liability	$	5,515,900
Less proportionate share of net position restricted for pension benefits	$	5,518,973
Proportionate share of net pension asset	$	(3,073)

At December 31, 2025, the City reported an asset of $(3,073) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2025, and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2025, the City's proportion was 0.0361390%, which is an increase of 0.0058920% from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025, the City recognized a reduction of pension expense of $61,391. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	$ 105,234	$ -
Changes in assumption	-	163,154
Net difference between projected and actual earnings on pension plan investments	149,759	-
Changes in proportion and difference between City contributions and proportionate share of contributions	3,911	4,656
City contributions subsequent to the measurement date	34,119	-
TOTAL	$ 293,023	$ 167,810

$34,119 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31	Amount
2026	$ 72,426
2027	7,199
2028	3,616
2029	7,853
	$ 91,094

E. Actuarial Assumptions

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

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

Mortality rates were based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2021. Active and Terminated Vested Members: Teachers, Certified Regents, and Judicial: PubT-2010, Other Class A Members: PubG-2010, and Public Safety Members: PubS-2010. Retired Members: Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65, Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above. Public Safety Retirees: PubS-2010, 102% of rates at all ages. Beneficiaries: PubG-2010 contingent survivor mortality table. Disabled Members: Public Safety: PubS-2010 disabled member mortality table, Others: PubG-2010 disabled member mortality table.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.8%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.9%
Real Estate	12.0%	4.0%
Cash	1.9%	0.8%
Total	100%	

F. Discount Rate

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

H. Pension Liability (Asset) Sensitivity

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset)	$ 753,293	$ (3,073)	$ (622,719)

I. Pension Plan Fiduciary Net Position

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

Note 7 - Litigation, Claims, and Disputes

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. There were no significant legal actions outstanding as of December 31, 2025.

Note 8 - Tax Abatements

The City of Dell Rapids has created tax increment districts under the authority granted by South Dakota Codified Law section 11-9. The tax increment districts were created to stimulate and develop the general economic welfare and prosperity of the City through the promotion and advancement of industrial, commercial, manufacturing, agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all the other real property in the tax increment district.

The county, city, and other local general property taxes levied on all taxable property within a tax increment district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the tax increment district. The tax increments are allocated until all cost of the tax increment district project has been repaid; however, it cannot exceed 20 years.

The City of Dell Rapids has one active tax increment district. Because the general property taxes on tax increment districts are allocated to the districts, the taxes are not available to the City of Dell Rapids during the life of the tax increment district.

The amount of property taxes collected from the tax increment that were not available to the City of Dell Rapids during the calendar year ended December 31, 2025, was $2,228.

Note 9 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2025, the City managed its risks as follows:

Employee Health Insurance

The City joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operation as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes an unlimited lifetime maximum payment per person.

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

Liability Insurance

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program from South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Member's Annual Operating Contribution, to provide liability coverage detailed below, under a claims-paid policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, auto liability, property damage, and wrongful acts.

The City carries a $500 deductible for wrongful acts coverage and $500 deductible on a per item basis for building, contents, and equipment coverage.

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

Worker's Compensation

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first $650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of $2,000,000 per incident.

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

Unemployment Benefits

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Note 10 - Leases

In prior years, the City entered into a building rental agreement and various tower lease agreements as the lessor. As of December 31, 2025, the value of the lease receivable was $163,840. The City receives varying monthly principal and interest payments ranging from $200 to $2,650. The leases have an interest rate of 1.75% - 2.00%. The future lease revenue and interest lease revenue as of December 31, 2025, were as follows:

Years Ending December 31,	Lease Revenue	Interest Revenue
2026	$ 71,492	$ 2,239
2027	51,692	1,169
2028	30,492	522
2029	10,164	225
Total	$ 163,840	$ 4,155

The City recognized $80,492 in lease revenue and $0 in interest revenue during the year ended December 31, 2025. The City has a deferred inflow of resources associated with these leases that will be recognized over the lease term. As of December 31, 2025, the balance of the deferred inflow of resources related to leases is $163,840.

Note 11 - Restatement

Correction of an Error

As of January 1, 2025, the City has restated the Governmental Activities net position to correct an error that resulted in an understatement of prior year construction in progress. The correction of this error resulted in an increase in change in net position of $399,796 for the year ended December 31, 2024.

	January 1, 2025, As Previously Report	Correction of an Error	January 1, 2025, As Restated
Government-Wide			
Governmental Activities	$ 21,630,154	$ 399,796	$ 22,029,950

Note 12 - Subsequent Events

The City has evaluated subsequent events through September 3, 2026, the date the financial statements were available to be issued. The City paid off the following revenue bonds in full:

- SRF 2006 Drinking Water Revenue Bond: $13,503
- SRF 2007 Clean Water Revenue Bond: $222,511
- SRF 2009 Clean Water Revenue Bond: $270,195
- SRF 2011 Drinking Water Revenue Bond: $179,861
- SRF 2013 Clean Water Revenue Bond: $328,524

Required Supplementary Information
December 31, 2025

City of Dell Rapids, South Dakota

Schedule of Employer's Proportionate Share of Net Pension Liability
Last 10 Fiscal Years *

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability/asset	0.0361390%	0.0302470%	0.0297090%	0.0350060%	0.0347070%	0.0344012%	0.0326047%	0.0324610%	0.0312770%	0.0312043%
City's proportionate share of net pension liability (asset)	(3,073)	(1,224)	(2,900)	(3,308)	(265,796)	(1,494)	(3,455)	(757)	(2,838)	105,405
City's covered payroll	1,075,246	848,580	718,822	826,330	787,619	755,005	694,856	673,848	629,129	593,344
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.29%	0.14%	0.40%	0.40%	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	100.10%	100.10%	100.10%	105.52%	100.04%	100.09%	100.02%	100.1%	96.89%

Schedule of Employer's Contributions
Last 10 Fiscal Years *

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 67,539	$ 59,632	$ 42,595	$ 47,788	$ 48,407	$ 46,297	$ 44,386	$ 40,224	$ 37,867	$ 36,358
Contributions in relation to the contractually required contribution	$ 67,539	$ 59,632	$ 42,595	47,788	48,407	46,297	44,386	40,224	37,867	36,358
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	$ 1,136,090	$ 993,876	$ 709,921	$ 801,045	$ 806,788	$ 771,625	$ 739,760	$ 672,122	$ 630,035	$ 606,897
Contributions as a percentage of covered payroll	5.94%	6.00%	6.00%	5.97%	6.00%	6.00%	6.00%	5.98%	6.01%	5.99%

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Method Changes

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

Actuarial Assumption Changes

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

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

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

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

Additional Reports
December 31, 2025

City of Dell Rapids, South Dakota

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*

To the City Council
City of Dell Rapids
Dell Rapids, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dell Rapids (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 3, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as the 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2025-001 and 2025-002 that we consider to be material weaknesses.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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.*

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
September 3, 2026

Section I – Financial Statement Findings

2025-001 Segregation of Duties
Material Weakness

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

Condition – The City has a lack of segregation of duties surrounding review of bank reconciliations, year-end account reconciliations for all financial statement areas, and review and approval of manual journal entries due to a limited staff.

Cause – There is a limited amount of office employees.

Effect – Inadequate segregation of duties could adversely affect the City's ability to detect misstatements in amounts that would-be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation – While we recognize that your staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding. Management is actively implementing procedures to improve segregation of duties. These changes are expected to remediate the finding going forward.

2025-002 Preparation of Financial Statements including Proposed Journal Entries and Prior Period Restatement
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the City's financial statements which include all material journal entries and prior period restatement.

Condition – The City prepares a draft of the year-end financial statements however the financial statements being audited were adjusted based on material journal entries proposed and a prior period restatement.

Cause – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited that include all proposed journal entries and prior period restatements.

Effect – The amounts in the financial statements could be incomplete.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – There is no disagreement with the audit finding.