

NEW ISSUE / BOOK ENTRY ONLY

Rating: Moody's "Aa1"

In the opinion of Ashurst Perkins Coie US LLP, Bond Counsel, subject to compliance with certain covenants made by the City to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended, under present law, interest on the Series 2026 Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, and interest on the Series 2026 Bonds is not an item of tax preference for purposes of computing alternative minimum tax imposed on individuals. Interest on the Series 2026 Bonds is includable in gross income for South Dakota franchise tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. See the caption "TAX EXEMPTION" herein regarding a description of other tax considerations.

\$50,530,000* CITY OF SIOUX FALLS, SOUTH DAKOTA
JUNIOR LIEN SALES TAX REVENUE REFUNDING BONDS, SERIES 2026A
\$39,310,000* CITY OF SIOUX FALLS, SOUTH DAKOTA
JUNIOR LIEN SALES TAX REVENUE BONDS, SERIES 2026B

Dated Date: Date of Delivery

Due: November 15, as shown
on the inside front cover

The \$50,530,000* Junior Lien Sales Tax Revenue Refunding Bonds, Series 2026A (the "Series 2026A Bonds") and the \$39,310,000* Junior Lien Sales Tax Revenue Bonds, Series 2026B (the "Series 2026B Bonds" and, together with the Series 2026A Bonds, the "Series 2026 Bonds") are being issued by the City of Sioux Falls, South Dakota (the "City") pursuant to a Junior Lien Indenture of Trust, dated as of June 1, 2025 (as previously and hereafter amended and supplemented, the "Junior Lien Indenture"), between the City and U.S. Bank Trust Company, National Association (the "Trustee"), as supplemented by a First Supplemental Indenture, dated as of September 1, 2026 (the "First Supplemental Indenture"), Ordinance 01-25 adopted by the City Council on January 14, 2026 and the Refunding Ordinance adopted by the City Council on April 14, 2026. The Series 2026A Bonds are being issued to (a) currently refund the City's outstanding Sales Tax Revenue Bonds, Series 2012A (the "Series 2012A Bonds") and Sales Tax Revenue Bonds, Series 2016A (the "Series 2016A Bonds" together with the Series 2012A Bonds the "Refunded Bonds") and (b) to pay costs of issuance of the Series 2026A Bonds. The Series 2026B Bonds are being issued to (a) finance certain parks, recreation and aquatics projects of the City and (b) to pay costs of issuance the Series 2026B Bonds.

The Series 2026 Bonds are issuable in fully registered form and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2026 Bonds. Purchases of beneficial ownership interests will be made in book-entry form only, in denominations of \$5,000 or integral multiples thereof. So long as DTC or its nominee is the registered owner, payments of principal, redemption price and interest will be made to DTC. See Appendix D.

Principal of the Series 2026 Bonds will be payable annually on November 15, as shown on the inside front cover of this Official Statement. Interest on the Series 2026 Bonds is payable on each May 15 and November 15, commencing November 15, 2026. The Trustee will act as Registrar, Transfer Agent and Paying Agent.

The Series 2026A Bonds are not subject to redemption prior to maturity. The Series 2026B Bonds are subject to optional redemption prior to maturity as described herein.

THE SERIES 2026 BONDS ARE LIMITED OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM THE COLLECTIONS OF CERTAIN SECOND PENNY SALES TAXES DESCRIBED HEREIN, WHICH HAVE BEEN IRREVOCABLY PLEDGED TO THE PAYMENT THEREOF, AND FROM CERTAIN OTHER MONEYS HELD BY THE TRUSTEE PURSUANT TO THE JUNIOR LIEN INDENTURE. THE SERIES 2026 BONDS ARE NOT GENERAL OBLIGATIONS OF THE CITY, THE STATE OF SOUTH DAKOTA OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF SOUTH DAKOTA.

THE PLEDGE OF THE SECOND PENNY SALES TAX SECURING THE SERIES 2026 BONDS AND ANY ADDITIONAL BONDS ISSUED AND OUTSTANDING UNDER THE JUNIOR LIEN INDENTURE IS IN ALL RESPECTS EXPRESSLY JUNIOR AND SUBORDINATE TO THE GRANT, MORTGAGE, SECURITY INTEREST, ASSIGNMENT, TRANSFER IN TRUST AND PLEDGE OF THE SECOND PENNY SALES TAX SECURING THE CITY'S OUTSTANDING SALES TAX REVENUE BONDS (THE "SENIOR LIEN BONDS") AND ANY PARITY OBLIGATIONS ISSUED UNDER OR SECURED BY THAT CERTAIN FIRST AMENDED AND RESTATED INDENTURE OF TRUST DATED AS OF MARCH 1, 2012 (THE "SENIOR LIEN INDENTURE"). SEE "SECURITY FOR THE SERIES 2026 BONDS" HEREIN.

TRUSTEE/REGISTRAR/PAYING AGENT: U.S. Bank Trust Company, National Association

NOT BANK QUALIFIED: The Series 2026 Bonds are not designated "Qualified Tax-Exempt Obligations."

LEGAL OPINIONS: Ashurst Perkins Coie US LLP, Chicago, IL

BIDS RECEIVED: September 2, 2026, at 10:15 A.M., C.T.
Via Parity® at the offices of PFM Financial Advisors LLC
Minneapolis, MN 55402

BIDS CONSIDERED: By the Mayor on September 2, 2026

DELIVERY: Expected on or about September 16, 2026.

The date of this Official Statement is September __, 2026.

*Preliminary, subject to adjustment.

(THIS PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION).

MATURITY SCHEDULES
\$89,840,000* SERIES 2026 BONDS

**\$50,530,000* Junior Lien Sales Tax Revenue
Refunding Bonds, Series 2026A**

<u>MATURITY</u> <u>(November 15)</u>	<u>AMOUNT*</u>	<u>INTEREST</u> <u>RATE</u>	<u>YIELD</u>	<u>CUSIP</u>
2027	\$7,475,000	%	%	
2028	7,845,000	%	%	
2029	8,240,000	%	%	
2030	8,655,000	%	%	
2031	9,085,000	%	%	
2032	9,230,000	%	%	

**\$39,310,000* Junior Lien Sales Tax Revenue Bonds,
Series 2026B**

<u>MATURITY</u> <u>(November 15)</u>	<u>AMOUNT*</u>	<u>INTEREST</u> <u>RATE</u>	<u>YIELD</u>	<u>CUSIP</u>
2036	\$3,125,000	%	%	
2037	3,280,000	%	%	
2038	3,445,000	%	%	
2039	3,620,000	%	%	
2040	3,800,000	%	%	
2041	3,990,000	%	%	
2042	4,190,000	%	%	
2043	4,395,000	%	%	
2044	4,615,000	%	%	
2045	4,850,000	%	%	

* Following the receipt of the bids, the City reserves the right to adjust the principal amount of the Series 2026 Bonds. If the issue size is adjusted, the purchase price will be adjusted to ensure that the percentage net compensation (i.e. the percentage resulting from dividing (i) the aggregate difference between the offering price of the Series 2026 Bonds to the public and the price to be paid to the City (excluding accrued interest), less any bond insurance premium to be paid by the bidder, by (ii) the principal amount of the Series 2026 Bonds) remains constant.

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Bid Forms

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SUMMARY

This is not a summary of the entire Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement Before making a decision to invest in the Series 2026 Bonds. The offering of the \$50,530,000* Junior Lien Sales Tax Revenue Refunding Bonds, Series 2026A and \$39,310,000* Junior Lien Sales Tax Revenue Bonds, Series 2026B (collectively, the “Series 2026 Bonds”) to potential investors is made only by means of the entire Official Statement and all such documents.

Issuer	City of Sioux Falls, South Dakota
Dated Date	Date of Delivery
Principal Due	Series 2026A Bonds: November 15, 2027 to November 15, 2032 Series 2026B Bonds: November 15, 2036 to November 15, 2045
Interest Payment Date	Commencing November 15, 2026 and on each May 15 and November 15 thereafter.
Redemption Provision	The Series 2026A Bonds are not subject to optional redemption prior to maturity. The Series 2026B Bonds are subject to optional redemption on and after November 15, 2037, as described herein.
Purpose	The proceeds of the Series 2026A Bonds, together with other available funds of the City, will be used to (a) currently refund the Refunded Bonds; and (b) pay the costs of issuance of the Series 2026A Bonds. The proceeds of the Series 2026B Bonds will be used to (a) finance certain parks, recreation and aquatics projects of the City; and (b) pay the costs of issuance of the Series 2026B Bonds.
Security	Payment of the Series 2026 Bonds is secured by a pledge of the Second Penny Sales Tax which is irrevocably pledged and appropriated to the payment of the Series 2026 Bonds. However, the pledge of the Second Penny Sales Tax securing the Series 2026 Bonds is in all respects expressly junior and subordinate to the grant, mortgage, security interest, assignment, transfer in trust and pledge of the Second Penny Sales Tax securing the outstanding Sales Tax Revenue Bonds (the “Senior Lien Bonds”) and any parity obligations issued under and/or secured by that certain First Amended and Restated Indenture of Trust dated as of March 1, 2012, as heretofore amended, and supplemented (the “Senior Lien Indenture”) between the City and U.S. Bank Trust Company, National Association, as trustee. The holders of Series 2026 Bonds and any additional bonds or other parity obligations issued and outstanding under or secured by the Junior Lien Indenture (collectively, the “Bonds”) shall have no rights to such pledged taxes during any monthly allocation until all deposits, allocations and remittances required to be made therein for each month have been made in full. See “SECURITY FOR THE SERIES 2026 BONDS”).

* Preliminary, subject to adjustment.

Authority	The Series 2026A Bonds are being issued pursuant to South Dakota Codified Laws, Chapters 10-52 and 6-8B, as amended, the City Charter, Ordinance No. 01-25 and by the 2026 Refunding Ordinance adopted by the City Council on April 14, 2026. The Series 2026B Bonds are being issued pursuant to South Dakota Codified Laws, Chapters 10-52 and 6-8B, as amended, the City Charter and an Ordinance 01-25 adopted by the City Council on January 14, 2026 as amended by the Refunding Ordinance.
Trustee	U.S. Bank Trust Company, National Association
Record Date	The first day of the month (whether or not a business day).
Delivery Date and Place	On or about September 16, 2026 through the facilities of DTC in New York, New York
Denominations	The Series 2026 Bonds will be issued in denominations of \$5,000 each and integral multiples thereof.
Continuing Disclosure	The City will covenant to provide annual reports and timely notice of certain events all as set forth in the Continuing Disclosure Agreement. (See Appendix F)
Certain Definitions	See Appendix E for definitions of certain terms used herein.

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OFFICIAL STATEMENT
CITY OF SIOUX FALLS, SOUTH DAKOTA
\$50,530,000* JUNIOR LIEN SALES TAX REVENUE REFUNDING BONDS, SERIES 2026A
\$39,310,000* JUNIOR LIEN SALES TAX REVENUE BONDS, SERIES 2026B

INTRODUCTORY STATEMENT

The following is a brief introduction as to matters discussed elsewhere in this Official Statement and is qualified in its entirety by such further discussion and the text of the actual documents described or referenced.

General

This Official Statement provides information regarding the City of Sioux Falls, South Dakota Junior Lien Sales Tax Revenue Refunding Bonds, Series 2026A (the “Series 2026A Bonds”) and the Junior Lien Sales Tax Revenue Bonds, Series 2026B (the “Series 2026B Bonds” and, together with the Series 2026A Bonds, the “Series 2026 Bonds”), which are being issued in the aggregate principal amounts of \$50,530,000* and \$39,310,000*, respectively, by the City of Sioux Falls, a political subdivision of the State of South Dakota (the “City”) pursuant to a Junior Lien Indenture of Trust dated as of June 1, 2025 (as hereafter amended or supplemented from time to time, the “Junior Lien Indenture”) by and between the City and U.S. Bank Trust Company, National Association as Trustee (the “Trustee”). The City previously issued its \$23,395,000 Junior Lien Sales Tax Revenue Bonds, Series 2025A (the “Series 2025 Bonds”) pursuant to the Junior Lien Indenture on June 17, 2025. See “THE CITY.” The Series 2026 Bonds, the Series 2025 Bonds and any Additional Bonds issued under the Junior Lien Indenture are hereinafter referred to as the “Bonds”.

The Series 2026A Bonds are being issued to (a) currently refund the City’s outstanding Sales Tax Revenue Bonds, Series 2012A (the “Series 2012A Bonds”) and Sales Tax Revenue Bonds, Series 2016A (the “Series 2016A Bonds” together with the Series 2012A Bonds the “Refunded Bonds”) and (b) pay costs of issuance of the Series 2026A Bonds. The Series 2026B Bonds are being issued to (a) fund certain costs of parks and recreation projects in the City; and (b) to pay the costs of issuance of the Series 2026 Bonds.

The Series 2026, the Series 2025 Bonds and any such Additional Bonds issued under the Junior Lien Indenture are expressly junior and subordinate (as herein described) to those Sales Tax Revenue Bonds issued and now outstanding under, and any hereinafter issued and outstanding Sales Tax Revenue Bonds issued and outstanding under and secured by that certain First Amended and Restated Indenture of Trust, dated as of March 1, 2012, as amended and supplemented by that certain First Supplemental Indenture dated as of October 15, 2012, Second Supplemental Indenture dated as of October 1, 2016, Third Supplemental Indenture dated as of November 1, 2017, Fourth Supplemental Indenture dated as of March 1, 2018, Fifth Supplemental Indenture dated as of June 1, 2018 and Sixth Supplemental Indenture dated as of November 1, 2020, (as now or hereafter amended or supplemented, the “Senior Lien Indenture”), between the City and U.S. Bank Trust Company, National Association together with its successors and assigns, as trustee.

The Series 2026 Bonds are special limited obligations of the City payable solely from a pledge of the second penny sales tax revenues, as described herein. Neither the faith and credit nor the general taxing power of the State of South Dakota, any county, municipality, political subdivision or governmental unit or agency thereof or of the City is or shall be pledged to the payment of or interest on the Series 2026 Bonds.

* Preliminary, subject to adjustment.

THE PLEDGE OF THE SECOND PENNY SALES TAX SECURING THE SERIES 2025 BONDS, THE SERIES 2026 BONDS AND ANY ADDITIONAL BONDS ISSUED AND OUTSTANDING UNDER THE JUNIOR LIEN INDENTURE IS IN ALL RESPECTS EXPRESSLY JUNIOR AND SUBORDINATE TO THE GRANT, MORTGAGE, SECURITY INTEREST, ASSIGNMENT, TRANSFER IN TRUST AND PLEDGE OF THE SECOND PENNY SALES TAX SECURING THE SENIOR LIEN BONDS AND ANY PARITY OBLIGATIONS ISSUED UNDER OR SECURED BY THE SENIOR LIEN INDENTURE. SEE “SECURITY FOR THE SERIES 2026 BONDS” HEREIN.

Sales Taxes

The City levies (i) a non ad valorem tax as defined in Sections 37.001 and 37.020 of the Code of Ordinances of the City imposing a sales and use tax at the rate of 1% (the “First Penny Tax”), and Ordinance Nos. 70-03, 14-04, 26-06 and 116-08 codified as Sections 37.002 and 37.021 of the Code of Ordinances of the City (the “Second Penny Sales Tax Ordinance”) imposing an additional sales and use tax authorized by South Dakota Codified Laws Chapter 10-52 at the rate of 1% (the “Second Penny Tax”) and (ii) an additional municipal retail occupational sales and service tax of as defined in Section 37.003 of the Code of Ordinances of the City one percent (1%) on the gross receipts of certain entertainment-related business activities (the “Third Penny Tax”). The Series 2026 Bonds are secured solely by a pledge of the Second Penny Tax and certain specified other amounts pledged under the Junior Lien Indenture.

Under the Junior Lien Indenture, the City will assign and pledge to the Trustee, for the benefit of Bondholders, so much of the collections of the Second Penny Tax in each year as are necessary for the payment of the principal of, premium, if any, and interest on the Bonds. The City has covenanted to continue to impose and collect the Second Penny Tax so long as any Bonds are outstanding. The City has also covenanted in the Junior Lien Indenture that if at any time the proceeds of Second Penny Tax are not sufficient to pay when due all debt service on the Bonds the City shall nevertheless provide moneys to cure any such deficiency, but only to the extent that legally available funds are appropriated for such purpose by the City’s governing body. The governing body of the City is not obligated to appropriate funds to cure a deficiency.

Miscellaneous

Summaries and descriptions of the City, the Series 2026 Bonds, the Junior Lien Indenture and certain other documents are included in this Official Statement. The summaries of and references to all documents, statutes and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute or instrument. Descriptions of the Junior Lien Indenture and the Series 2026 Bonds are also qualified by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided therein and the effect of the exercise of the police power by any entity with jurisdiction. The City has agreed to provide certain continuing disclosure information after the issuance of the Series 2026 Bonds as more fully described under “CONTINUING INFORMATION” below.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2026 Bonds. The statements of the City herein are not to be construed as statements by any official, officer or employee of the City.

Certain Definitions

See Appendix E for definitions of certain terms used herein.

THE CITY

General

Sioux Falls is located in southeastern South Dakota and is the county seat of Minnehaha County. The City is the largest in South Dakota with an estimated population of 224,676 and an estimated MSA population of 322,100 and serves as a retail trade center for an estimated 800,000 people in southwestern Minnesota, northwestern Iowa and eastern South Dakota. Approximately 86.40 square miles are encompassed within the City.

For general information concerning the City, its general finances, sources of revenue, outstanding obligations, taxes and property values, see “APPENDIX A” and “APPENDIX B” attached.

SOURCES AND USES OF FUNDS

The estimated sources for and application of funds in connection with the Series 2026 Bonds are set forth below.

	Series 2026A	Series 2026B	Total
<i>Sources of Funds</i>			
Par Amount	\$	\$	\$
Net Premium			
Funds on Hand			
Reserve Fund Release			
Total Sources			
<i>Uses of Funds</i>			
Refunding Escrow	\$	\$	\$
Project Fund			
Costs of Issuance			
Underwriter's Discount			
Additional Proceeds			
Total Uses			

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PLAN OF REFUNDING

The proceeds of the Series 2026A Bonds, together with other available funds of the City, will be used to currently refund the City's outstanding Sales Tax Revenue Bonds, Series 2012A (the "Series 2012A Bonds") and Sales Tax Revenue Bonds, Series 2016A (the "Series 2016A Bonds" together with the Series 2012A Bonds the "Refunded Bonds"). The Refunded Bonds are expected to be called for redemption on October 2, 2026 at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

Following is a list of outstanding maturities and amounts of the Refunded Bonds which indicates the maturities and amounts to be refunded:

<u>Series 2012A Bonds</u>	<u>November Maturity</u>	<u>Amount Outstanding</u>	<u>Call Date</u>	<u>Call Price</u>	<u>Par Amount of Bonds to be Refunded</u>
Serial Bonds	2026	\$ 6,365,000	10/2/26	100%	\$ 6,365,000
	2027	6,560,000	10/2/26	100%	6,560,000
	2028	6,755,000	10/2/26	100%	6,755,000
	2029	6,965,000	10/2/26	100%	6,965,000
	2030	7,190,000	10/2/26	100%	7,190,000
	2031	7,420,000	10/2/26	100%	7,420,000
	2032	7,665,000	10/2/26	100%	7,665,000
	2033	7,925,000	10/2/26	100%	7,925,000
Total		<u>\$56,845,000</u>			<u>\$56,845,000</u>

<u>Series 2016A Bonds</u>	<u>November Maturity</u>	<u>Amount Outstanding</u>	<u>Call Date</u>	<u>Call Price</u>	<u>Par Amount of Bonds to be Refunded</u>
Serial Bonds	2026	\$ 1,055,000	10/2/26	100%	\$ 1,055,000
	2027	1,105,000	10/2/26	100%	1,105,000
	2028	1,160,000	10/2/26	100%	1,160,000
	2029	1,220,000	10/2/26	100%	1,220,000
	2030	1,280,000	10/2/26	100%	1,280,000
	2031	1,345,000	10/2/26	100%	1,345,000
	2032	1,415,000	10/2/26	100%	1,415,000
	2033	1,485,000	10/2/26	100%	1,485,000
	2034	1,560,000	10/2/26	100%	1,560,000
	2035	1,635,000	10/2/26	100%	1,635,000
	2036	1,715,000	10/2/26	100%	1,715,000
Total		<u>\$14,975,000</u>			<u>\$14,975,000</u>

THE SERIES 2026 BONDS

Interest Rates; Maturity Dates and Payment

The Series 2026A Bonds are being issued in the aggregate principal amount of \$50,530,000* and the Series 2026B Bonds are being issued in the aggregate principal amount of \$39,310,000*

The Series 2026 Bonds will be issued as fully registered bonds without interest coupons in the denomination of \$5,000 or whole multiples thereof. The Series 2026 Bonds will be payable as to principal, whether upon maturity or redemption, at the principal office of the Trustee. If any payment of interest or principal is due on a day that is not a business day, payment is required to be made on the next succeeding business day with the same effect as if paid when otherwise due. Interest shall be payable by check or draft mailed on the Interest Payment Date to the persons who were registered owners thereof as of the first day of the month in which the Interest Payment Date occurs.

Optional Redemption

The Series 2026A Bonds are not subject to optional redemption prior to maturity.

The Series 2026B Bonds maturing on and after November 15, 2037 are subject to optional redemption, in whole or in part, on any date on and after November 15, 2036, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest to the redemption date, without premium.

Exchange and Transfer

If the book-entry only system hereinafter described is not in effect, the Series 2026 Bonds shall be transferable and exchangeable for other denominations only upon the books of the Trustee and only upon presentation and surrender of such Series 2026 Bonds, together with an executed assignment or other acceptable transfer instrument, subject to the payment of any cost, tax or charge that may be imposed in connection therewith. Series 2026 Bonds called for redemption are not required to be transferred or exchanged.

Replacement

If any Series 2026 Bond is mutilated, lost, stolen or destroyed, the City shall execute and the Trustee shall authenticate and deliver, subject to the provisions of the Junior Lien Indenture, a new Series 2026 Bond of like date, series and denomination. In the case of a lost, stolen or destroyed Series 2026 Bond, the City and the Trustee may require satisfactory indemnification. In the case of a mutilated Series 2026 Bond, such mutilated Series 2026 Bond shall first be surrendered to the Trustee. For every such exchange of Series 2026 Bonds, the Trustee may charge the owner of such Series 2026 Bond the Trustee's reasonable fees and expenses with respect to the exchange.

SENIOR LIEN AND JUNIOR LIEN PARITY ISSUES

The City has heretofore issued the following Senior Lien Bonds under the Senior Lien Indenture (the “Existing Senior Lien Bonds”) in the following original principal amounts:

- \$108,440,000 Sales Tax Revenue Bonds, Series 2012A
- \$20,260,000 Sales Tax Revenue Bonds, Series 2016A
- \$31,045,000 Sales Tax Revenue Bonds, Series 2017A
- \$10,635,000 Sales Tax Revenue Refunding Bonds, Series 2018A
- \$18,540,000 Taxable Sales Tax Revenue Bonds, Series 2018B
- \$42,315,000 Sales Tax Revenue Bonds, Series 2020A

As of the date of this Official Statement, the Existing Senior Lien Bonds are outstanding in the aggregate principal amount of \$125,315,000. Proceeds of the Series 2026A Bonds will be used to currently refund \$_____ aggregate principal amount of the Series 2012A Bonds maturing in 2026 through 2033 and the Series 2016A Bonds maturing in 2026 through 2036 (collectively, the “Refunded Bonds”).

The City has heretofore issued the following Junior Lien Bonds under the Junior Lien Indenture in the following principal amount:

- \$23,395,000 Junior Lien Sales Tax Revenue Bonds, Series 2025A

The Existing Senior Lien Bonds are payable as to principal, premium, if any, and interest, from the Second Penny Tax and are secured by a lien pursuant to the Senior Lien Indenture which lien is senior to the lien securing the Series 2025 Bonds, the Series 2026 Bonds and any Additional Bonds to be issued under the Junior Lien Indenture. See “Debt Service Coverage.”

Additional Bonds

Senior Lien Additional Bonds.

The City covenants and agrees in the Junior Lien Indenture as follows:

No refunding Senior Lien Bonds may be issued under the Senior Lien Indenture unless the scheduled aggregate debt service in each year is no greater than the aggregate scheduled debt service of the Senior Lien Bonds prior to the issuance of such refunding Senior Lien Bonds. Except as provided above in the previous sentence, the City covenants and agrees that no Additional Senior Lien Bonds or Additional Senior Lien Parity Obligations shall be issued under the Senior Lien Indenture so long as any Junior Lien Bonds remain Outstanding.

Junior Lien Additional Bonds.

The City may, from time to time, approve the issuance and delivery of Additional Bonds secured by the Junior Lien Indenture for the purpose of refunding any sales tax bonds or to finance additional projects or activities permitted by law. Each series of Additional Bonds must be authorized by a supplement to the Junior Lien Indenture establishing the terms thereof and providing for Pledged Sales Taxes or other revenues sufficient to pay the Additional Bonds and interest thereon. Each series of Additional Bonds issued under the Junior Lien Indenture shall be payable from amounts derived from the Second Penny Tax and such other Available Revenues as the City may specify and shall be secured by the Junior Lien Indenture with respect to such pledge of Second Penny Taxes equally and ratably with all other Bonds issued and outstanding under the Junior Lien Indenture, but junior and subordinate to the lien securing outstanding Senior Lien Bonds. The conditions for issuance of Additional Bonds under the Junior Lien Indenture are as follows:

- (1) No payments due under the Junior Lien Indenture are then delinquent.
- (2) No Event of Default under the Junior Lien Indenture exists and is uncorrected at the time.
- (3) As shown by a certificate of the City's Finance Director: the collections of the Second Penny Tax and, any Available Revenues, for each of the two full fiscal years immediately preceding the date of issue of the Additional Bonds have been at least 200% of the maximum annual debt service in any future fiscal year, on all then outstanding Senior Lien Obligations and Junior Lien Obligations, together with any Additional Bonds proposed to be issued;

For the purposes of this clause (3):

- (i) the "fiscal year" of the City shall be the period beginning on January 1 of each year and ending on December 31 of each year unless the City adopts a different twelve month calendar period for all financial reporting purposes; and the phrase "any future fiscal year" shall be the period ending on the last maturity date scheduled for any Bond issued hereunder is scheduled to mature, assuming no earlier prepayment or redemption;
- (ii) in calculating future maximum annual debt service on Balloon Indebtedness and Put Indebtedness, debt service on Balloon Indebtedness and Put Indebtedness shall be calculated as follows:
 - (a) prior to the date of the balloon payment or put, based on actual scheduled debt service on the Balloon Indebtedness or Put Indebtedness plus any scheduled payments to any sinking fund established with respect to such indebtedness to fund or secure the balloon payment or put; and
 - (b) subsequent to the date of the balloon payment or put, based on an assumed amortization schedule, based on the principal amount of the Balloon Indebtedness or Put Indebtedness scheduled to be outstanding on the date of the balloon or put, of fifteen (15) years subsequent to the date of the balloon or put (or, with respect to Put Indebtedness, the actual scheduled maturity date of the Put Indebtedness, if shorter) with debt service calculated so as to provide for substantially equal annual debt service payments at the Projected Rate; and

(iii) in calculating future maximum annual debt service on Variable Rate Indebtedness, such Variable Rate Indebtedness shall be assumed to bear interest at the Projected Rate, and such Projected Rate shall be calculated on the assumption that such Variable Rate Indebtedness will bear a fixed rate of interest from the date of calculation until the final stated maturity date of such Variable Rate Indebtedness.

(4) The issuance of such Additional Bonds shall not adversely affect the tax exempt status (if applicable) of any series of Bonds then outstanding, as evidenced by an opinion of nationally recognized bond counsel.

In addition to Additional Bonds as described above, the City may issue Parity Obligations not secured by the Junior Lien Indenture if the requirements of clauses (1), (2) and (3) above are satisfied and the Sales Taxes pledged to the payment of such Parity Obligations are allocated and remitted for the benefit of the holders of such Parity Obligations as provided in the Junior Lien Indenture.

Subordinate Lien Obligations

In addition to Additional Bonds issued under the Junior Lien Indenture and Refunding Senior Lien Bonds issued under the Senior Lien Indenture, the City may issue revenue bonds or other obligations secured by a pledge of the Pledged Sales Taxes, or Available Revenues if (i) such revenue bonds or other obligations are not issued under the Junior Lien Indenture, and (ii) the lien on the Pledged Sales Taxes (including the Second Penny Tax), or other Available Revenues securing such bonds or other obligations is expressly made subordinate to any applicable pledge thereof to all Bonds issued hereunder, and the holders of such revenue bonds or other obligations shall have no rights to such sales taxes during any monthly allocation described in the Junior Lien Indenture until all deposits required to be made for each month have been made in full.

SECURITY FOR THE SERIES 2026 BONDS

The Series 2026 Bonds are special limited obligations of the City and payments of principal, premium, if any, and interest related to the Series 2026 Bonds are secured solely by a pledge of the collections of the Second Penny Tax and certain other amounts held under the Junior Lien Indenture by the Trustee. See “THE JUNIOR LIEN INDENTURE” and “SENIOR LIEN AND JUNIOR LIEN PARITY ISSUES.” The Series 2026 Bonds are not general obligations of the City and the City’s full faith and credit and taxing powers are not pledged to the payment thereof. The City is not obligated to levy any ad valorem taxes or to expend any moneys of the City to pay the Series 2026 Bonds, except the revenues specifically pledged under the Junior Lien Indenture.

Debt Service Reserve Fund

No debt service reserve account has been established for the Series 2026 Bonds. Pursuant to the Junior Lien Indenture, the City may, but is not required to, establish and maintain a debt service reserve fund for the benefit of one or more specific series of Additional Bonds issued subsequent to the Series 2026 Bonds. Any such debt service reserve fund so established will only secure the specific series of Additional Bonds for which it is established.

Pledged Sales Taxes and the Junior Lien Indenture

The City levies a non ad valorem tax as defined in Sections 37.001 and 37.020 of the Code of Ordinances of the City at a rate of 1% (the “First Penny Tax”), and Ordinance Nos. 70-03, 14-04, 26-06 and 116-08 codified as Sections 37.001 and 37.021 of the Code of Ordinances of the City (the “Second Penny Sales Tax Ordinance”) a sales tax authorized by South Dakota Codified Laws Chapter 10-52 at the rate of 1% (the “Second Penny Tax”). The City is authorized by its charter and Ordinance No. 150-95, codified as 37.003 of the Code of Ordinances of the City (the “Third Penny Ordinance”) and the Act to levy a non-ad valorem tax on lodging, prepared meals and certain other “entertainment items” of 1% (the “Third Penny Tax”).

Only the Second Penny Tax constitutes the Pledged Sales Taxes under the Junior Lien Indenture and only the Second Penny Tax, together with certain other amounts, if any, specified in the Junior Lien Indenture, are pledged to secure the Series 2026 Bonds and any Additional Bonds hereafter issued and Outstanding under the Junior Lien Indenture.

The pledge of the Second Penny Sales Tax securing the Series 2025 Bonds, Series 2026 Bonds and any Additional Bonds issued and outstanding under the Junior Lien Indenture is in all respects expressly junior and subordinate to the grant, mortgage, security interest, assignment, transfer in trust and pledge of the Second Penny Sales Tax and other amounts securing the Senior Lien Bonds and any Parity Obligations issued under or secured by the Senior Lien Indenture.

Senior Lien Indenture Pledge. Under the Senior Lien Indenture, the City has assigned and pledged to the Trustee, for the benefit of holders of outstanding Senior Lien Bonds, so much of the collections of the Second Penny Tax (and, solely with respect to any Additional Senior Lien Bonds which are Third Penny Bonds, the “Net Revenues” as defined in the Senior Lien Indenture) in each year as are necessary for the payment of the principal of, premium, if any, and interest on the Senior Lien Bonds.

Junior Lien Indenture Pledge. Under the Junior Lien Indenture, the City has assigned and pledged to the Trustee, for the benefit of holders of the Series 2025 Bonds, Series 2026 Bonds and any Additional Bonds issued under the Junior Lien Indenture so much of the collections of the Second Penny Tax in each year as are necessary for the payment of the principal of, premium, if any, and interest on the Series 2025 Bonds, Series 2026 Bonds and any such Additional Bonds.

The City has covenanted in the Junior Lien Indenture to administer, enforce and collect, or cause to be administered, enforced and collected, the Second Penny Tax in an amount not less than one percent (1.00%) of the value of goods and services subject to such taxes, and shall take all reasonable action necessary to collect delinquent payments or to cause delinquent payments to be collected in accordance with the law. The City also covenants in the Junior Lien Indenture to continue to impose and collect the Second Penny Tax in an amount equal to one percent (1%) on the value of goods and services subject to such tax, and not exempt any item or transaction from the Second Penny Tax which was subject to the Second Penny Tax on the date of execution of the Junior Lien Indenture.

Allocation and Remittance of Pledged Sales Taxes and Other Amounts.

The Senior Lien Indenture and the Junior Lien Indenture have similar provisions for the monthly allocation and remittance of sales taxes. Each provides that the applicable taxes pledged under such Indenture are allocated and set aside on a monthly basis so that one-tenth (1/10th) of the scheduled debt service amounts on, respectively, on Senior Lien Bonds and then Junior Lien Bonds (and any other Parity Obligations as

defined in the respective Indenture) are remitted monthly to the respective trustee for the Senior Lien Bonds and Junior Lien Bonds (respectively and in order of priority first for the Senior Lien Indenture and then Junior Lien Bonds (and any such Parity Obligations). With respect to the Second Penny Tax, this means monthly Second Penny Tax revenues are first allocated and remitted monthly to the Trustee under the Senior Lien Indenture in amounts to achieve the respective required amounts for payment of debt service on the Senior Lien Bonds and second, monthly Second Penny Tax revenues are allocated and remitted monthly so as to achieve the required amounts for payment of debt service on the Bonds issued under the Junior Lien Indenture. For a more detailed description of these procedures applicable to the Series 2026 Bonds and Additional bonds, see “THE JUNIOR LIEN INDENTURE – Pledged Sales Taxes” herein.

The Second Penny Tax is currently used by the City first to pay debt service on Senior Lien Bonds, then pay debt service on Junior Lien Bonds and amounts in excess of such debt service are used for capital improvement projects or to pay debt service on bonds issued for capital improvement projects. The Third Penny Tax is used to pay certain operating expenses and make certain capital improvements to of the Sioux Falls Convention Center, the Denny Sanford Premier Center, the Sioux Falls Arena, the Orpheum Theatre, the Sioux Falls Stadium and the Washington Pavilion.

Sales Tax

The collection of City sales and use taxes is required to be administered by the state department of revenue. Taxes collected by the department of revenue on behalf of any city are required to be paid to the City within thirty days after collection.

The sales tax portion of the Second Penny Tax can be applied only to those items which are subject to a State sales tax imposed by Chapter 10-52 of the South Dakota Codified Laws (the “State Sales Tax”). The State Sales Tax currently applies to gross receipts, exclusive of discounts and returns, arising from the retail sale of tangible goods, wares or merchandise, the rendering of business services, and the sale of gas, electricity, and telephone services. Various items are excluded from such tax, including, but not limited to, sales of motor vehicles, gasoline and motor fuel, drugs and medicines, water, sales to states, municipalities, charities, Indian tribes, and educational institutions, and receipts from a variety of business services.

Use Tax

The use tax portion of the Second Penny Tax can be applied only to items which are subject to a State use tax (the “State Use Tax”). The State Use Tax is currently applied to the purchase price of tangible goods, wares or merchandise, the rendering of business services and the purchase of gas and electricity, if such goods or services are furnished or delivered to consumers or users in the State by either an out-of-state retailer maintaining a place of business in the State or by any retailer, upon application to the State to collect such tax, without a place of business in the State. Goods and services to which the State Sales Tax is applied are not subject to an additional State Use Tax. Various items are excluded from application of the State Use Tax, including, without limitation, motor vehicles, raw materials, prescriptive drugs, medicines and other medical devices, sale and use by the State, political subdivisions and certain educational and charitable institutions, and the use of a variety of business services. Under the State Use Tax statute, any person selling and delivering goods or services to residents of the State is required to maintain a list of such sales and submit such list to the State twice a year. The use tax is permitted to be added to the sales price of each item subject to the tax. At the times required under the State Sales Tax statute, such persons must file a use tax return and remit the applicable tax to the State Department of Revenue. Any State Use Tax which is not collected at the time of

purchase by the retailer or service provider must be paid directly to the State by the user of the applicable goods or services.

THE SECOND PENNY TAX FROM WHICH PRINCIPAL OF AND INTEREST ON THE BONDS ARE PAYABLE ARISE ONLY FROM ITEMS WHICH ARE SUBJECT TO THE STATE SALES TAX OR STATE USE TAX DESCRIBED ABOVE. THE CITY HAS NO CONTROL OVER AND CAN MAKE NO PREDICTION AS TO ANY FUTURE INCLUSIONS TO OR EXCLUSIONS FROM SUCH STATE TAXES OR THE EFFECT THEREOF, IF ANY, ON RECEIPTS OF PLEDGED SALES TAXES.

Collections of Pledged Sales Taxes

Below are the monthly 2024 Second Penny Tax collections compared to 2025. The figures set forth below are based on when cash is received.

<u>Collection Month</u>	<u>Second Penny Collections 2024</u>	<u>Second Penny Collections 2025</u>	<u>Year-over-Year Percent Increase (Decrease)</u>
January	\$ 9,179,501	\$9,305,413	1.37%
February	6,915,603	7,005,218	1.30
March	6,679,191	6,495,823	(2.73)
April	7,830,174	8,042,363	2.71
May	7,492,556	7,626,038	1.78
June	7,613,592	7,893,241	3.67
July	8,243,908	8,609,665	4.44
August	7,716,317	8,009,999	3.81
September	7,861,317	7,936,811	0.96
October	7,828,185	8,409,494	7.43
November	7,968,796	8,181,622	2.67
December	7,649,922	7,728,423	1.03

Below are the monthly 2024 Third Penny Tax collections compared to 2025. The figures set forth below are based on when cash is received.

<u>Collection Month</u>	<u>Third Penny Collections 2024</u>	<u>Third Penny Collections 2025</u>	<u>Year-over-Year Percent Increase (Decrease)</u>
January	\$ 981,746	\$1,023,012	4.2%
February	807,779	909,970	12.65
March	849,005	609,839	(28.17)
April	990,463	979,570	(1.10)
May	953,026	989,262	3.80
June	1,071,298	1,028,813	(3.97)
July	1,055,388	1,053,394	(0.19)
August	1,024,149	977,405	(4.56)
September	1,056,550	1,163,087	10.08
October	952,782	1,021,203	7.18

November	1,037,372	1,002,765	(3.34)
December	1,035,321	947,409	(8.49)

Historical Collections of Pledged Sales Taxes

The City first imposed the Second Penny Tax in April 1984. Set forth below are the receipts of the Second Penny Tax for the periods stated. The Second Penny Tax collections from January 1, 2025 through December 31, 2025 were \$95,533,726 compared to \$93,648,127 from January 1, 2024 through December 31, 2024 which is an increase of 2.01%.

Collections of Second Penny Taxes

<u>Year Ending December 31</u>	<u>Second Penny Collections</u>	<u>Second Penny Percent Increase (Decrease)</u>
2025	\$ 95,533,726	2.01%
2024	93,648,127	2.37
2023	91,478,955	2.35
2022	89,379,981	12.28
2021	79,605,916	18.58
2020	67,135,016	(0.51)
2019	67,476,813	6.89
2018	63,129,280	3.73
2017	60,857,879	1.85
2016	59,752,704	2.87

The City first imposed the Third Penny Tax in March 1992. Set forth below are the receipts of the Third Penny Tax for the periods stated. The Third Penny Tax collections from January 1, 2025 through December 31, 2025 were \$11,701,124 compared to \$11,842,503 from January 1, 2024 through December 31, 2024 which is a decrease of 1.19%.

Collections of Third Penny Taxes

<u>Year Ending December 31</u>	<u>Third Penny Collections</u>	<u>Third Penny Percent Increase (Decrease)</u>
2025	\$ 11,701,124	(1.19%)
2024	11,842,503	5.17
2023	11,260,215	6.39
2022	10,584,396	12.98
2021	9,368,174	30.65
2020	7,170,446	(13.56)
2019	8,294,905	3.06
2018	8,048,978	7.84
2017	7,463,517	1.21
2016	7,374,191	4.94

DEBT SERVICE COVERAGE

The following table shows pro forma debt service coverage on the obligations payable from the Pledged Sales Taxes including the Series 2026 Bonds for each calendar year ended December 31. The City may issue additional obligations payable from the Pledged Sales Tax at any time subject to provisions set forth in the Junior Lien Indenture.

Year	Second Penny Sales Tax Revenue ⁽²⁾	Senior Lien Debt Service ⁽³⁾	Series 2025A Junior Lien Debt Service	Series 2026A Junior Lien Debt Service ⁽¹⁾	Series 2026B Debt Service ⁽¹⁾	Total Debt Service after the Series 2026 Bonds are issued ⁽¹⁾⁽³⁾	Pro forma Second Penny Coverage after Series 2026 Bonds are issued ⁽¹⁾
2026	\$95,533,726	\$12,808,062	\$3,029,750	\$421,083	\$327,583	\$16,586,478	5.76x
2027	95,533,726	5,190,524	3,031,750	10,001,500	1,965,500	20,189,274	4.73x
2028	95,533,726	5,131,199	3,029,000	9,997,750	1,965,500	20,123,449	4.75x
2029	95,533,726	5,121,519	3,031,500	10,000,500	1,965,500	20,119,019	4.75x
2030	95,533,726	5,259,479	3,028,750	10,003,500	1,965,500	20,257,229	4.72x
2031	95,533,726	5,274,274	3,030,750	10,000,750	1,965,500	20,271,274	4.71x
2032	95,533,726	5,265,110	3,027,000	9,691,500	1,965,500	19,949,110	4.79x
2033	95,533,726	3,397,750	3,027,500	--	1,965,500	8,390,750	11.39x
2034	95,533,726	3,397,750	3,031,750	--	1,965,500	8,395,000	11.38x
2035	95,533,726	3,397,000	3,029,750	--	1,965,500	8,392,250	11.38x
2036	95,533,726	3,395,250	--	--	5,090,500	8,485,750	11.26x
2037	95,533,726	3,397,250	--	--	5,089,250	8,486,500	11.26x
2038	95,533,726	3,397,500	--	--	5,090,250	8,487,750	11.26x
2039	95,533,726	3,395,750	--	--	5,093,000	8,488,750	11.25x
2040	95,533,726	3,396,750	--	--	5,092,000	8,488,750	11.25x
2041	95,533,726	--	--	--	5,092,000	5,092,000	18.76x
2042	95,533,726	--	--	--	5,092,500	5,092,500	18.76x
2043	95,533,726	--	--	--	5,088,000	5,088,000	18.78x
2044	95,533,726	--	--	--	5,088,250	5,088,250	18.78x
2045	95,533,726	--	--	--	5,092,500	5,092,500	18.76x

⁽¹⁾ Preliminary, subject to change.

⁽²⁾ Audited calendar year collections for 2025 (held constant).

⁽³⁾ Senior Lien Debt Service, Total Debt Service and Second Penny Coverage has been presented using projected consolidated debt service schedule giving effect to the refunding of the Refunded Bonds.

THE JUNIOR LIEN INDENTURE

The following is a summary of certain provisions of the Junior Lien Indenture:

Application of Series 2026 Bond Proceeds

Series 2026A Proceeds

The proceeds from the sale of the Series 2026A Bonds, together with other available funds of the City (including amounts on deposit in a debt service reserve fund securing the Refunded Bonds), in the aggregate approximate amount of \$ __, __, __ will be deposited with the Trustee to be applied as follows:

1. The Escrow Fund to current refund the Refunded Bonds; and
2. The remaining balance will be deposited into the Cost of Issuance Fund to pay issuance expenses of the Series 2026A Bonds.

Series 2026B Proceeds

The proceeds from the sale of the Series 2026B Bonds will be deposited with the Trustee to be applied as follows:

1. The Construction Fund to pay a portion of the cost of the Project; and
2. The remaining balance will be deposited into the Cost of Issuance Fund to pay issuance expenses of the Series 2026B Bonds.

Bond Fund

While any Bonds are outstanding, moneys in the Bond Fund will be used and withdrawn by the Trustee solely for the payment of principal, premium, if any, and interest on the Bonds and for the redemption of Bonds prior to maturity or to purchase Bonds on the market pursuant to the Junior Lien Indenture.

Debt Service Reserve Fund

No debt service reserve account has been established for the Series 2026 Bonds. Pursuant to the Junior Lien Indenture, the City may, but is not required to, establish and maintain a debt service reserve fund for the benefit of one or more specific series of Additional Bonds issued subsequent to the Series 2026 Bonds. Any such debt service reserve fund so established will only secure the specific series of Additional Bonds for which it is established.

Any amounts in an account in the Debt Service Reserve Fund will be transferred to the Bond Fund whenever there is a deficiency in the amount of money in the Bond Fund necessary to pay maturing principal and interest on the related series of Bonds to which such reserve account applies, after application of all other funds available for that purpose under the Junior Lien Indenture.

If the City issues one or more series of Additional Bonds secured by the Debt Service Reserve Fund, the City will covenant to maintain the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Fund Requirement. If, at any time, the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the City will deposit funds derived from the Second Penny Tax into the Debt Service Reserve Fund in the next succeeding twelve months not less than the amount necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement to the extent of Available Revenues and Pledged Sales Taxes.

If the amount on deposit in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement, the excess thereof may be withdrawn and transferred to the Bond Fund.

Capitalized Interest Fund

There is no Capitalized Interest Fund for the Series 2026 Bonds.

Cost of Issuance Fund

The City will fund the Series 2026 Cost of Issuance Fund from proceeds of the Series 2026 Bonds. The City will submit requests to the Trustee to pay or reimburse the City for costs of issuance of the Series 2026 Bonds. Any money remaining in the Series 2026 Cost of Issuance Fund shall be transferred to the Bond Fund at the direction of the City.

Investment of Funds

Any moneys deposited in the Bond Fund shall, at the direction of the City, or in the absence of such direction at the initiative of the Trustee, be invested and reinvested by the Trustee (i) in obligations of, or obligations the payment of the principal of and interest on which is directly or indirectly guaranteed by, the United States of America and (ii) shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (i). The Debt Service Reserve Fund may be invested in the foregoing investments and permitted investments for municipalities under the laws of the State of South Dakota in South Dakota Codified Laws Section 4-5-6, as amended. The Trustee will not make any investments which would cause any of the Bonds to be an “arbitrage bond” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”) or “federally guaranteed” within the meaning of Section 149 of the Code.

Pledged Sales Taxes Covenants and Representations

The City covenants in the Junior Lien Indenture that so long as any Bonds remain Outstanding and unpaid:

The City will administer, enforce and collect, or cause to be administered, enforced and collected, the Second Penny Tax in an amount not less than one percent (1.00%) of the value of goods and services subject to such taxes, and shall take all reasonable action necessary to collect delinquent payments or to cause delinquent payments to be collected in accordance with the law.

The City will keep or cause to be kept books and records showing the proceeds of the Pledged Sales Taxes, in which complete entries shall be made in accordance with standard principles of accounting, and any owner of any of the Bonds shall have the right at all reasonable times to inspect such books and records.

The City shall continue to impose and collect the Second Penny Tax in an amount equal to one percent (1%) on the value of goods and services subject to such tax, and the City shall not exempt any item or transaction from the Pledged Sales Taxes which is subject to the Second Penny Tax on the date of execution of the Original Indenture.

The City shall, to the extent permitted by law, defend the validity and legality of the Junior Lien Indenture, the Pledged Sales Taxes and the Ordinance, and all amendments thereto, against all claims, suits and proceedings which would diminish or impair the Pledged Sales Taxes as security for the Bonds.

The City, acting by and through its officers, or otherwise, shall faithfully and punctually perform, or cause to be performed, all duties with respect to the Pledged Sales Taxes required by the Constitution and laws of the State and the various ordinances, resolutions and contracts of the City, including, without limitation, the proper segregation of the proceeds of the Bonds and the Pledged Sales Taxes and their application from time to time to the respective funds provided therefor.

The City will perform all contractual obligations undertaken by it under the contract with each Original Purchaser, and any other agreements relating to the Bonds and the Pledged Sales Taxes.

At any and all times the City shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge, deliver and file or record all and every such further instruments, acts, deeds, conveyances, assignments, transfers, other documents and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, the Pledged Sales Taxes and other funds and accounts hereby pledged or assigned, or intended so to be, or which the City may hereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of the Junior Lien Indenture. The City, acting by and through its officers, or otherwise, shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Sales Taxes and other funds and accounts pledged hereunder and all the rights and every owner of any of the Bonds against all claims and demands of all persons whomsoever.

The City, its officers, agents and employees, shall not take any action in such manner or to such extent as might prejudice the security for the payment of the Bonds according to the terms thereof. No contract shall be entered into nor any other action taken by which the rights of any Registered Owner of any Bond or other security payable from Pledged Sales Taxes might be prejudicially and materially impaired or diminished.

Each City officer or employee having custody of any Pledged Sales Taxes, or responsible for their handling, shall be bonded at all times, which bond shall be conditioned upon the proper application of said moneys.

Although levied by the City, the sales taxes imposed by the Second Penny Sales Tax Ordinance are collected by the State of South Dakota and remitted to the City twice a month. No covenant of the City with respect to Pledged Sales Taxes obligates the City to undertake or perform any duty, task or obligation to be performed by the State.

Pledged Sales Taxes

The Junior Lien Indenture provides that:

(1) The proceeds of all sales taxes levied by the City (less service and collection fees charged against sales tax amounts) are remitted to the City by the State of South Dakota. Promptly upon receipt of such remittance, the City shall:

(A) determine the amount of such remittance which constitutes Pledged Sales Taxes; and

(B) beginning on October 5, 2026, and on the 5th day of each month thereafter, but in all events ***only following any and all remittances, allocations and segregation required for such month by the Senior Lien Indenture with respect to the Senior Lien Bonds,***

- (i) allocate from Second Penny Taxes and Available Revenues (if any), one-tenth of (x) the Annual Interest Requirements and (y) the Annual Principal Requirements for the then current Fiscal Year for all Outstanding Bonds and any Parity Obligations secured by the Junior Lien Indenture, such allocation to be on the basis of respective debt service payable on Outstanding Bonds during the then Fiscal Year and, in each case, after giving effect to the credit against any amounts to be paid from funds contemplated by the Junior Lien Indenture;
- (ii) segregate the portion of the Pledged Sales Taxes and, if applicable, Available Revenues for the payment of any Parity Obligation described in the preceding clause (B)(i) until the aggregate amount segregated equals the debt service on each such Parity Obligation to become due during such Fiscal Year together with any amounts payable with respect to principal or interest on such Parity Obligations prior to May 15 in the next succeeding year; and
- (iii) remit to the Trustee prior to the tenth (10th) day of such month, for deposit in the Bond Fund, the entire amount of the Pledged Sales Taxes and Available Revenues (if any) allocated in clause (B)(i) above for the benefit of Outstanding Bonds secured by the Junior Lien Indenture and remit to the holders of any Parity Obligations as and when due, the entire amounts of the Pledged Sales Taxes and Available Revenues (if any) allocated in clause (B)(ii) above until, in each case, the aggregate amount remitted equals or exceeds the total amount of Annual Interest Requirements and Annual Principal Requirements with respect to all Outstanding Bonds and Parity Obligations for such Fiscal Year together with any amounts payable with respect to principal or interest on Parity Obligations prior to March 15 in the next succeeding Fiscal Year; and
- (iv) in the event of any deficiency exists in the amount required to be on deposit in a debt service reserve account (if any) securing a series of Bonds or Parity Obligations, then following the allocation, segregation and remittances required by clauses (i), (ii) and (iii) above, the City shall allocate, segregate and remit Pledged Sales Taxes and any pledged Available Revenues required to replenish any such debt service reserve account(s) to the Trustee and any fiduciary for the Parity Obligations as required by the Junior Lien

Indenture or applicable Supplemental Indenture relating to such Bonds or Parity Obligations.

provided, however, for the Fiscal Year ending December 31, 2026, the fraction in clause (1)(B) above shall be changed from one-tenth to one-half with respect to allocations made with respect to the Series 2026 Bonds, and a comparable adjustment in such fraction shall be made with respect to any Additional Bonds in the Fiscal Year in which such Additional Bonds are issued so that substantially equal monthly allocations are made between the date of issue and the first dates within such Fiscal Year in which interest and/or principal payments are scheduled to occur for such Additional Bonds so that adequate funds shall have been allocated before the required dates on which payments are due.

(2) At such time during each Fiscal Year as the amount remitted to the Trustee pursuant to subsection (1)(C) above is sufficient to satisfy the City's obligation thereunder, the Trustee shall provide written notice of such fact to the City, and the City shall be under no further obligation to remit Pledged Sales Taxes or other Available Revenues (if any) to the Trustee, except as provided in (3)(A) below. Nothing in the Junior Lien Indenture shall be construed to preclude the City from remitting moneys to the Trustee from sources other than Pledged Sales Taxes, but the City shall be under no obligation to do so.

(3) In any event:

(A) the City shall remit to the Trustee such amounts at such times as may be required to assure timely payment of the principal of and interest on Bonds, when due; provided that the City shall be obligated to make such remittances solely from the proceeds of Pledged Sales Taxes or other Available Revenues (if applicable) actually pledged to the payment of any such Bonds;

(B) if the City notifies the Trustee that it wishes to optionally redeem Bonds, the City shall remit to the Trustee an amount sufficient to pay the principal of, and premium, if any, and interest on the Bonds to be optionally redeemed on their redemption date; and

(C) if at any time the proceeds of Pledged Sales Taxes and other Available Revenues (if applicable) are not sufficient to pay when due all debt service on any Bonds, the City may nevertheless provide moneys to cure any such deficiency, but only to the extent of funds then legally available for that purpose, and then only if such legally available funds are appropriated for such purpose by the City's governing body. The governing body of the City is not obligated to appropriate funds to cure a deficiency.

Defaults and Remedies

The following shall constitute events of default under the Junior Lien Indenture.

1. default in the due and punctual payment of interest on any Bond or Additional Bond;

2. default in the due and punctual payment of the principal of, or premium, if any, on any Bond or Additional Bond, whether at the stated maturity thereof or by declaration of acceleration, call for redemption or otherwise;

3. default in the due and punctual payment of any other moneys required to be paid by the City to the Trustee for deposit in the Bond Fund under the Junior Lien Indenture and continuation of such default for a period of five (5) days following written notice thereof to the City;

4. default by the City in the due and punctual payment of any other moneys required to be paid to the Trustee under the provisions of the Junior Lien Indenture and such default shall have continued for a period of thirty (30) days after written notice thereof to the City; or

5. default by the City in the performance or observance of any other covenant, agreement or condition contained in the Junior Lien Indenture or the Bonds or Additional Bonds and the continuation of such default for a period of thirty (30) days following written notice thereof to the City.

Upon the occurrence of an event of default, the Trustee may, by notice in writing delivered to the City, declare the principal of all outstanding Bonds or Additional Bonds to be immediately due and payable and may, in addition, pursue any available remedy at law or in equity to enforce the rights of the Bondholders. The Trustee may direct the City in writing to remit all collections of Pledged Sales Taxes directly to the Trustee, and the Trustee shall apply the moneys received to satisfy the obligations of the City under the Junior Lien Indenture. If any event of default shall have occurred and the holders of 51% in aggregate principal amount of the then outstanding Bonds or Additional Bonds shall so request and the Trustee has received an indemnity bond as provided in the Junior Lien Indenture, the Trustee shall be obligated to exercise such rights and powers conferred upon it by the Junior Lien Indenture as it deems most expedient in the interest in the Bondholders; provided, however, that the Trustee shall have the right to decline to comply with any such request if the Trustee shall be advised by independent counsel that the action so requested may not lawfully be taken or if the Trustee in good faith should determine that such action would be unjustly prejudicial to any Bondholders not parties to such requests. The Trustee may in its discretion waive any event of default and its consequences and rescind any declaration of acceleration provided that there shall not be waived any event of default in the payment of the principal of or premium of any outstanding Bonds or Additional Bonds on the redemption date or on the date of maturity specified therein or any event of default in the payment when due of the interest on any Bond or Additional Bonds unless prior to such waiver all arrearages of interest, principal and premium, with interest on such amounts to the extent permitted by law, have been paid or provided for.

Acceleration Remedy May be of Limited Practical Benefit

Although the Junior Lien Indenture provides the remedy of declaring all Bonds due and payable following an Event of Default, such remedy may not be practical in view of the fact that the source of payment of the Bonds is limited to Pledged Sales Taxes anticipated to be available only on an annual basis through the term of the Bonds as well as amounts on deposit in debt service reserve accounts pledged to specific series of Bonds. In addition, the Senior Lien Indenture contains a similar acceleration remedy and a declaration of acceleration of the maturity of all Senior Lien Bonds under the Senior Lien Indenture would likely result in the deferral of payment of all payments with respect to the Junior Lien Bonds until all Senior Lien Bonds are paid in full. At

no time would the City anticipate having sufficient Pledged Sales Taxes on hand or otherwise available to pay all outstanding Senior Lien Bonds or Bonds issued under the Junior Lien Indenture if declared immediately due and payable. To the knowledge of the City, no similar such remedy has been implemented in the State of South Dakota with respect to sales tax bonds.

Modifications

The City and the Trustee may, from time to time and at any time without the consent of, or notice to, any of the Holders, and when so required by the Junior Lien Indenture shall, enter into an indenture or indentures supplemental to the Junior Lien Indenture as shall not be inconsistent with the terms and provisions hereof (which supplemental indenture or indentures shall thereafter form a part hereof), so as to thereby (1) permit the issuance of Additional Bonds or to facilitate the remarketing of the Bonds on a mandatory purchase date, (2) cure any ambiguity or formal defect or omission in the Junior Lien Indenture or in any supplemental indenture, (3) grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders or the Trustee, (4) more precisely identify the Trust Estate, or any other property which may become a part of the Trust Estate, (5) subject to the lien and pledge of the Junior Lien Indenture additional revenues, properties or collateral, (6) evidence the appointment of a separate trustee or a co-trustee or the succession of a new Trustee and/or Paying Agent under the Junior Lien Indenture, (7) modify, eliminate and/or add to the provisions of the Junior Lien Indenture to such extent as shall be necessary to prevent any interest on the Bonds from becoming taxable under the Federal income tax laws or to effect the qualification of the Junior Lien Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar Federal statute hereafter enacted, and to add to the Junior Lien Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939, excluding however the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939, (8) enter into one or more supplemental indentures that, when effective, would amend or modify any provisions of the Junior Lien Indenture if, in the judgment of an Authorized Representative, the rating then in effect on any Outstanding Bonds from each Rating Agency immediately preceding the time such supplemental indenture becomes effective will be maintained or improved after such supplemental indenture becomes effective, (9) amend the terms of the Junior Lien Indenture in a manner applicable only to Bonds issued subsequent to such amendment and not affecting Bonds previously issued and outstanding, (10) make any other change which is required by any provision of the Junior Lien Indenture, or (11) make any other change which in the judgment of the Trustee is necessary or desirable and will not materially prejudice any non-consenting Holder of a Bond. For the purposes of subsection (8) above, the Authorized Representative must certify its judgment to the Trustee, and such judgment will be based upon the written ratings report or other written evidence provided by each Rating Agency. In addition, each rating will be defined by reference only to the major letter category and any plus (+) or minus (-) designation or similar numerical designation (and without any further designation within a rating category whether now or hereafter used by a Rating Agency).

In any event, no such modification or amendment shall be made without consent of the Holders of all Bonds or Additional Bonds adversely affected thereby which will permit:

1. an extension of the maturity of the principal or of the interest on any Bond or Additional Bond issued under the Junior Lien Indenture, or a reduction in the principal amount of any Bond or Additional Bond or the rate of interest thereon;

2. a privilege or priority of any Bond or Bonds or Additional Bonds over any other Bond or Bonds or Additional Bonds except as may be otherwise expressly provided in the Junior Lien Indenture;

3. a reduction in the aggregate principal amount of the Bonds or Additional Bonds required for consent to such supplemental indenture; or

4. a reduction in the percentage of holders of Bonds or Additional Bonds required for consent to such supplemental indentures.

Amendments to Junior Lien Indenture

Pursuant to clause (8) above under the caption “THE JUNIOR LIEN INDENTURE – Modifications”, the purchasers of the Series 2026 Bonds will be deemed to consent to certain amendments to the Junior Lien Indenture by virtue of their purchase of the Series 2026 Bonds, which amendments will (1) clarify the authority to issue Additional Bonds to refund “any outstanding sales tax revenue bonds of the City or to finance additional projects or activities permitted by law” and (2) correct a couple of cross-references within the existing Junior Lien Indenture.

CONTINUING INFORMATION

In order to permit the City to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the City will agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Series 2026 Bonds, in a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), between the City and U.S. Bank Trust Company, National Association, as dissemination agent, to provide annual reports of specified information and notice of the occurrence of certain material events. The information to be provided on an annual basis, the events as to which notice is to be given and a summary of other provisions of the Continuing Disclosure Agreement, including termination, amendment and remedies, are set forth in Appendix F to this Official Statement.

Breach of the Continuing Disclosure Agreement will not constitute a default or an “Event of Default” under the Junior Lien Indenture or the Series 2026 Bonds. A broker or dealer is to consider a known breach of the Continuing Disclosure Agreement before recommending the purchase or sale of the Series 2026 Bonds in the secondary market. Thus, a failure on the part of the City to observe the covenants contained in the Continuing Disclosure Agreement may adversely affect the transferability and liquidity of the Series 2026 Bonds and their market price.

The City failed to file a notice that it incurred a material financial obligation in three instances following the issuance of its Series 2020 Sales Tax Revenue Bonds. The City filed notices of the incurrence of these final obligations on the Electronic Municipal Market Access (EMMA) website on September 17, 2024.

TAX EXEMPTION

General

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions that apply to the Series 2026 Bonds from and after the date of issuance of the Series 2026 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Series 2026 Bond proceeds and the facilities financed or refinanced therewith, and certain other matters. The City has covenanted to comply with all requirements of the Code that must be satisfied in order for interest on the Series 2026 Bonds to be excludable from gross income. Failure to comply with certain of such requirements could cause interest on the Series 2026 Bonds to become includable in gross income, in some cases retroactively to the date of issuance of the Series 2026 Bonds.

Subject to the City's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2026 Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Series 2026 Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income imposed on individuals. Interest on the Series 2026 Bonds is includable in gross income for South Dakota franchise tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. The proposed form of Bond Counsel opinion is provided as Appendix C to this Official Statement.

In rendering its opinion, Bond Counsel will rely upon certifications of the City and certain other parties with respect to certain material facts solely within their knowledge relating to the facilities to be financed with proceeds of the Series 2026 Bonds, the application of the proceeds of the Series 2026 Bonds and certain other matters pertinent to the tax exemption of the Series 2026 Bonds.

Ownership of the Series 2026 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, (i) corporations subject to the branch profits tax, (ii) financial institutions, (iii) certain insurance companies, (iv) certain Subchapter S corporations, (v) individual recipients of Social Security or Railroad Retirement benefits, (vi) taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations, and (vii) individuals otherwise eligible for the earned income tax credit. In addition, ownership of the Series 2026 Bonds may result in state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences or (except for the application of the current South Dakota franchise taxes to interest on the Series 2026 Bonds) as to the application of any state or local taxes. Prospective purchasers of the Series 2026 Bonds should consult their tax advisors as to the applicability of any such collateral federal income tax consequences, as well as any applicable state or local tax consequences.

Payments of interest on tax-exempt obligations, including the Series 2026 Bonds, are generally subject to reporting to the Internal Revenue Service (the "Service") on IRS Form 1099-INT under the applicable information reporting requirements and, if the owner of a Series 2026 Bond is subject to backup withholding under those requirements, then the payment of interest on the Series 2026 will also be subject to backup withholding. The reporting and withholding requirements do not affect the excludability of such interest on the Series 2026 Bonds from gross income for federal income tax purposes.

The Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of

the Series 2026 Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Series 2026 Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2026 Bonds until the audit is concluded, regardless of the ultimate outcome.

Bond Premium

An amount equal to any excess of the purchase price of a Series 2026 Bond over the principal amount payable at maturity of such Series 2026 Bond constitutes amortizable Series 2026 Bond premium that may not be deducted for federal income tax purposes. A purchaser of a Series 2026 Bond must amortize any premium over such Series 2026 Bond's term using constant yield principles, based on the Series 2026 Bond's yield to maturity. As Series 2026 Bond premium is amortized, the purchaser's basis in such Series 2026 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such purchaser. This reduction will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on the sale or disposition of such Series 2026 Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2026 Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the federal, state and local tax consequences of owning such Series 2026 Bonds.

Original Issue Discount

The issue price (the "Issue Price") for each maturity of the Series 2026 Bonds is the price at which a substantial amount of such maturity of the Series 2026 Bonds is first sold to the public. The Issue Price of a maturity of the Series 2026 Bonds may be different from the prices set forth, or the prices corresponding to the yields set forth, on the inside cover page hereof.

If the Issue Price of a maturity of the Series 2026 Bonds is less than the principal amount payable at maturity, the difference, if any, between the Issue Price of each such maturity of the Series 2026 Bonds (the "OID Bonds") and the principal amount payable at maturity is "original issue discount."

For an investor who purchases a Series 2026 Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest that is excluded from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; and (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code. (The recognition of tax-exempt income may have collateral tax consequences for certain taxpayers, as described above in connection with the receipt of tax-exempt interest on the Series 2026 Bonds.) Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Series 2026 Bonds who dispose of their bonds prior to the stated maturity (whether by sale, redemption, or otherwise), who purchase Series 2026 Bonds in the initial public offering, but at a price different from the Issue Price, or who purchase Series 2026 Bonds subsequent to the initial public offering should consult their own tax advisors.

Market Discount

If a Series 2026 Bond is purchased at any time (other than in the initial public offering) for a price that is less than the Series 2026 Bond's stated redemption price at maturity, the purchaser may be treated as having purchased a Series 2026 Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2026 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2026 Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2026 Bonds.

Pending and Future Legislation; Other Considerations

Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance of the Series 2026 Bonds may affect the tax status of interest on the Series 2026 Bonds. It is possible that future legislation or amendments to the Code, if enacted into law, could contain provisions that might eliminate or reduce the exclusion of the interest on the Series 2026 Bonds from gross income for federal income tax purposes or that might otherwise adversely affect the benefit of such exclusion or the value or marketability of the Series 2026 Bonds. No prediction can be made as to whether any such legislation will be enacted in the future or the form such legislation may take. Prospective purchasers should consult with their own tax advisors regarding pending or proposed federal income tax legislation.

The opinions of Bond Counsel are based on existing law, which, as noted above, is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assume no duty to update or supplement their opinions to reflect any facts or circumstances that may thereafter come to Bond Counsels' attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel opinions are not a guarantee of a particular result, and are not binding on the Service or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

On the closing date for delivery of the Series 2026 Bonds, Bond Counsel will deliver opinions, dated the date thereof, that the Series 2026 Bonds are valid and binding special obligations of the City enforceable in accordance with their terms. The foregoing opinions will be generally qualified to the extent that enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general principles of equity.

While the Series 2026 Bonds are secured or payable pursuant to the Junior Lien Indenture, practical realization of any security upon a default will depend upon the exercise of various remedies specified in the respective instruments. These and other remedies are dependent in many respects upon judicial action, which is subject to discretion and delay. Accordingly, the remedies specified by such instruments may not be readily available or may be limited.

BOND AUTHORIZATION PROCEEDINGS

The issuance, sale and delivery of the Series 2026A Bonds have been authorized pursuant to the Junior Lien Indenture, the First Supplemental Indenture, the City Charter and the 2026 Refunding Ordinance adopted by the City Council on April 14, 2026. The issuance, sale and delivery of the Series 2026B Bonds have been authorized pursuant to the Junior Lien Indenture, the First Supplemental Indenture, the City Charter, Ordinance No. 01-25 adopted by the City Council on January 14, 2026 and as amended by the 2026 Refunding Ordinance adopted by the City Council on April 14, 2026.

There is no litigation pending or, to the knowledge of the City, threatened against the City or otherwise challenging the existence of the City or seeking to restrain or enjoin the issuance, sale or delivery of the Series 2026 Bonds or challenging the legality or validity of or the security for the Series 2026 Bonds.

RATING

Moody's Investors Service, Inc. has assigned a rating of "Aa1" on the Series 2026 Bonds.

The rating issued reflects an opinion of the agency furnishing the same and is not a recommendation to buy or sell the Series 2026 Bonds. These rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse effect on the marketability of the Series 2026 Bonds. For an explanation of the significance of a rating, an investor should communicate with the rating agency directly.

MISCELLANEOUS

The summaries of documents herein do not purport to be comprehensive or definitive, and all references to the documents summarized are qualified in their entirety by reference to each such document. All references to the Series 2026 Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the aforesaid documents. Copies of these documents are available for inspection during the period of the offering at the offices of the Financial Consultant in Minneapolis, Minnesota, and thereafter at the principal office of the Trustee. All information contained in the Appendices to this Official Statement has been furnished by the City.

UNDERWRITING

The Series 2026A Bonds are being purchased by _____ at a purchase price of \$ __, __, __. __, equal to the principal amount thereof less an underwriter's discount of \$ __, __. __ and plus a net reoffering premium of approximately \$ __, __. __. The Series 2026A Underwriter may offer and sell the Series 2026A Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the cover hereof.

The Series 2026B Bonds are being purchased by _____ at a purchase price of \$ __, __, __. __, equal to the principal amount thereof less an underwriter's discount of \$ __, __. __ and plus a net reoffering premium of approximately \$ __, __. __. The Series 2026B Underwriter may offer and sell the Series 2026B Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the cover hereof.

MUNICIPAL ADVISOR

The City has appointed PFM Financial Advisors LLC, Minneapolis, Minnesota to serve as financial advisor to the City on matters relating to the issuance of the Series 2026 Bonds and various debt management matters.

CERTIFICATES CONCERNING OFFICIAL STATEMENT

It shall be a condition precedent to the issuance and delivery of the Series 2026 Bonds, that the Mayor, the Director of Finance of the City and the City Attorney deliver to the purchaser of the Series 2026 Bonds a certificate stating that, (1) except as disclosed in this Official Statement, there is no litigation pending or, to the knowledge of the City, threatened against the City or otherwise challenging the existence of the City or seeking to restrain or enjoin the issuance, sale or delivery of the Series 2026 Bonds or challenging the legality or validity of or the security for the Series 2026 Bonds and (2) to the best of their knowledge, this Official Statement did not as of its date and as of the sale date and does not, as of the date of delivery of the Series 2026 Bonds, contain an untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which this Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made not misleading.

By _____
Christine Erickson, Mayor

By _____
Shawn Pritchett, Director of Finance

APPENDIX A

CITY OF SIOUX FALLS, SOUTH DAKOTA

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GENERAL INFORMATION

For more detailed information about the City, please go to www.siouxfalls.gov.

Demographics

Set forth below are certain demographic statistics:

<u>Fiscal Year</u>	<u>City Population⁽¹⁾</u>	<u>Per Capita Personal Income⁽²⁾</u>	<u>School Enrollment⁽³⁾</u>	<u>Annual Average Unemployment Rate⁽²⁾</u>
2025	224,676	N/A	24,841	1.9%
2024	219,588	N/A	25,060	1.7%
2023	213,891	78,354	25,228	1.7%
2022	208,884	74,725	25,124	1.7%
2021	202,600	71,570	24,949	2.3%

Sources: ⁽¹⁾ City Planning Department end of year estimates.

⁽²⁾ South Dakota Department of Labor (for the Sioux Falls Metropolitan Statistical Area)

⁽³⁾ South Dakota Department of Education fall enrollment (for Sioux Falls Public Schools KG-12)

City Government

The City was incorporated in 1889 and currently operates under its home rule charter. The charter permits the City to exercise any legislative power or perform any legislative function not denied by its charter, the constitution, or the general laws of South Dakota. The City government is composed of a full-time strong mayor and a City Council of eight part-time council members, three to be elected at large and five elected from districts. The City Council acts as a policy-making and legislative body. The mayor is responsible for management and administration of the City.

City Council

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Christine Erickson	Mayor	2030
James Oppenheimer	Councilmember-At Large	2030
Rich Merkouris	Councilmember-At Large	2026
Richard Thomason	Councilmember-At Large	2028
Ryan Spellerberg	Councilmember-Southwest District	2028
Miranda Basye	Councilmember-Northeast District	2028
Jennifer Sigette	Councilmember-Northwest District	2028
Sara Pankonin	Councilmember-Southeast District	2030
Zak Okuwe	Councilmember-Central District	2030

City Officials

Jim David	Chief of Staff	Appointed
Shawn Pritchett	Director of Finance	Appointed
Dave Pfeifle	City Attorney	Appointed
Jermery Washington	City Clerk	Appointed

City Services

The City provides a wide range of municipal services including police and fire protection; infrastructure development and maintenance of highways, bridges, and streets; public utilities such as water, sanitary sewer, limited electricity and solid waste disposal facilities; public parking and transit services; planning services and zoning and building code enforcement; community/public health services; and parks, recreation and library services. In order to provide these services, the City employs a workforce of 1,464 regular full-time employees including 622 public safety employees (339 within the police department, 228 fire services personnel and 55 metro communications personnel), 139 personnel assigned to engineering, highways, and streets, 155 employees within the library and parks/recreation departments, and 207 employees within the utility and other business-type enterprise services of the City. These employees help to improve and maintain 1,145 miles of paved streets, 3,474 acres of parks land, and provide water services to 64,628 customers.

Construction

Set forth below is data for building permits issued in the City for the past five years:

<u>Fiscal Year</u>	<u>Number of Permits</u>	<u>Value</u>
2025	5,615	\$ 1,327,437,573
2024	5,981	1,076,632,790
2023	7,324	1,115,671,406
2022	12,730	1,930,003,807
2021	7,939	1,140,252,391

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Major Employers

<u>Name</u>	<u>Product/Service</u>	<u>Number of Employees</u>
Sanford Health	Health Care	10,929
Avera Health	Health Care	8,000
Sioux Falls School District	Education	3,627
Smithfield Foods	Meat Processing	3,239
Hy-Vee Food Stores	Retail Grocery	2,390
Walmart/Sam's Club	Retail	1,835
City of Sioux Falls	Government	1,774
Wells Fargo	Financial	1,700
Amazon	Retail	1,600
Department of Veterans Affairs	Health Care	1,378

Source: Sioux Falls Development Foundation

FINANCIAL INFORMATION

Financial Reports

Copies of the Audited Comprehensive Annual Financial Report of the City for the years 2021-2025 and the budgets for the years 2020-2026 are available at www.sioxfordfalls.gov. See Note No. 1 in Appendix A for an explanation of methods used in reporting. The City's comprehensive financial report for the year ended December 31, 2025, is presented in Appendix B to the Official Statement. The City's accounts are audited annually by an independent certified public accountant, having always received an unqualified (clean) opinion. The City has received from the Government Finance Officers Association, its Certificate of Achievement for Excellence in Financial Reporting in each year since 1980.

Results of Operation

The General Fund is the primary operating fund for the City. Revenues and expenditures for the years 2022-2025 are outlined in the following table. Schedules of revenues and expenditures of various funds of the City have been compiled from information obtained in the City's financial statements and budget. They have been organized in such a manner as to facilitate year-to-year comparisons.

	2025	2024	2023	2022
Revenues				
Taxes	\$195,255,939	\$187,560,915	\$179,273,448	\$171,869,383
Licenses and permits	11,093,971	9,333,251	11,189,508	16,135,111
Intergovernmental revenues	17,562,392	18,011,417	20,466,010	18,356,117
Charges for goods and services	10,580,800	8,675,068	8,731,601	8,572,791
Fines and forfeits	820,038	766,003	857,951	698,003
Interest (Investment revenues)	4,586,596	4,715,929	4,363,106	(881,581)
Miscellaneous revenues	2,625,978	3,180,909	1,647,783	1,417,566
Total Revenues	<u>\$242,525,714</u>	<u>\$232,243,492</u>	<u>\$226,529,407</u>	<u>\$216,167,390</u>
Expenditures				
Current:				
General government	\$23,774,738	\$22,979,928	\$20,250,629	\$19,111,341
Public safety	92,713,075	89,232,256	82,109,191	78,071,143
Highways and streets	33,422,963	31,786,255	34,599,881	29,266,886
Health	17,044,278	17,264,408	19,185,410	16,001,401
Culture and recreation	40,394,371	35,702,114	33,618,872	32,109,468
Urban and economic development	14,858,077	14,318,164	12,887,338	26,141,612
Total Current Expenditures	<u>\$222,207,502</u>	<u>\$211,283,125</u>	<u>\$209,791,089</u>	<u>\$200,701,851</u>
Capital outlay	215,327	82,389	7,139,768	781,230
Debt service	2,643,042	2,722,367	2,281,162	1,129,640
Total Expenditures	<u>\$225,065,871</u>	<u>\$214,087,881</u>	<u>\$212,072,251</u>	<u>\$202,612,721</u>
Revenues Over (Under) Expenditures	\$ 17,459,843	\$ 18,155,611	\$ 14,457,156	\$ 13,554,669
Other Financing Sources (Uses):				
Sale of surplus property	51,413	45,784	37,365	39,543
Damage recovery	160,742	68,442	150,780	71,681
Leases issued	215,327	13,630	6,994,660	792,836
Subscription arrangements issued	--	68,759	145,108	--
Operating transfers in	--	--	--	--
Operating transfers out	<u>(21,887,000)</u>	<u>(19,580,039)</u>	<u>(14,201,599)</u>	<u>(9,466,047)</u>
Total Other Financing Sources (Uses)	<u>(21,459,518)</u>	<u>(19,383,424)</u>	<u>(6,873,686)</u>	<u>(8,561,987)</u>
Revenue and other sources over (under) expenditures and other uses	(3,999,675)	(1,227,813)	7,583,470	4,992,682
Fund Balances January 1	<u>\$ 92,938,904</u>	<u>\$ 95,060,735</u>	<u>\$ 87,477,265</u>	<u>\$ 82,484,583</u>
Fund Balances (Deficit), December 31	<u><u>\$88,939,229</u></u>	<u><u>\$ 92,938,904</u></u>	<u><u>\$ 95,060,735</u></u>	<u><u>\$ 87,477,265</u></u>

Budgetary Process

By August 1 in each year the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to encourage public input. The Council must, prior to September 30, enact the budget by ordinance. If the Council fails to approve a budget by September 30, the Mayor's proposed budget becomes the City's budget for the following fiscal year. After adoption, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted. If it is determined during the year that sufficient amounts have not been budgeted, the City Charter allows the adopting of supplemental appropriations.

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CITY OBLIGATIONS

Set forth below are the current outstanding obligations as of July 1, 2026 which the City is obligated or committed to pay:

Type of Issue	Purpose	Original Issue Amount	Amount Outstanding (7/1/26)
Revenue Bonds & Notes			
Series 2012A Senior Lien Sales Tax Bonds	* Events Center	108,440,000	56,845,000
Series 2016A Senior Lien Sales Tax Bonds	* Administrative Building	20,260,000	14,975,000
Series 2017A Senior Lien Sales Tax Bonds	* Lewis & Clark Refunding	31,045,000	7,400,000
Series 2018B Senior Lien Sales Tax Bonds	* Parking Ramp	18,540,000	10,840,000
Series 2020A Senior Lien Sales Tax Bonds	* Public Safety Facility	42,315,000	35,255,000
Series 2025A Senior Lien Sales Tax Bonds	* Aquatic Center	23,395,000	23,395,000
Drinking Water⁽¹⁾			
State Revolving Note #12, 2023 ⁽²⁾	System Construction	7,556,327	--
Storm Drainage⁽¹⁾			
State Revolving Note #39, 2018	System Construction	8,829,000	3,245,651
State Revolving Note #42, 2021 ⁽²⁾	System Construction	3,690,069	2,469,085
Clean Water⁽¹⁾			
State Revolving Note #21, 2005	System Construction	34,813,977	2,231,146
State Revolving Note #35, 2015 ⁽²⁾	System Construction	11,304,270	2,150,337
State Revolving Note #36, 2015	System Construction	16,550,544	4,340,011
State Revolving Note #37, 2016	System Construction	7,350,585	1,962,072
State Revolving Note #38, 2017	System Construction	9,515,974	3,233,292
State Revolving Note #40, 2019 ⁽²⁾	System Construction	26,476,585	21,151,911
State Revolving Note #41, 2020	System Construction	41,625,000	36,286,220
State Revolving Note #43, 2021	System Construction	18,500,000	16,767,838
State Revolving Note #44, 2022 ⁽²⁾	System Construction	90,608,202	85,301,008
State Revolving Note #45, 2023 ⁽²⁾	System Construction	10,658,089	10,549,566
State Revolving Note #46, 2024 ⁽²⁾	System Construction	42,882,420	42,882,420
State Revolving Note #47, 2024 ⁽²⁾	System Construction	12,457,361	12,457,361
State Revolving Note #48, 2024 ⁽²⁾	System Construction	4,050,113	4,050,113
State Revolving Note #49, 2025 ⁽²⁾	System Construction	2,370,396	2,370,396
State Revolving Note #50, 2026 ⁽²⁾	System Construction	810,623	810,623
			<u>\$ 400,969,050</u>

(1) As of July 1, 2026.

(2) Authorized amount not fully funded.

* Secured by pledge of the second penny sales and use tax.

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FUTURE FINANCING OF THE CITY

The City has no current plans to issue additional Senior Lien or Junior Lien Bonds, although it may do so in the future as permitted under the Junior Lien Indenture.

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APPENDIX B

EXCERPTS FROM THE CITY'S 2025 AUDITS

COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2025

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City of Sioux Falls
Annual Comprehensive Financial Report
December 31, 2025

Statement of Net Position

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing & Redevelopment Commission
Assets				
Cash and Cash Equivalents	\$ 322,361,214	\$ 107,828,131	\$ 430,189,345	\$ 2,776,457
Assets Held for Management Agreements	17,085,719	-	17,085,719	-
Investments	-	-	-	25,341
Receivables, net	36,435,931	12,788,415	49,224,346	5,313,695
Lease	140,927	1,317,854	1,458,781	-
Prepaid Items	2,791,458	-	2,791,458	122,081
Internal Balances	(6,127,388)	6,127,388	-	-
Due From Other Governments	36,188,755	3,222,140	39,410,895	823,072
Inventory of Supplies and Stores	11,078,412	5,195,672	16,274,084	385,929
Restricted Assets:				
Cash and Cash Equivalents	-	157,980,326	157,980,326	-
Net Pension Asset	80,762,417	8,114,051	88,876,468	-
Net OPEB Asset	3,758,583	-	3,758,583	-
Capital Assets:				
Land	249,306,959	23,476,766	272,783,725	776,184
Buildings, net	291,902,970	189,040,178	480,943,148	2,683,861
Improvements Other Than Buildings, net	91,292,080	25,744,992	117,037,072	122,868
Machinery and Equipment, net	71,252,001	49,014,189	120,266,190	159,492
Infrastructure, net	983,195,817	612,186,449	1,595,382,266	-
Intangibles, net	5,862,337	76,322,279	82,184,616	-
Construction in Progress	33,176,346	71,445,528	104,621,874	-
Right to Use Leased Assets, net	2,879,573	47,316	2,926,889	42,219
Subscription Assets, net	1,865,016	9,038	1,874,054	-
Total Assets	2,235,209,127	1,349,860,712	3,585,069,839	13,231,199
Deferred Outflow of Resources				
City Employee's Retirement System	6,130,583	863,765	6,994,348	-
City Firefighters' Pension Fund	2,830,107	-	2,830,107	-
South Dakota Retirement System	19,868,827	2,129,222	21,998,049	-
Total Deferred Outflow of Resources	28,829,517	2,992,987	31,822,504	-
Liabilities				
Accounts Payable and Other Current Liabilities	21,592,234	22,076,740	43,668,974	1,396,783
Interest Payable	745,157	2,105,035	2,850,192	49,684
Deposits	142,037	732,240	874,277	20,151
Unearned Revenue	2,029,406	185,635	2,215,041	127,036
Loss Reserve on Workers' Comp Claims				
Due Within One Year	800,000	-	800,000	-
Due In More Than One Year	5,115,615	-	5,115,615	-
Long-term Liabilities:				
Due Within One Year	17,466,490	26,131,546	43,598,036	334,659
Due Within One Year - Leases/Subscriptions	3,862,130	15,130	3,877,260	11,744
Due In More Than One Year	168,785,846	248,443,189	417,229,035	8,128,961
Due in More Than One Year - Leases/Subscriptions	990,080	42,209	1,032,289	31,071
Total Liabilities	221,528,995	299,731,724	521,260,719	10,100,089
Deferred Inflow of Resources				
OPEB Trust	85,925	-	85,925	-
Lease Related	133,186	1,269,740	1,402,926	-
City Employee's Retirement System	26,763,336	3,770,804	30,534,140	-
City Firefighters' Pension Fund	11,374,628	-	11,374,628	-
South Dakota Retirement System	11,527,950	1,236,916	12,764,866	-
Total Deferred Inflow of Resources	49,885,025	6,277,460	56,162,485	-
Net Position				
Net Investment in Capital Assets	1,588,755,003	777,315,845	2,366,070,848	718,848
Restricted for:				
Debt Service	13,552,582	5,216,003	18,768,585	-
Park and Recreation	971,940	-	971,940	-
Police	145,445	-	145,445	-
Health	1,664,050	-	1,664,050	-
Community Development	35,074,651	-	35,074,651	-
Library:				
Expendable	189,545	-	189,545	-
Nonexpendable	24,767	-	24,767	-
Heroic Awards:				
Expendable	4,395	-	4,395	-
Nonexpendable	2,000	-	2,000	-
Pension	80,762,417	8,114,051	88,876,468	-
OPEB	3,758,583	-	3,758,583	-
Storm Drainage	19,177,185	-	19,177,185	-
Construction Projects	28,162,890	-	28,162,890	-
Other Purposes	-	-	-	533,179
Unrestricted	220,379,172	256,198,616	476,577,788	1,879,083
Total Net Position	\$ 1,992,624,624	\$ 1,046,844,515	\$ 3,039,469,139	\$ 3,131,110

The notes to the financial statements are an integral part of this statement.

Statement of Activities

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 25,032,878	\$ 2,994,623	\$ 4,120	\$ -
Public Safety:				
Fire Protection	47,607,625	3,962,478	1,464,089	-
Police Protection	55,346,504	169,880	1,350,001	-
Highways and Streets	87,214,028	875,633	1,846,035	99,840,264
Public Health	17,265,423	6,706,945	4,218,244	-
Culture and Recreation:				
Libraries	12,249,105	113,951	1,513,350	70,000
Museum	3,361	-	-	-
Parks & Recreation	41,057,128	3,307,092	6,714,564	-
Entertainment Venues	12,062,772	-	-	-
Urban and Economic Development:				
Affordable Housing	5,182,903	24,255	1,785,946	-
Transit	13,764,055	-	-	-
TIF	6,567,650	-	-	-
Planning and Development Services	16,902,798	7,873,546	6,415,128	-
Interest on Long-Term Debt	4,565,427	-	-	-
Total Governmental Activities	344,821,657	26,028,403	25,311,477	99,910,264
Business-type Activities:				
Power and Distribution	10,213,802	11,455,100	-	-
Public Parking	3,297,041	3,218,348	-	-
Sanitary Landfill	13,355,836	15,085,289	-	-
Water	33,857,809	47,635,904	-	6,591,785
Water Reclamation	39,367,485	48,587,382	-	18,732,617
Total Business-type Activities	100,091,973	125,982,023	-	25,324,402
Total Government	\$ 444,913,630	\$ 152,010,426	\$ 25,311,477	\$ 125,234,666
Component Units:				
Housing & Redevelopment Commission	\$ 18,724,038	\$ 1,153,411	\$ 16,755,210	\$ -

General Revenues:

Taxes:

Property Tax

Sales Tax

Frontage Tax

Unrestricted State and County Shared Revenues

Unrestricted Investment Earnings

Miscellaneous Revenue, Net

Debt Forgiveness

Transfers of Capital Assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

Statement of Activities (cont)

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Commission
\$ (22,034,135)	\$ -	\$ (22,034,135)	
(42,181,058)	-	(42,181,058)	
(53,826,623)	-	(53,826,623)	
15,347,904	-	15,347,904	
(6,340,234)	-	(6,340,234)	
(10,551,804)	-	(10,551,804)	
(3,361)	-	(3,361)	
(31,035,472)	-	(31,035,472)	
(12,062,772)	-	(12,062,772)	
(3,372,702)	-	(3,372,702)	
(13,764,055)	-	(13,764,055)	
(6,567,650)	-	(6,567,650)	
(2,614,124)	-	(2,614,124)	
(4,565,427)	-	(4,565,427)	
(193,571,513)	-	(193,571,513)	
-	1,241,298	1,241,298	
-	(78,693)	(78,693)	
-	1,729,453	1,729,453	
-	20,369,880	20,369,880	
-	27,952,514	27,952,514	
-	51,214,452	51,214,452	
(193,571,513)	51,214,452	(142,357,061)	
			\$ (815,417)
98,277,880	-	98,277,880	-
208,538,388	-	208,538,388	-
20,231,998	-	20,231,998	-
11,626,717	-	11,626,717	-
13,846,690	7,631,249	21,477,939	46,292
4,671,125	149,888,669	154,559,794	(146,549)
53,988	2,779,863	2,833,851	-
(3,673,049)	3,673,049	-	-
135,321	(135,321)	-	-
353,709,058	163,837,509	517,546,567	(100,257)
160,137,545	215,051,961	375,189,506	(915,674)
1,832,487,079	831,792,554	2,664,279,633	4,046,784
\$ 1,992,624,624	\$ 1,046,844,515	\$ 3,039,469,139	\$ 3,131,110

Balance Sheet - Governmental Funds

	General	Entertainment Tax	Sales and Use Tax	Housing
Assets				
Cash and Cash Equivalents	\$ 81,375,018	\$ 10,995,758	\$ 95,985,662	\$ 7,307,815
Assets Held for Management Agreements	3,900,248	13,185,471	-	-
Receivables:				
Taxes-Delinquent	2,639,998	-	-	-
Accounts (net of allowance for uncollectibles)	1,443,248	5,155	30,171	-
Interest and Penalty	742,411	74,037	564,850	12,808
Special Assessments	204,336	-	439,432	-
Rehabilitation Loans and Grants	-	-	-	27,801,526
Leases	87,565	-	53,362	-
Due from Other Funds	54,395	-	-	-
Due from Other Governments	12,711,415	1,143,374	20,527,884	78,767
Inventory of Supplies and Stores	4,801,329	-	4,653,473	51,213
Notes Receivable	1,000,000	-	-	38,378
Prepays	467,965	-	-	-
Total Assets	<u>\$ 109,427,928</u>	<u>\$ 25,403,795</u>	<u>\$ 122,254,834</u>	<u>\$ 35,290,507</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable	\$ 2,981,981	\$ 1,588,188	\$ 5,109,631	\$ 117,255
Accrued Wages	4,006,082	-	-	20,757
Due to Other Funds	-	-	-	-
Deposits	141,582	-	455	-
Unearned Revenue	1,896,652	-	1,564,708	26,631
Total Liabilities	<u>9,026,297</u>	<u>1,588,188</u>	<u>6,674,794</u>	<u>164,643</u>
Deferred Inflows of Resources				
Unavailable Revenue-Property Taxes	1,688,392	-	-	-
Unavailable Revenue-Sales Tax	9,466,663	906,111	9,389,031	-
Unavailable Revenue-Special Assessments	226,611	-	438,844	-
Lease Related	80,736	-	52,450	-
Total Deferred Inflows of Resources	<u>11,462,402</u>	<u>906,111</u>	<u>9,880,325</u>	<u>-</u>
Fund Balances				
Nonspendable	6,269,294	-	4,653,473	51,213
Restricted	1,957,968	-	14,540,248	35,074,651
Committed	5,649,145	22,909,496	86,505,994	-
Assigned	3,676,808	-	-	-
Unassigned	71,386,014	-	-	-
Total Fund Balances	<u>88,939,229</u>	<u>22,909,496</u>	<u>105,699,715</u>	<u>35,125,864</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 109,427,928</u>	<u>\$ 25,403,795</u>	<u>\$ 122,254,834</u>	<u>\$ 35,290,507</u>

Balance Sheet - Governmental Funds (cont)

Storm Drainage	Recreation and Aquatics Bond	Other Governmental Funds	Total Governmental Funds
\$ 24,902,544	\$ 22,804,281	\$ 20,111,507	\$ 263,482,585
-	-	-	17,085,719
-	-	-	2,639,998
8,873	-	3,465	1,490,912
172,874	75,389	35,602	1,677,971
-	-	-	643,768
-	-	-	27,801,526
-	-	-	140,927
-	-	-	54,395
201,340	-	1,193,141	35,855,921
-	-	-	9,506,015
-	-	-	1,038,378
-	-	-	467,965
<u>\$ 25,285,631</u>	<u>\$ 22,879,670</u>	<u>\$ 21,343,715</u>	<u>\$ 361,886,080</u>
\$ 773,727	\$ 575,996	\$ 2,044,253	\$ 13,191,031
75,147	-	173,915	4,275,901
-	-	125,674	125,674
-	-	-	142,037
5,460	-	401,133	3,894,584
<u>854,334</u>	<u>575,996</u>	<u>2,744,975</u>	<u>21,629,227</u>
-	-	-	1,688,392
-	-	-	19,761,805
-	-	-	665,455
-	-	-	133,186
<u>-</u>	<u>-</u>	<u>-</u>	<u>22,248,838</u>
-	-	26,767	11,000,747
24,431,297	22,303,674	634,845	98,942,683
-	-	-	115,064,635
-	-	17,937,128	21,613,936
-	-	-	71,386,014
<u>24,431,297</u>	<u>22,303,674</u>	<u>18,598,740</u>	<u>318,008,015</u>
<u>\$ 25,285,631</u>	<u>\$ 22,879,670</u>	<u>\$ 21,343,715</u>	<u>\$ 361,886,080</u>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Total Fund Balances for Governmental Funds \$ 318,008,015

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital Assets	\$ 2,777,554,352	
Accumulated Depreciation	<u>(1,077,697,564)</u>	1,699,856,788

Right-to-use and subscription assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of Right to Use Leased Assets	8,219,486	
Cost of Subscription Assets	213,867	
Accumulated Amortization	<u>(6,257,113)</u>	2,176,240

Deferred inflows of resources and certain unearned revenues are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

23,980,830

Internal service funds are used by management to charge the costs of fleet management, insurance programs, facilities, and technology equipment to individual funds. The assets and liabilities of the internal service funds are included in the Statement of Net Position as follows:

Governmental Activities	81,449,656	
Business-Type Activities	<u>(6,131,783)</u>	75,317,873

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Accrued Interest Payable - Bonds	(718,421)	
Accrued Interest Payable - Leases	(3,872)	
Notes Payable-Revenue	(6,945,940)	
Unamortized Bond Premium	(16,507,393)	
Bonds Payable-Revenue	(130,470,000)	
Lease and Subscription Liabilities	(2,151,640)	
Accrued Compensated Absences	<u>(31,905,686)</u>	(188,702,952)

Net OPEB asset and OPEB deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:

Net OPEB Asset	3,758,583	
Deferred Inflows of Resources	<u>(85,925)</u>	<u>3,672,658</u>

Net pension asset and liability and pension deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:

Net Pension Asset	78,756,177	
Deferred Outflows of Resources	27,852,042	
Deferred Inflows of Resources	<u>(48,293,047)</u>	<u>58,315,172</u>

Net Position of Governmental Activities		<u><u>\$ 1,992,624,624</u></u>
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**Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Funds**

	<u>General</u>	<u>Entertainment Tax</u>	<u>Sales and Use Tax</u>	<u>Housing</u>
Revenues				
Taxes:				
Property	\$ 90,814,680	\$ -	\$ -	\$ -
Sales	95,533,726	11,701,124	95,533,726	-
Frontage	5,101,709	-	-	-
Lodging (includes Business Improvement District)	3,682,425	-	-	-
Penalties and Interest	123,399	-	-	-
Special Assessments	521,779	-	3,936,067	-
Licenses and Permits	11,093,971	-	128,643	-
Intergovernmental	17,562,392	-	10,889,994	1,785,946
Charges for Goods and Services	10,580,800	-	-	24,255
Fines and Forfeitures	820,038	-	-	-
Investment Revenue	4,586,596	593,750	4,417,288	126,723
Rentals	103,036	-	9,398	-
Contributions	137,413	-	7,693,772	-
Miscellaneous Revenue	1,863,750	1,334,285	-	90,078
Total Revenues	<u>242,525,714</u>	<u>13,629,159</u>	<u>122,608,888</u>	<u>2,027,002</u>
Expenditures				
Current:				
General Government	23,774,738	-	-	-
Public Safety	92,713,075	-	26,027	-
Highways and Streets	33,422,963	-	-	-
Public Health	17,044,278	-	-	-
Culture and Recreation	40,394,371	5,195,927	-	-
Urban and Economic Development	14,858,077	-	-	4,979,573
Debt Service:				
Principal - Bonds	-	-	10,490,000	-
Principal - Right to Use Leases	2,436,674	-	-	165
Principal - Subscription-Based IT Arrangements	112,926	-	-	-
Interest and Fiscal Charges	93,442	-	5,300,471	1
Capital Outlay				
General Government	48,570	-	216,225	-
Public Safety	89,269	-	5,520,091	-
Highways and Streets	18,130	-	65,449,120	-
Public Health	34,705	-	100,520	-
Culture and Recreation	16,561	16,355,906	25,684,764	-
Urban and Economic Development	8,092	-	98,857	-
Total Expenditures	<u>225,065,871</u>	<u>21,551,833</u>	<u>112,886,075</u>	<u>4,979,739</u>
Revenues Over (Under) Expenditures	<u>17,459,843</u>	<u>(7,922,674)</u>	<u>9,722,813</u>	<u>(2,952,737)</u>
Other Financing Sources (Uses)				
Sale of Surplus Property	51,413	12,563	132,849	-
Damage Recovery	160,742	-	-	-
Revenue Bonds Issued	-	-	239,350	-
Revenue Bond Premium	-	-	-	-
Leases Issued	215,327	-	-	-
Transfers In	-	-	135,321	2,782,799
Transfers Out	(21,887,000)	-	(3,037,785)	-
Total Other Financing Sources (Uses)	<u>(21,459,518)</u>	<u>12,563</u>	<u>(2,530,265)</u>	<u>2,782,799</u>
Net Change in Fund Balances	(3,999,675)	(7,910,111)	7,192,548	(169,938)
Fund Balances - Beginning, as previously reported	92,938,904	30,819,607	98,507,167	35,295,802
Adjustments (see Note 13)	-	-	-	-
Fund Balance - Beginning, as restated	92,938,904	30,819,607	98,507,167	35,295,802
Fund Balance Ending	<u>\$ 88,939,229</u>	<u>\$ 22,909,496</u>	<u>\$ 105,699,715</u>	<u>\$ 35,125,864</u>

**Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Funds (cont)**

Storm Drainage	Public Safety Facility Construction Previously Reported as Major	Recreation and Aquatics Bond	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 7,094,314	\$ 97,908,994
-	-	-	-	202,768,576
15,130,289	-	-	-	20,231,998
-	-	-	-	3,682,425
-	-	-	-	123,399
2,176,562	-	-	-	6,634,408
-	-	-	-	11,222,614
110,477	-	-	10,861,849	41,210,658
-	-	-	3,268,263	13,873,318
-	-	-	-	820,038
1,018,122	-	548,510	166,630	11,457,619
-	-	-	-	112,434
-	-	-	50	7,831,235
-	-	-	213,338	3,501,451
<u>18,435,450</u>	<u>-</u>	<u>548,510</u>	<u>21,604,444</u>	<u>421,379,167</u>
-	-	-	-	23,774,738
-	-	-	6,244,093	98,983,195
4,548,055	-	-	-	37,971,018
-	-	-	-	17,044,278
-	-	227,111	-	45,817,409
-	-	-	20,864,842	40,702,492
1,252,990	-	-	-	11,742,990
-	-	-	1,238	2,438,077
-	-	-	-	112,926
71,300	-	-	4	5,465,218
-	-	-	-	264,795
-	-	-	647,879	6,257,239
8,867,928	-	-	-	74,335,178
-	-	-	-	135,225
-	-	3,514,114	-	45,571,345
-	-	-	2,601,601	2,708,550
<u>14,740,273</u>	<u>-</u>	<u>3,741,225</u>	<u>30,359,657</u>	<u>413,324,673</u>
<u>3,695,177</u>	<u>-</u>	<u>(3,192,715)</u>	<u>(8,755,213)</u>	<u>8,054,494</u>
-	-	-	23,468	220,293
1,287	-	-	42,846	204,875
-	-	23,155,650	-	23,395,000
-	-	2,340,739	-	2,340,739
-	-	-	7,071	222,398
-	-	-	9,413,511	12,331,631
-	-	-	-	(24,924,785)
<u>1,287</u>	<u>-</u>	<u>25,496,389</u>	<u>9,486,896</u>	<u>13,790,151</u>
3,696,464	-	22,303,674	731,683	21,844,645
20,734,833	1,213,825	-	16,653,232	296,163,370
-	(1,213,825)	-	1,213,825	-
<u>20,734,833</u>	<u>-</u>	<u>-</u>	<u>17,867,057</u>	<u>296,163,370</u>
<u>\$ 24,431,297</u>	<u>\$ -</u>	<u>\$ 22,303,674</u>	<u>\$ 18,598,740</u>	<u>\$ 318,008,015</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net Change in Fund Balances - Total Governmental Funds \$ 21,844,645

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Expenditures for Capital Assets	\$ 129,049,934	
Loss on Disposal of Capital Assets	(2,162,581)	
Capital Assets transferred from Business-type Activities	(2,640,261)	
Less Current Year Depreciation	<u>(75,933,723)</u>	48,313,369

Governmental funds report capital outlays for leases as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as amortization expense. This is the amount by which capital outlay exceeded amortization for right to use assets in the current period.

Expenditures for Right to Use Leased and Subscription Asset Additions	222,398	
Loss on Disposal of Right to Use Leased and Subscription Assets	(63,531)	
Less Current Year Amortization	<u>(2,524,274)</u>	(2,365,407)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Developer Contributions of Infrastructure	25,408,059	
Infrastructure Contributions from Other Governments	57,507,794	
From Other Governments - Surcharges and Grants	(2,162,803)	
Due From Other Governments - Taxes	<u>2,087,387</u>	82,840,437

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal Payments of Bonds	11,742,990	
Principal Payments of Leases and Subscriptions	2,551,003	
Amortization of Bond Premium	1,053,531	
Revenue Bond Proceeds	(23,395,000)	
Premium received on Revenue Bonds	(2,340,739)	
Lease and Subscription Proceeds	(222,398)	
Principal Forgiven on Disposed Subscription Assets	<u>53,988</u>	(10,556,625)

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.

Compensated Absences	(1,704,664)	
Accrued Interest	<u>(91,177)</u>	(1,795,841)

Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

9,002,385

Changes to net OPEB liability (asset) and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

225,658

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported within governmental activities.

12,628,924

Change in Net Position of Governmental Activities

\$ 160,137,545

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City of Sioux Falls
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Statement of Net Position - Proprietary Funds

	Enterprise Funds		
	Power and Distribution	Public Parking	Sanitary Landfill
Assets			
Current:			
Cash and Cash Equivalents	\$ 7,069,643	\$ 3,761,016	\$ 10,837,170
Receivables, net:			
Accounts	385,255	140,382	1,297,524
Interest	53,034	18,518	161,030
Special Assessments	-	-	-
Unbilled	550,473	-	-
Arbitrage Refund	-	-	-
Lease	-	45,278	-
Lease Accrued Interest	-	302	-
Prepaid Expense	-	-	-
Due From Other Funds	-	-	-
Due From Other Governments	-	-	-
Inventory of Supplies and Stores	1,423,016	-	-
Total Current Assets	9,481,421	3,965,496	12,295,724
Noncurrent:			
Restricted Cash and Cash Equivalents	-	-	12,180,236
Lease Receivable	-	454,531	-
Net Pension Asset	542,167	236,271	1,390,733
Capital Assets:			
Land	613,935	4,503,577	3,597,946
Buildings	503,583	468,856	17,105,355
Improvements Other Than Buildings	9,248	37,009,851	47,468,484
Machinery and Equipment	1,798,197	349,871	2,495,682
Infrastructure	51,642,832	-	6,132,099
Intangibles	-	-	-
Construction in Progress	8,626,106	-	5,400
Less: Accumulated Depreciation	(31,143,398)	(21,780,095)	(46,054,457)
Right to Use Leased Assets	3,901	4,658	13,135
Less: Accumulated Amortization	(53)	(64)	(180)
Subscription Assets	-	-	-
Less: Accumulated Amortization	-	-	-
Total Noncurrent Assets	32,596,518	21,247,456	44,334,433
Total Assets	42,077,939	25,212,952	56,630,157
Deferred Outflow of Resources			
City Employee's Retirement System	57,794	25,162	148,199
South Dakota Retirement System	72,414	54,011	235,310
Total Deferred Outflow of Resources	130,208	79,173	383,509
Liabilities			
Current:			
Accounts Payable	962,668	79,163	546,340
Accrued Wages	26,079	16,403	79,425
Loss Reserve on Workers' Comp Claims	-	-	-
Accrued Compensated Absences	27,692	20,319	72,017
Accrued Interest Payable	-	49,234	-
Incurred But Not Reported Claims	-	-	-
Due To Other Funds	-	-	-
Notes Payable-Revenue	-	-	-
Bonds Payable-Revenue	-	1,255,000	-
Deposits	116,230	18,195	13,805
Unearned Revenue	20,000	165,635	-
Lease Liabilities	470	560	1,578
Subscription Liabilities	-	-	-
Lease and Subscription Interest Payable	9	10	29
Total Current Liabilities	1,153,148	1,604,519	713,194
Noncurrent:			
Accrued Compensated Absences	362,459	97,601	507,014
Loss Reserve on Workers' Comp Claims	-	-	-
Closure & Postclosure Care Costs	-	-	12,180,236
Notes Payable-Revenue	-	-	-
Bonds Payable-Revenue	-	9,585,000	-
Lease Liabilities	3,433	4,098	11,557
Subscription Liabilities	-	-	-
Total Noncurrent Liabilities	365,892	9,686,699	12,698,807
Total Liabilities	1,519,040	11,291,218	13,412,001
Deferred Inflow of Resources			
City Employee's Retirement System	252,301	109,847	646,968
South Dakota Retirement System	42,124	30,636	134,031
Lease Related	-	472,919	-
Total Deferred Inflow of Resources	294,425	613,402	780,999
Net Position:			
Net Investment in Capital Assets	31,687,312	9,711,996	30,557,204
Restricted for Debt Service	-	1,920,586	-
Restricted for Pension	542,167	236,271	1,390,733
Unrestricted	8,165,203	1,518,652	10,872,729
Total Net Position	\$ 40,394,682	\$ 13,387,505	\$ 42,820,666

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net Position of business-type activities

The notes to the financial statements are an integral part of this statement.

City of Sioux Falls
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Statement of Net Position - Proprietary Funds (cont.)

Enterprise Funds (cont.)			Internal
Water	Water Reclamation	Total	Service Funds
\$ 44,359,293	\$ 41,801,009	\$ 107,828,131	\$ 58,878,629
1,797,486	1,759,246	5,379,893	791,565
294,875	287,257	814,714	351,813
205,883	-	205,883	-
2,373,278	3,424,730	6,348,481	-
17,089	-	17,089	-
42,722	-	88,000	-
22,053	-	22,355	-
-	-	-	2,323,493
-	-	-	75,674
3,857	3,218,283	3,222,140	332,834
3,542,055	230,601	5,195,672	1,572,397
52,658,591	50,721,126	129,122,358	64,326,405
145,800,090	-	157,980,326	-
775,323	-	1,229,854	-
2,724,303	3,220,577	8,114,051	2,006,240
9,465,797	5,295,511	23,476,766	-
36,903,959	173,329,502	228,311,255	2,705,385
98,932	426,990	85,013,505	1,323,297
41,598,833	41,120,550	87,363,133	63,837,489
405,310,910	579,771,810	1,042,857,651	-
76,322,279	-	76,322,279	-
9,524,482	53,289,540	71,445,528	306,996
(194,439,107)	(274,142,679)	(567,559,736)	(42,041,444)
13,062	13,217	47,973	1,715,814
(179)	(181)	(657)	(950,000)
-	36,152	36,152	4,466,409
-	(27,114)	(27,114)	(2,663,872)
534,098,684	582,333,875	1,214,610,966	30,706,314
586,757,275	633,055,001	1,343,733,324	95,032,719
289,729	342,881	863,765	213,307
967,983	799,504	2,129,222	764,168
1,257,712	1,142,385	2,992,987	977,475
3,592,386	16,350,186	21,530,743	1,172,765
222,663	201,427	545,997	174,561
-	-	-	800,000
222,518	203,485	546,031	85,525
47,278	2,008,166	2,104,678	-
-	-	-	2,800,000
4,395	-	4,395	-
-	15,117,737	15,117,737	-
9,212,778	-	10,467,778	-
584,010	-	732,240	-
-	-	185,635	-
1,570	1,588	5,766	1,496,812
-	9,364	9,364	1,160,037
29	280	357	22,864
13,887,627	33,892,233	51,250,721	7,712,564
1,333,024	1,420,674	3,720,772	315,768
-	-	-	5,115,615
-	-	12,180,236	-
-	222,957,181	222,957,181	-
-	-	9,585,000	-
11,492	11,629	42,209	6,864
-	-	-	36,857
1,344,516	224,389,484	248,485,398	5,475,104
15,232,143	258,281,717	299,736,119	13,187,668
1,264,826	1,496,862	3,770,804	931,202
560,378	469,747	1,236,916	441,665
796,821	-	1,269,740	-
2,622,025	1,966,609	6,277,460	1,372,867
372,978,402	332,380,931	777,315,845	25,618,612
3,295,417	-	5,216,003	-
2,724,303	3,220,577	8,114,051	2,006,240
191,162,697	38,347,552	250,066,833	53,824,807
\$ 570,160,819	\$ 373,949,060	1,040,712,732	\$ 81,449,659
		6,131,783	
		\$ 1,046,844,515	

**Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds**

	Enterprise Funds		
	Power and Distribution	Public Parking	Sanitary Landfill
Operating Revenues:			
Charges for Goods and Services	\$ 11,454,320	\$ 2,695,674	\$ 15,085,249
Fines and Forfeitures	780	522,674	40
Pledged as Security for Revenue Bonds and Notes:			
Charges for Goods and Services	-	-	-
Fines and Forfeitures	-	-	-
Total Operating Revenues	11,455,100	3,218,348	15,085,289
Operating Expenses:			
Personnel Services	909,572	591,388	2,914,240
Casualty Loss	-	-	-
Insurance	17,669	36,322	21,784
Professional Services	32,320	354,629	2,651,409
Rent	383,867	50,088	2,909,085
Repairs and Maintenance	350,472	301,277	1,100,204
Supplies and Materials	154,980	165,706	711,658
Utilities and Bulk Energy	6,597,704	129,111	370,682
Depreciation	1,746,586	1,224,393	3,351,898
Amortization - Lease	1,496	1,479	4,876
Amortization - Subscription	-	-	-
Other Current Expenses	44,278	2,228	21,081
Total Operating Expenses	10,238,944	2,856,621	14,056,917
Operating Income (Loss)	1,216,156	361,727	1,028,372
Nonoperating Revenues (Expenses):			
Investment Revenue	424,007	183,091	1,032,151
Gain (Loss) on Capital Assets	(6,090)	-	28,700
Transfers of Capital Assets (net)	3,828,464	-	(845)
Rent/Operating Leases	26,062	3,000	66,202
Cost Recovery & Special Assessments	-	900	-
Contributions	-	-	-
Settlements Received	-	-	-
Miscellaneous	(12,002)	12,455	368,396
Federal and State Operating Grants	-	-	633,694
Interest Expense and Fiscal Agent Charges	-	(415,830)	-
Debt Forgiveness	-	-	-
Lease Financing	-	48,812	-
Lease Interest Revenue	-	6,907	-
Lease Interest Expense	(12)	(13)	(38)
Subscription Interest Expense	-	-	-
Total Nonoperating Revenues (Expenses)	4,260,429	(160,678)	2,128,260
Income (Loss) Before Contributions and Transfers	5,476,585	201,049	3,156,632
Federal and State Capital Grants	-	-	-
Capital Contributions	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Change in Net Position	5,476,585	201,049	3,156,632
Net Position - Beginning	34,918,097	13,186,456	39,664,034
Net Position - Ending	\$ 40,394,682	\$ 13,387,505	\$ 42,820,666

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in Net Position of Business-type Activities

**Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds (cont)**

Enterprise Funds			Internal
Water	Water Reclamation	Total	Service Funds
\$ -	\$ -	\$ 29,235,243	\$ 68,378,128
-	-	523,494	-
47,619,524	48,587,382	96,206,906	-
16,380	-	16,380	-
47,635,904	48,587,382	125,982,023	68,378,128
7,372,557	6,933,610	18,721,367	6,448,164
-	-	-	32,140,766
176,728	194,303	446,806	3,106,746
949,843	1,033,172	5,021,373	3,602,041
975,054	1,799,666	6,117,760	675,887
1,894,298	2,006,663	5,652,914	4,843,156
10,040,114	2,184,558	13,257,016	10,697,505
1,318,315	2,176,776	10,592,588	1,885,176
11,370,392	18,230,728	35,923,997	5,425,995
6,635	5,760	20,246	96,882
-	9,038	9,038	1,498,861
49,023	76,925	193,535	43,714
34,152,959	34,651,199	95,956,640	70,464,893
13,482,945	13,936,183	30,025,383	(2,086,765)
4,049,214	1,942,786	7,631,249	2,265,672
16,943	(540,879)	(501,326)	475,011
(145,822)	(8,748)	3,673,049	(1,032,787)
182,417	-	277,681	-
1,749,120	2,316,363	4,066,383	-
-	1,139,689	1,139,689	775
143,681,882	195,000	143,876,882	-
(26,629)	(104,585)	237,635	269,495
21,169	-	654,863	787,224
386,463	(4,821,184)	(4,850,551)	-
2,779,863	-	2,779,863	-
56,978	-	105,790	-
24,165	-	31,072	-
(42)	(40)	(145)	(12,783)
-	(251)	(251)	(49,780)
152,775,721	118,151	159,121,883	2,702,827
166,258,666	14,054,334	189,147,266	616,062
-	14,172,751	14,172,751	-
6,591,785	4,559,866	11,151,651	-
-	-	-	12,728,475
-	(135,321)	(135,321)	-
172,850,451	32,651,630	214,336,347	13,344,537
397,310,368	341,297,430	826,376,385	68,105,122
\$ 570,160,819	\$ 373,949,060	\$ 1,040,712,732	\$ 81,449,659
		715,614	
		\$ 215,051,961	

Statement of Cash Flows - Proprietary Funds

	Enterprise Funds	
	Power and Distribution	Public Parking
Cash Flows Provided by Operating Activities:		
Receipts from Customers	\$ 8,189,829	\$ 2,271,859
Cash Receipts from Interfund Services Provided	3,114,138	334,293
Payments to Suppliers	(7,779,568)	(901,455)
Payment for Interfund Services Used	(6,192)	(120,847)
Payments to Employees	(934,589)	(576,687)
Claims Paid	-	-
Other Receipts (Payments)	48,801	615,352
Net Cash Provided by Operating Activities	2,632,419	1,622,515
Cash Flows Provided By Noncapital Financing Activities:		
Subsidy from Federal Grants	-	-
Transfers In	-	-
Transfers Out	-	-
Net Cash Flows Provided (Used) By Noncapital Financing Activities	-	-
Cash Flows Provided By Capital and Related Financing Activities:		
Sale of Capital Assets	5,792	-
Purchase of Capital Assets	(5,348,799)	-
Purchase of Subscription Assets	-	-
Interest Payments and Fiscal Charges	-	(420,301)
Proceeds from Revenue Notes	-	-
Principal Payments-Revenue Notes	-	-
Principal Payments-Revenue Bonds	-	(1,090,000)
Proceeds from Lease and Subscription Liabilities	-	-
Principal Payments - Lease Liabilities and Subscription Assets	(1,453)	(1,425)
Interest Payments - Lease and Subscription Liabilities	(5)	(5)
Cash Received on Lease Receivables	-	48,812
Cash Received for Interest on Lease Receivables	-	6,637
Net Cash Flows (Used) By Capital and Related Financing Activities	(5,344,465)	(1,456,282)
Cash Flows Provided (Used) By Investing Activities:		
Rent Received	26,062	3,000
Investment Revenue Received	436,678	181,852
Net Cash Flows Provided (Used) By Investing Activities	462,740	184,852
Net Increase (Decrease) in Cash & Cash Equivalents During the Year	(2,249,306)	351,085
Cash and Cash Equivalents, January 1	9,318,949	3,409,931
Cash and Cash Equivalents, December 31	\$ 7,069,643	\$ 3,761,016
Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities:		
Operating Income (Loss)	\$ 1,216,156	\$ 361,727
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	1,746,586	1,224,393
Amortization	1,496	1,479
(Increase) Decrease in-Receivables	(150,353)	(89,522)
-Inventory	(224,727)	-
-Prepaid Expense	-	-
-Due From Other Funds	-	-
-Due From Other Governments	-	-
-Net Pension Asset	(341,149)	(136,461)
-Pension Related Deferred Outflows	56,585	29,923
Increase (Decrease) in-Accounts Payable	20,257	17,059
-Accrued Wages	4,727	4,728
-Compensated Absences	22,175	20,141
-Pension Related Deferred Inflows	232,645	96,370
-Loss Reserve on Workers' Comp Claims	-	-
-Incurred But Not Reported Claims	-	-
-Deposits	4,883	360
-Unearned Revenue	20,000	2,797
-Due To Other Funds	-	-
-Closure/Post closure Cost	-	-
-Lease Related Deferred Inflows	-	75,717
Other Revenue Sources (Uses)	23,138	13,804
Net Cash Provided By Operating Activities	\$ 2,632,419	\$ 1,622,515
Noncash Investing, Capital and Financing Activities:		
Capital Contributions	\$ -	\$ -
Capital Asset Purchases in Accounts Payable	363,136	-
Net Interfund Transfers of Capital Assets	-	-

Statement of Cash Flows - Proprietary Funds (cont)

Enterprise Funds (cont)				Internal
Sanitary Landfill	Water	Water Reclamation	Total	Service Funds
\$ 14,315,245	\$ 46,474,127	\$ 46,118,671	\$ 117,369,731	\$ 13,897,168
638,997	985,238	254,210	5,326,876	53,929,815
(8,247,084)	(14,769,468)	(23,246,332)	(54,943,907)	(27,269,596)
(69,098)	(1,171,692)	(1,260,017)	(2,627,846)	(30,179)
(3,065,655)	(7,574,842)	(7,224,968)	(19,376,741)	(6,405,866)
-	-	-	-	(28,981,481)
371,991	148,258,370	3,601,336	152,895,850	1,057,489
3,944,396	172,201,733	18,242,900	198,643,963	6,197,350
633,694	21,169	14,172,751	14,827,614	-
-	-	-	-	12,728,475
-	-	(135,321)	(135,321)	-
633,694	21,169	14,037,430	14,692,293	12,728,475
28,700	16,943	400,000	451,435	610,905
(4,603,267)	(14,774,331)	(72,154,966)	(96,881,363)	(6,843,666)
-	-	-	-	(312,843)
-	(578,590)	(3,491,446)	(4,490,337)	-
-	-	49,181,232	49,181,232	-
-	-	(13,273,537)	(13,273,537)	-
-	(4,100,000)	-	(5,190,000)	-
-	-	-	-	312,843
(4,728)	(6,581)	(14,598)	(28,785)	(1,586,759)
(16)	(22)	(510)	(558)	(75,929)
-	56,978	-	105,790	-
-	19,025	-	25,662	-
(4,579,311)	(19,366,578)	(39,353,825)	(70,100,461)	(7,895,449)
66,202	182,417	-	277,681	-
1,023,534	3,968,931	1,887,504	7,498,499	2,214,550
1,089,736	4,151,348	1,887,504	7,776,180	2,214,550
1,088,515	157,007,672	(5,185,991)	151,011,975	13,244,926
21,928,891	33,151,711	46,987,000	114,796,482	45,633,703
<u>\$ 23,017,406</u>	<u>\$ 190,159,383</u>	<u>\$ 41,801,009</u>	<u>\$ 265,808,457</u>	<u>\$ 58,878,629</u>
\$ 1,028,372	\$ 13,482,945	\$ 13,936,183	\$ 30,025,383	\$ (2,086,765)
3,351,898	11,370,392	18,230,728	35,923,997	5,425,995
4,876	6,635	14,798	29,284	1,595,743
(131,007)	(289,105)	1,000,008	340,021	(379,289)
-	110,952	(70,721)	(184,496)	85,600
-	-	-	-	(1,633,343)
-	-	-	-	(14,668)
-	-	(3,214,509)	(3,214,509)	(157,188)
(880,170)	(1,692,482)	(2,055,360)	(5,105,622)	(1,109,572)
126,528	200,221	254,087	667,344	163,467
(336,689)	(519,791)	(14,963,565)	(15,782,729)	(897,807)
11,291	37,523	30,205	88,474	87,083
(4,529)	137,502	113,196	288,485	35,521
595,465	1,114,951	1,366,514	3,405,945	865,799
-	-	-	-	2,159,285
-	-	-	-	1,000,000
-	19,829	-	25,072	-
-	-	-	22,797	-
-	4,395	-	4,395	-
(193,590)	-	-	(193,590)	-
-	(56,979)	-	18,738	-
371,951	148,274,745	3,601,336	152,284,974	1,057,489
<u>\$ 3,944,396</u>	<u>\$ 172,201,733</u>	<u>\$ 18,242,900</u>	<u>\$ 198,643,963</u>	<u>\$ 6,197,350</u>
\$ -	\$ 6,591,785	\$ 4,559,866	\$ 11,151,651	\$ -
193,125	2,594,726	8,634,868	11,785,855	380,892
(845)	(145,822)	(8,748)	(155,415)	(4,890)

Statement of Fiduciary Net Position - Fiduciary Funds

	Pension and Health Care Trust Funds	Police Custodial Fund
Assets		
Cash and Cash Equivalents	\$ 25,588,626	\$ 257,452
Receivables:		
Contribution	492,870	-
Interest	1,527,891	-
Total Receivables	2,020,761	-
Investments at Fair Value:		
US Government	79,479,582	-
Corporate Obligations	30,772,727	-
Foreign Obligations	14,048,396	-
State and Local Obligations	19,298,735	-
Domestic Stocks	60,626,865	-
Foreign Stocks	3,730,476	-
Index Funds:		
Equity	316,803,869	-
Government / Corporate Bonds	61,480,390	-
Mutual Funds:		
Foreign Equity	176,578,176	-
Domestic Equity	26,383,137	-
Fixed Income	44,568,911	-
Real Estate	77,061,195	-
Total Investments	910,832,459	-
Total Assets	938,441,846	257,452
Liabilities		
Accounts Payable	300	-
Accrued Wages	8,005	-
Total Liabilities	8,305	-
Net Position		
Restricted for Pension Benefits	934,572,195	-
Restricted for Post Employment Health Care Benefits	3,861,346	-
Restricted for Police Evidence and Found Property	-	257,452
Total Net Position	\$ 938,433,541	\$ 257,452

Statement of Changes in Fiduciary Net Position - Fiduciary Funds

	Pension and Health Care Trust Funds	Police Custodial Fund
Additions		
Contributions		
Employer	\$ 15,013,391	\$ -
Plan Members	3,482,495	-
Total Contributions	18,495,886	-
Investment Income	115,064,731	-
Less Investment Expense	1,498,990	-
Net Investment Income	113,565,741	-
Police Funds Received into Custody	-	78,715
Total Additions	132,061,627	78,715
Deductions		
Benefit Payments		
Pension	45,587,168	-
Health Premiums	44,713	-
Total Benefit Payments	45,631,881	-
Police Funds Released from Custody	-	156,819
Refunds	56,915	-
Administrative Expense	392,028	-
Total Deductions	46,080,824	156,819
Change in Net Position	85,980,803	(78,104)
Restricted Net Position, January 1	852,452,738	335,556
Restricted Net Position, December 31	<u>\$ 938,433,541</u>	<u>\$ 257,452</u>

Notes to Financial Statements

Note 1—Summary of Significant Accounting Policies

A. BASIS OF PRESENTATION

The financial statements of the City of Sioux Falls (the "City") have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting. The City follows and implements all applicable GASB standards. Below are applicable statements not yet required to be implemented.

As of January 1, 2025 the City adopted GASB Statement No. 100, Accounting Changes and Error Corrections. The implementation of this standard requires additional presentation and disclosure requirements for accounting changes and error corrections. The financial statements have been updated to conform to the presentation requirements for this statement. The additional disclosures required by this standard are included in Note 13.

The City has adopted Statement No. 102 *Certain Risk Disclosures*. The objective of this Statement will improve financial reporting by providing disclosures with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information to anticipate certain risks to a government's financial condition. There was no substantial impact to the financial statements as a result of this implementation.

The first statement issued but not yet implemented that will affect the City is Statement No. 103 *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing useful information for decision-makers and to help assess a government's accountability. This statement will be implemented in the fiscal year ending December 31, 2026.

The second statement issued but not yet implemented that will affect the City is Statement No. 104 *Disclosure of Certain Capital Assets*. This statement sets forth guidelines for disclosing certain capital assets separately including leases, subscription-based information technology arrangements as well as intangible assets and capital assets held for sale. This statement will be implemented in the fiscal year ending December 31, 2026.

The third statement issued but not yet implemented that will affect the City is Statement No. 105 *Subsequent Events*. This statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This statement helps clarify subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. This statement will be implemented for fiscal years beginning after June 15, 2026.

B. REPORTING ENTITY

The City is a municipality chartered under the constitution of the State of South Dakota and is governed by a Council, including a full-time Mayor who is vested with the executive and administrative powers of the City, as well as eight part-time Council members who serve in a policy-making and legislative capacity.

The accompanying financial statements present the City and its component unit. Blended component units are entities which are legally separate from the City but which are so intertwined with the City that they are, in substance, the same as the City. Discretely presented component units are entities for which the City is considered to be financially accountable, has the ability to impose its will, or for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Discretely Presented Component Unit

The **Housing and Redevelopment Commission** of the City of Sioux Falls, South Dakota (Housing Commission), was organized pursuant to the Municipal Housing and Redevelopment Act of South Dakota as a public housing agency formed to provide financial assistance for low-income public housing pursuant to the United States Housing Act of 1937 (42 United States Code Section 1401 et seq.). The Mayor appoints the five members of the governing board. The City has legal authority to impose its will on the Commission. Commission members are appointed and can be removed by the Mayor of the City of Sioux Falls. In 2025, the Housing Fund did not provide any federal grant proceeds to the Housing Commission for housing assistance. The Housing Commission's fiscal year-end presented in this report is September 30, 2025. Complete financial statements are available at the administrative offices located at 630 South Minnesota Avenue in Sioux Falls, South Dakota.

C. BASIC FINANCIAL STATEMENTS

The basic financial statements are prepared and presented on both the government-wide and fund financial level. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net position and the statement of activities, report information on all the nonfiduciary activities of the primary government and its component unit. As a general rule, the effect of interfund and internal service fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds and governmental and

Notes to Financial Statements

internal service funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from a certain legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

Budgetary Reporting

The City legally adopts an annual budget for all the governmental funds. The Budgetary Comparison Schedules present comparisons of the original and legally amended budget with actual amounts on a departmental level for the General Fund, Entertainment Tax Fund, Sales and Use Tax Fund, Housing Fund, Storm Drainage Fund, and Recreation and Aquatics Bond Fund. In addition to the required General Fund presentation, the four special revenue funds and one capital project fund presented have a legally adopted annual budget and are reported as major funds in the financial statements.

Each budget is adopted on a basis consistent with generally accepted accounting principles except for bad debt expense, compensated absences, and the reporting of capital outlay and debt service expenditures. The City budgets for compensated absences only to the extent they are expected to be paid rather than on the modified accrual method. On the budget to actual schedules, capital outlay is included within the individual functions whereas this is reported as a separate item on the governmental fund statements.

The City may apply a portion of the prior years' fund balance, reported as net change in fund balance in the budget column, to the current year's budget as an offset to revenue. The original budget is the budget as originally adopted by the City Council. The final budget is the original budget adjusted by capital encumbrances and carry-forwards, transfers within organizational units, and supplemental appropriations.

Summary of Significant Budget Policies

City Charter requires the Mayor to submit a budget to the City Council on or before the first day of August of each year. Upon publication and public hearing, the City Council must annually adopt the budget on or before the 30th day of September. If the City Council fails to adopt the budget by this date, the budget proposed by the Mayor shall go into effect.

The budget is adopted and appropriated by fund on a service function (i.e., general government, public safety, etc.) and departmental basis for all governmental funds, the legal level of control. The City adopts an annual budget for all of the governmental funds.

Proprietary (enterprise and internal service), trust, and agency funds are not appropriated because they are not supported by revenue derived from the annual appropriated tax levy. Although non-appropriated, an annual budget for these funds must be published no later than the last day of December.

For each fund, the total of proposed expenditures shall not exceed the total of estimated income plus the fund balance carried forward, exclusive of reserves. If, during the year, the Mayor certifies that there are available for appropriation revenues in excess of those estimated in the budget, the City Council may, by ordinance, approve supplemental appropriations for the year up to the amount of the excess.

The City Council approved supplemental appropriations of \$59.4 million during 2025. The largest portion of this was \$25.5 million for sales tax revenue bonds for the Westside Recreation Center, Kuehn Park and Frank Olson Park pools.

The Water Fund experienced \$8.4 million in supplements for transmission system improvements and water collector well improvements with funding coming from State Revolving loan funds.

The General Fund had a supplement of \$8 million for a transfer of \$8 million to the Fleet Management Fund for the purchase of Motor Graders.

Parks and Recreation had supplements totaling \$3.5 million. These supplements included \$2.5 million for a donation to the McKennan Park pool and a \$1 million donation for the Levitt Shell.

The Enterprise Network Technology Fund had a \$1.8 million supplement via a supplemented transfer from the General Fund of \$1.8 million for the purchase of network equipment.

Notes to Financial Statements

Other supplements made in 2025 include:

- \$1.2 million supplement for police the police department
- \$0.2 million supplement for a recorder for fire/metro communications.
- \$0.8 million for the public safety facility for burn building demolition and the DAS system.

Additional supplements in the amount totaling \$0.1 million for planning and development, \$65,000 to transit for a vehicle lift, and \$22,000 for aquatics facilities design.

Budget Compliance

There were no material violations of the annual appropriated budget for the fiscal year ending December 31, 2025.

D. FINANCIAL STATEMENT PRESENTATION

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City electively added the Storm Drainage Fund. The non-major funds are combined in a column in the fund financial statements and are detailed in the combining statements section.

The government reports the following **major governmental funds**:

The **General Fund** is the government's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenue sources include property taxes and the first cent of City sales tax, licenses and permits, state and county shared revenues, and charges for goods and services. In addition to general government, primary expenditures include Public Safety, Highways and Streets, Health, Culture and Recreation, and Urban and Economic Development.

The **Entertainment Tax Fund** accounts for the collection of a one percent tax on lodging, sales of alcoholic beverages, prepared meals, as well as ticket sales and admissions. This tax is used to provide operating and capital funds for the City's convention and entertainment facilities.

The **Sales and Use Tax Fund** is a special revenue fund that accounts for the collections of the second cent of City sales tax and the uses of these funds for capital improvement projects (and other related costs) and debt service.

The **Housing Fund** accounts for all activities financed by the Community Development Block Grant funds, similar federal grant and loan programs, and City general funds.

The **Storm Drainage Fund** is a special revenue fund that accounts for the collections of the drainage and storm sewer fees/taxes and uses these funds for maintenance (and other related costs), capital improvements, and debt service (state revolving loans) related to the storm drainage system.

The **Recreation and Aquatics Bond Fund** accounts for the construction and repairs of indoor/outdoor aquatics centers and recreation facilities.

Other governmental (nonmajor) funds are a compilation of all the nonmajor governmental funds. These include additional special revenue, debt, capital projects, and permanent funds.

The government reports the following **major proprietary funds**:

The **Power and Distribution Fund** accounts for the activities of the City's electric distribution operations.

The **Public Parking Fund** accounts for the activities of the City's parking system which provides on- and off-street parking in the downtown area.

The **Sanitary Landfill Fund** accounts for the activities of the City's regional landfill operations.

The **Water Fund** accounts for the activities of the City's water distribution system.

The **Water Reclamation Fund** accounts for the activities of the City's wastewater collection and treatment system.

Additionally, the government reports the following fund types:

The **internal service funds** account for health benefits, workers' compensation, risk management, technology network technology, centralized facilities, and fleet management services provided to other departments of the government, or to other governments, on a cost reimbursement basis.

The **pension trust funds** account for the activities of the City Employee's Retirement System and the City Firefighters' Pension Fund, which accumulates resources for pension to qualified City employees. These funds were closed to new entrants as of July 1, 2013.

The **retiree health OPEB trust fund** accounts for the activities of the City's Other Postemployment Benefit (OPEB). The City offers eligible retirees who retired prior to January 1, 2014, coverage under its group health plan.

Notes to Financial Statements

The **police custodial fund** accounts for cash collected and held, as a result of law enforcement related activities.

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded, regardless of the measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. This focus concentrates on the fund's net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This focus concentrates on the fund's resources available for spending currently or in the near future. Revenues are recognized as soon as they are considered to be both measurable and available. Management has decided that to be considered available, revenues other than sales taxes should generally be collected within 30 days of the end of the current reporting period.

The availability period for sales tax revenue recognition is 15 days. Sales tax collections received by the City within 15 days of year-end that are derived from underlying transactions that occurred during the reporting period are accrued and recognized as revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except for certain debt service, compensated absences, and claim and judgment expenditures.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Special assessments are susceptible to accrual as revenue of the current period when the lien attaches to the benefited properties. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost 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 government's policy to use restricted resources first, then, unrestricted resources as they are needed.

F. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

Cash and Cash Equivalents—

Cash and cash equivalents include investments within the City's internal cash management pool which provides ready access to cash liquidity as well as any additional cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents are identified only for the purpose of the Statement of Cash Flows.

A pooled cash account is maintained for all City funds. Those funds that have an average negative balance in the cash account are charged interest at the rate earned by the pool. Interest earnings are allocated to those funds that have an average positive balance in the cash account.

Investments—

Investments are reported at fair value based on the framework established by GASB 72 *Fair Value Measurement and Application*.

Receivables and Payables—

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., current interfund loans) or "advances to/from other funds" (i.e., non-current interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by "nonspendable" fund balance in the applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible accounts. This allowance is equal to estimated

Notes to Financial Statements

losses that may be incurred in collection of outstanding receivables.

Inventories and Prepaid Items—

Inventories for both governmental and business-type funds are stated using the weighted average method. The cost of inventory is recognized as an expense in both the fund and the government-wide financial statements when used (consumption method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City uses the consumption method to record its changes in prepaid items in which the City reports a prepaid asset in the period which they are purchased and defer the recognition of the expenditure until the period in which the items are consumed.

Deferred 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 element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until that time.

Deferred Inflows of Resources—

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has unavailable revenue from a variety of sources in the governmental funds including long-term receivables. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has deferred inflows related to leases where the City is the lessor and is reported in the governmental funds balance sheet and statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease.

Capital Assets—

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer lines, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$7,500, and estimated useful life in excess of one year. Additions or improvements that significantly add value to an asset such as extending the useful life of an asset or increasing its capacity or efficiency are capitalized. Other costs for repairs and maintenance are expensed as incurred. The cost of equipment in excess of

\$10,000 is inventoried for purposes of federal grant reporting.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art, historical treasures and similar assets, and capital assets that the City receives in a service concession arrangement are recorded at acquisition value. The City chose to include all general infrastructure assets (those reported in the governmental activities), regardless of acquisition date or amount, using backtrending analysis to estimate historical costs.

Capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, and equipment of the primary government, as well as the component unit, is depreciated or amortized using the straight line method over the following estimated useful lives:

Primary Government:

Buildings:	
Structures	40 years
Remodeling and renovation	15 years
Improvements other than buildings:	
Park improvements	10–30 years
Other	5–25 years
Machinery and equipment:	
Furniture and fixtures	10–20 years
Office equipment	5–10 years
Computer equipment	2–5 years
Library books	10 years
Vehicles	4–10 years
Heavy equipment	10–20 years
Utility system equipment	20–40 years
Other	5–20 years
Infrastructure:	
Streets	15–40 years
Traffic signals	15 years
Street and parking area lighting	15 years
Light distribution lines	40 years
Water distribution mains	50 years
Water reclamation lines	25 years
Storm drainage pipe	25 years
Other	20–50 years
Right to Use Leased Assets	2-5 Years
Subscription Assets	2-5 Years

Component Unit:

Housing Commission:

Buildings	25–40 years
Modernization improvements	15 years
Equipment	5 years
Furnishings	5 years

Notes to Financial Statements

Right to use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Subscription-based information technology arrangements (SBITAs) are recognized at the arrangement commencement date and represent the City's right to use an underlying asset for the term of the agreement. The subscription asset is initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 3 to 5 years.

Net Position/Fund Balance

The difference between assets and liabilities is "Net Position" on the government-wide, proprietary and fiduciary fund financial statements, and "Fund Balance" on the governmental fund financial statements.

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation or amortization, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those 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.

Fund balances are classified based on the spending constraints placed upon them. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- 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, or higher, 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 by an official or body to which the City Council delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. An ordinance is the highest level of authority and requires another ordinance to modify or rescind.

Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, project construction, debt service, or other purposes). City management has the authority to assign fund balances for specific purposes.

The City's first priority is to utilize the restricted fund balance. Committed funds will be considered second with assigned fund balance third when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications are eligible to be used.

In the General Fund, the City strives to maintain an unobligated fund balance to be used for cash flow and unanticipated expenditures of 25 percent of the current year's final expenditure budget.

Long-term Obligations—

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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Notes to Financial Statements

Leases

Lessee—

The City is a lessee for noncancellable leases. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements.

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

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

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

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

Lessor—

The City is also a lessor for noncancellable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the

expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The City uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

Subscription-Based Information Technology Arrangements—

The City has entered into subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. The City recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements.

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

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

- The City uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

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

Notes to Financial Statements

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

G. REVENUES AND EXPENDITURES/EXPENSES

Compensated Absences—

It is the City's policy to permit employees to accumulate earned but unused vacation, comp time, and sick pay benefits. The accumulation of unused vacation and comp time is limited based upon employee classification. Upon separation, the City will reimburse the employee for accumulated vacation and comp time not to exceed established maximums. The amount of unused sick leave accumulation is not limited. Upon retirement, or upon separation in good standing for employees not represented by a bargaining unit, the City reimburses eligible employees a portion of unused sick leave. All compensated absences are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. Vacation, comp time, and sick leave accruals are recognized as a long-term liability which will generally be liquidated from the General Fund. Thus, the governmental fund financial statements accrue vacation and comp time benefits both to the extent that they have matured due to retirement or separation from the City. As a result of GASB Statement 101, *Compensated Absences*, the full accrual statements including the government-wide, enterprise funds and the internal service funds will include both those anticipated to be used in future years as well as those estimated to be paid out at the time of separation.

Grant Revenue—

The City recognizes grant revenues when all applicable eligibility requirements, including time requirements, are met. The City follows the policy that if expenditures of funds are the prime factor for determining eligibility for the grant funds, revenue is recognized at the time of the expenditure.

Retirement and Other Post-Employment Benefits—

The City has two separate retirement plans covering 30 percent of all full-time and regular part-time employees. The City is required by statute to fund the normal costs and amortization of the unfunded prior service costs and to account for such costs on the accrual basis (see Note 12).

Self-Insurance—

The City is self-insured for workers' compensation, unemployment compensation, property losses (deductible portion only), and health-life benefits (up to \$250,000 per individual). The City does carry reinsurance for workers' compensation and health benefits. Liabilities are recorded when a determinable claim or loss has been incurred and the amount of the loss can reasonably be estimated.

H. ACCOUNTING ESTIMATES

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of

revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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. Investments are reported at fair value.

Note 2—Stewardship, Compliance, and Accountability

A. Compliance with Finance-Related Legal and Contractual Provisions

The City incurred no material violations of finance-related legal and contractual provisions.

B. Excess of Expenditures Over Appropriations at the Legal Level of Control

The City incurred no material excess of expenditures over appropriations at the legal level of control.

C. Net Position/Fund Balance Deficits

The City incurred no funds with negative unassigned fund balance at year end.

Note 3—Detailed Notes On All Funds

A. Deposits and Investments

The City maintains a pooled cash portfolio that is used by all City funds using the pooled deposit and investment concept. This concept provides the City with the ability to maximize earnings on idle fund monies while ensuring that the liquidity needs of each fund are met and the integrity of the cash balances of each fund are preserved. This pool is governed by an investment policy established by the City Council. The pool consists of checking accounts, savings accounts, certificates of deposit, and securities guaranteed either directly or indirectly by the United States government, including money market accounts, which are stated at market value. Fund equity in the pool is shown as cash and cash equivalents in all financial statements.

Governmental and Business-Type Funds

Investment Policy: The City has an adopted investment policy, conforming to all applicable laws of the State of South Dakota, which serves as the guide to the deposit and investment of operating funds which are managed within the City's pooled cash portfolio. This policy sets forth the City's investment objectives as well as authorized and suitable deposits and investments, and serves as a guide for proper diversification, maturity constraints, internal controls, and performance measurement. The foremost objective of the City's investment program as set forth by the investment policy is safety of principal. Investment decisions are made under the assumption that, except under limited

Notes to Financial Statements

circumstances, all investments within the pooled cash portfolio will be held to maturity.

There are certain deposits and investments that are held in trust for debt service or for specific purposes outside of the pooled cash portfolio and the adopted investment policy. These assets are governed by State law (SDCL 4-5-6) which sets forth eligible deposits and investments for the City. The same deposits and investments are allowed under both the City's investment policy and State law.

Allowable deposits and investments include:

- Securities issued by the United States Treasury.
- Securities issued by government-sponsored enterprises (GSEs) or federally related institutions that are guaranteed directly or indirectly by the U.S. government (U.S. agencies).
- Mutual and money market funds that invest in (a) or (b).
- Repurchase agreements fully collateralized by (a) or (b).
- Certificates of deposits (100 percent collateralized).
- Deposit and savings accounts (100 percent collateralized).

Credit Risk. The credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As outlined above, State statute and City policy limit the type of investments allowed to reduce the amount of credit risk to the portfolio. The next chart summarizes the credit quality of the City's investment holdings.

Custodial Credit Risk. The custodial credit risk for deposits and investments is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or investments or will not be able to recover collateral securities that are in the possession of an outside party. City deposits in excess of depository

insurance must be 100 percent collateralized. Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A. Collateral is required to be segregated by each depository as approved by the South Dakota Public Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve. As of December 31, 2025, the deposits of the City were \$12.0 million. One depository fell below the pledged collateral requirement during the fourth quarter of 2025. No other depository fell below the 100 percent of pledged collateral required as of December 31, 2025. Other investments are held for safekeeping in the City's name by a qualified bank or trustee pursuant to SDCL 4-5-9.

Concentration of credit risk. Concentration risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's pooled cash investment policy limits the City pooled cash portfolio to hold no more than 20 percent of the total pool investments in the deposit of a single non-federal financial institution and the exposure to federal agency securities, secured directly or indirectly, to no more than 40 percent of the total portfolio. No institution exceeded these established limits as of December 31, 2025.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The below chart summarizes the City's deposits and investments using segmented time distribution. The City's pooled cash policy limits pooled cash investments to a maturity of five years or less to ensure adequate liquidity and minimize the impact of changes in interest rates. In matching investments to liabilities, the City does invest in longer-term treasury and agency securities outside of the pooled cash portfolio for specific obligations such as bond reserve funds.

Deposit/Investment Type	Credit Rating	Fair Value	Less Than				5 or more Years
			1 Year	1-3 Years	3-5 Years		
(a) U.S. Treasury Notes & Bills	N/A	\$ 342,532,163	\$ 156,408,122	\$ 167,845,215	\$ 18,173,040		\$ 105,786
(c) Money Market Funds	AAA	222,379,770	222,379,770	-	-		-
(e) Certificates of Deposit	N/A	23,257,738	23,257,738	-	-		-
Total		\$ 588,169,671	\$ 402,045,630	\$ 167,845,215	\$ 18,173,040		\$ 105,786

* All agency securities are either Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), or Federal Home Loan Bank System.

Component Unit

The Housing and Redevelopment Commission falls under South Dakota statutes (SDCL) 11-7-31, with supplementary authority granted under SDCL 4-5-6, in regard to permitted deposits and investments. The Commission has no further investment policy as to interest, credit, or concentration risk.

As of September 30, 2025, the deposits of the authority were fully insured or collateralized as required by SDCL 4-6A. All deposits as of September 30, 2025, are in certificates of deposit.

Collateral is valued at the lower of cost or market as reported in the quarterly call reports prepared by the qualified public depositories pursuant to SDCL 4-6A. Collateral is required to be segregated by each depository as approved by the South Dakota Public Protection Commission. Collateral may not be held in any safety deposit vault owned or controlled either directly or indirectly by the pledging financial institution but must be deposited for safekeeping in a financial institution that is a member of the Federal Reserve.

Notes to Financial Statements

B. Property Tax

Real property tax levies are established on or before October 1 of each year. Taxes are recorded as receivable, levied, and attached as an enforceable lien on property as of January 1 of each year.

Taxes are payable in two installments on or before April 30 and October 31 of that year. The county bills and collects the City taxes and remits them to the City. The City accrues all delinquent property tax revenues received within 30 days after December 31. No accrual for the property tax levy becoming due in January of 2025 is included in the accompanying financial statements, since such taxes are collected to finance expenditures budgeted for the subsequent period.

The City is permitted by State statute to levy an increase of no more than the lesser of 3 percent, or the index factor, as defined in the statutes, over the amount of revenue receivable from real property taxes in the preceding year, excluding the amount levied pursuant to an affirmative two-thirds vote of the governing body. After applying the index factor, the City may increase the revenue from real property taxes above the limitations by the percentage increase of value resulting from any improvements or change in use of real property, annexation, minor boundary changes, and any adjustments in taxation of property separately classified and subject to statutory adjustments and reductions, only if assessed the same as property of equal value.

The combined tax rate to finance municipal services for year-ended December 31, 2025, was \$3.62 per \$1,000 of taxable valuation.

C. Receivables

Receivables for the City's individual major funds and aggregate nonmajor, internal service, and fiduciary and component unit in aggregate, including the applicable allowances for uncollectible accounts, are as follows at December 31, 2025:

	Taxes	Accounts	Interest	Lease	Special Assessments	Notes Receivable	Loans Receivable	Unbilled	Arbitrage Refund	Allowance for Uncollectibles	Total
Primary Government											
Governmental Activities											
General	\$ 2,639,998	\$ 2,664,279	\$ 742,411	\$ 87,565	\$ 204,336	\$ 1,000,000	\$ -	\$ -	\$ -	\$ (1,221,031)	\$ 6,117,558
Entertainment Tax	-	5,155	74,037	-	-	-	-	-	-	-	79,192
Sales/Use Tax	-	45,031	564,850	53,362	439,432	-	-	-	-	(14,860)	1,087,815
Housing	-	-	12,808	-	-	38,378	30,813,732	-	-	(3,012,206)	27,852,712
Storm Drainage	-	8,873	172,874	-	-	-	-	-	-	-	181,747
Recreation and Aquatics Bond	-	-	75,389	-	-	-	-	-	-	-	75,389
Nonmajor Funds	-	3,465	35,602	-	-	-	-	-	-	-	39,067
Internal Service Funds	-	813,708	351,813	-	-	-	-	-	-	(22,143)	1,143,378
Total Governmental Activities	2,639,998	3,540,511	2,029,784	140,927	643,768	1,038,378	30,813,732	-	-	(4,270,240)	36,576,858
Business-type Activities											
Power and Distribution	-	482,077	53,034	-	-	-	-	550,473	-	(96,822)	988,762
Public Parking Facilities	-	140,832	18,820	499,809	-	-	-	-	-	(450)	659,011
Sanitary Landfill	-	1,324,984	161,030	-	-	-	-	-	-	(27,460)	1,458,554
Water	-	1,895,582	316,928	818,045	205,883	-	-	2,373,278	17,089	(98,096)	5,528,709
Water Reclamation	-	1,837,051	287,257	-	-	-	-	3,424,730	-	(77,805)	5,471,233
Total Business-type Activities	-	5,680,526	837,069	1,317,854	205,883	-	-	6,348,481	17,089	(300,633)	14,106,269
Total Primary Government	\$ 2,639,998	\$ 9,221,037	\$ 2,866,853	\$ 1,458,781	\$ 849,651	\$ 1,038,378	\$ 30,813,732	\$ 6,348,481	\$ 17,089	\$ (4,570,873)	\$ 50,683,127
Non current portion	\$ -	\$ -	\$ -	\$ 1,229,854	\$ 805,267	\$ 1,036,755	\$ 30,447,836	\$ -	\$ -	\$ -	\$ 33,519,712
Fiduciary Funds											
Employee's Retirement	\$ -	\$ 350,669	\$ 1,091,237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,441,906
Firefighters' Pension	-	142,201	409,395	-	-	-	-	-	-	-	551,596
OPEB Trust	-	-	27,259	-	-	-	-	-	-	-	27,259
Total Fiduciary Funds	\$ -	\$ 492,870	\$ 1,527,891	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,020,761
Component Units											
Housing Commission	\$ -	\$ 103,895	\$ 21,461	\$ -	\$ -	\$ 5,188,339	\$ -	\$ -	\$ -	\$ -	\$ 5,313,695

D. Interfund Receivables and Payables

Interfund receivables and payables result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

An additional \$6,127,388 is included in the internal balances of the governmental funds and business-type funds on the Statement of Net Position. This represents the adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds as shown in the Statement of Net Position – Proprietary Funds

The composition of individual interfund receivable and payable balances at December 31, 2025, was as follows:

Due to/from other funds:		
Receivable fund	Payable fund	Amount
General	T.I.F. District	\$ 50,000
General	Water	4,395
Enterprise Network Technology	911 Dispatch	75,674

Amounts Due from Other Governments include the following at December 31, 2025:

Transfers in:											
	Sales and Use Tax	Housing	Nonmajor Governmental Funds	Power and Distribution	Sanitary Landfill	Water Reclamation	Fleet Management	Enterprise Network Technology	Centralized Facilities	General Fixed Assets	Total
Transfers out:											
General Fund	\$ -	\$ 2,782,799	\$ 8,304,201	\$ -	\$ -	\$ -	\$ 8,000,000	\$ 1,800,000	\$ 1,000,000	\$ -	\$ 21,887,000
Sales and Use Tax	-	-	1,109,310	-	-	-	250,000	-	1,678,475	-	3,037,785
Power and Distribution	-	-	-	-	-	-	-	-	-	118,214	118,214
Sanitary Landfill	-	-	-	-	-	-	-	-	-	2,718	2,718
Water	-	-	-	-	-	11,962	-	-	-	133,860	145,822
Water Reclamation	135,321	-	-	-	-	-	-	-	-	20,710	156,031
Fleet Management	-	-	-	-	1,873	-	-	-	-	-	1,873
Enterprise Network Technology	-	-	-	-	-	-	-	-	-	106,101	106,101
Centralized Facilities	-	-	-	-	-	-	57,867	-	-	970,030	1,027,897
General Fixed Assets	-	-	-	3,946,678	-	-	45,216	-	-	-	3,991,894
Total	\$ 135,321	\$ 2,782,799	\$ 9,413,511	\$ 3,946,678	\$ 1,873	\$ 11,962	\$ 8,353,083	\$ 1,800,000	\$ 2,678,475	\$ 1,351,633	\$ 30,475,335
Purpose of Transfer	Cost recovery of expenses for shared projects from the Water Reclamation.	Community investment in housing stock.	To support the operations and sustainability of the City's public transportation systems.	Transfer of fixed assets from shared projects.	Transfer of fixed assets from shared projects.	Transfer of fixed assets from shared projects.	To support on going investments in City Fleet and for the purchase of motor graders.	To support on going investments in City technology and purchase of network equipment.	To support ongoing investments in City Facilities.	Transfer of fixed assets from shared projects.	

Notes to Financial Statements

G. Capital Assets

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

Primary Government:	Beginning Balance	Additions	Transfers & Retirements	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated/Amortized				
Land	\$ 212,914,217	\$ 37,030,091	\$ (637,349)	\$ 249,306,959
Intangibles (Rights)	5,862,337	-	-	5,862,337
Construction in Progress	41,217,486	102,029,947	(110,071,087)	33,176,346
Total, Not Being Depreciated/Amortized	259,994,040	139,060,038	(110,708,436)	288,345,642
Capital Assets Being Depreciated/Amortized				
Buildings	464,579,150	22,166,970	(693,179)	486,052,941
Improvements other than Buildings	201,081,246	35,372,738	(826,040)	235,627,944
Equipment	182,846,273	20,089,603	(13,632,629)	189,303,247
Infrastructure	1,542,748,332	109,988,584	(6,339,171)	1,646,397,745
Right to Use Leased Buildings	1,933,190	-	-	1,933,190
Right to Use Leased Equipment	8,258,043	230,205	(486,138)	8,002,110
Subscription Assets	5,000,797	312,843	(633,364)	4,680,276
Total, Being Depreciated/Amortized	2,406,447,031	188,160,943	(22,610,521)	2,571,997,453
Accumulated Depreciation/Amortization:				
Buildings	(182,205,521)	(12,207,102)	262,652	(194,149,971)
Improvements other than Buildings	(138,280,060)	(6,754,174)	698,370	(144,335,864)
Equipment	(115,378,705)	(14,762,295)	12,089,754	(118,051,246)
Infrastructure	(621,255,346)	(47,636,147)	5,689,565	(663,201,928)
Right to Use Leased Buildings	(1,036,559)	(48,444)	-	(1,085,003)
Right to Use Leased Equipment	(4,012,935)	(2,442,583)	484,794	(5,970,724)
Subscription Assets	(1,757,450)	(1,628,987)	571,177	(2,815,260)
Total Accumulated Depreciation/Amortization	(1,063,926,576)	(85,479,732)	19,796,312	(1,129,609,996)
Total Governmental Activities, Capital Assets being Depreciated/Amortized	1,342,520,455	102,681,211	(2,814,209)	1,442,387,457
Governmental Activities Capital Assets, net	\$ 1,602,514,495	\$ 241,741,249	\$ (113,522,645)	\$ 1,730,733,099

Notes to Financial Statements

Primary Government:	Beginning Balance	Additions	Transfers & Retirements	Ending Balance
Business-type Activities:				
Capital Assets Not Being Depreciated/Amortized				
Land	\$ 23,476,766	\$ -	\$ -	\$ 23,476,766
Intangibles (Rights)	76,314,266	8,013	-	76,322,279
Construction in Progress	251,544,292	175,439,391	(355,538,155)	71,445,528
Total, Not Being Depreciated/Amortized	351,335,324	175,447,404	(355,538,155)	171,244,573
Capital Assets Being Depreciated/Amortized				
Buildings	107,915,318	120,918,254	(522,317)	228,311,255
Improvements other than Buildings	80,864,663	4,148,842	-	85,013,505
Equipment	58,595,755	32,002,582	(3,235,204)	87,363,133
Infrastructure	899,992,871	146,648,369	(3,783,589)	1,042,857,651
Right to Use Leased Equipment	77,385	47,973	(77,385)	47,973
Subscription Assets	36,152	-	-	36,152
Total, Being Depreciated/Amortized	1,147,482,144	303,766,020	(7,618,495)	1,443,629,669
Accumulated Depreciation/Amortization:				
Buildings	(35,292,556)	(4,366,977)	388,456	(39,271,077)
Improvements other than Buildings	(56,018,575)	(3,249,938)	-	(59,268,513)
Equipment	(38,486,966)	(2,665,142)	2,803,164	(38,348,944)
Infrastructure	(408,289,415)	(25,641,940)	3,260,153	(430,671,202)
Right to Use Leased Equipment	(57,796)	(20,246)	77,385	(657)
Subscription Assets	(18,076)	(9,038)	-	(27,114)
Total Accumulated Depreciation/Amortization	(538,163,384)	(35,953,281)	6,529,158	(567,587,507)
Total Business-type Activities, Capital Assets being Depreciated/Amortized	609,318,760	267,812,739	(1,089,337)	876,042,162
Business-type Activities Capital Assets, net	960,654,084	443,260,143	(356,627,492)	1,047,286,735
Total Primary Government Capital Assets, net	\$ 2,563,168,579	\$ 685,001,392	\$ (470,150,137)	\$ 2,778,019,834
* The decrease in accumulated depreciation for any given class of assets may exceed the decrease reported in those assets due to asset transfers from the business-type funds to the governmental funds.				

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

Governmental Activities:	Amount
General Government	\$ 1,585,265
Public Safety	6,009,804
Highways & Streets	50,263,308
Health	367,346
Culture & Recreation	18,299,649
Urban & Economic Development	1,932,622
Capital Assets Held by the Government's Internal Service Funds	7,021,738
Total Depreciation and Amortization Expense - Governmental Activities	\$ 85,479,732
Business-type Activities:	
Electric Light	\$ 1,748,082
Public Parking Facilities	1,225,872
Sanitary Landfill	3,356,774
Water	11,377,027
Water Reclamation	18,245,526
Total Depreciation and Amortization Expense - Business-Type Activities	\$ 35,953,281

Notes to Financial Statements

Component Units	Beginning Balance	Additions	Retirements	Ending Balance
Housing Commission				
Non-Depreciable Assets:				
Land	\$ 776,184	\$ -	\$ -	\$ 776,184
Depreciable Assets:				
Buildings	6,797,324	12,809	-	6,810,133
Improvements other than Buildings	445,040	-	-	445,040
Equipment	561,019	36,503	-	597,522
Right to Use Leased Assets	-	54,214	-	54,214
Totals at Historical Cost	8,579,567	103,526	-	8,683,093
Less Accumulated Depreciation:				
Buildings	(3,987,028)	(139,244)	-	(4,126,272)
Improvements other than Buildings	(295,134)	(27,038)	-	(322,172)
Equipment	(381,651)	(56,379)	-	(438,030)
Right to Use Leased Assets	-	(11,995)	-	(11,995)
Total Accumulated Depreciation	(4,663,813)	(234,656)	-	(4,898,469)
Total Housing Commission Capital Assets, Net	<u>\$ 3,915,754</u>	<u>\$ (131,130)</u>	<u>\$ -</u>	<u>\$ 3,784,624</u>

Notes to Financial Statements

Projects included in construction in progress for the primary government along with construction improvement commitments to be financed from committed fund balances carried forward into future years are as follows:

Projects-in-Progress	Project Authorization	Expended to 12/31/2025	Committed	Carryovers	Carryforwards
Centralized Facilities Improvements	\$ 3,664,852	\$ 48,183	\$ 3,616,669	\$ 616,669	\$ 3,000,000
Centralized Facilities Indoor Recreation	1,000,000	-	1,000,000	-	1,000,000
Centralized Facilities Land Acquisition	638,202	-	638,202	-	638,202
Engineering Infrastructure Projects	82,502,388	19,172,120	63,330,268	32,923,462	30,406,806
Salt Storage Facility	49,280	-	49,280	-	49,280
Public Safety Training Center	818,806	-	818,806	307,558	511,248
Fire Ladder Truck	475,096	475,096	-	-	-
Fire Station 13	500,000	198,771	301,229	90,329	210,900
Police Patrol Vehicles	837,490	837,490	-	-	-
Police Southwest Report to Work	1,501,804	-	1,501,804	-	1,501,804
Sculpture Walk	57,000	-	57,000	-	57,000
Street Lights	1,288,798	265,213	1,023,585	715,501	308,084
Light and Power Facility Improvements	11,389,303	8,489,620	2,899,683	2,649,683	250,000
Circuit Improvements	341,758	136,486	205,272	205,272	-
Unforeseen Electrical System Replacement	41,043	-	41,043	41,043	-
Bike Trail Construction/Reconstruction	325,503	5,000	320,503	127,241	193,262
Community/Regional Park Improvements	85,537	-	85,537	17,348	68,189
Cyclical Park Infrastructure Improvements	153,305	-	153,305	122,574	30,731
Development of Play Structures	571,000	21,000	550,000	37,430	512,570
Elmwood Golf Course Clubhouse	219,819	-	219,819	90,958	128,861
Falls Park Improvements	3,477,400	-	3,477,400	3,206,402	270,998
Jacobson Plaza Development	39,113	-	39,113	39,113	-
Neighborhood Park Improvements	785,329	-	785,329	31,160	754,169
Parks System Master Plan	382,775	333,200	49,575	49,575	-
Parks Maintenance Shop	145,010	53,040	91,970	91,970	-
Sherman Park Maintenance Shop	48,930	48,930	-	-	-
Aquatics Facilities Development	10,008,638	3,976,712	6,031,926	2,381,444	3,650,482
Frank Olson Park Pool	4,552,300	1,279,373	3,272,927	3,272,927	-
Kuehn Park Pool	18,000,000	1,373,030	16,626,970	490,636	16,136,334
Park Land Acquisition	300,091	9,200	290,891	-	290,891
Park Levitt Shell Expansion	1,480,185	1,480,185	-	-	-
Prairie Trail Park Improvements	1,500	1,500	-	-	-
Park Parts Truck	157,434	157,434	-	-	-
Westside Recreation Center	2,275,042	100,364	2,174,678	104,866	2,069,812
River Greenway	296,312	-	296,312	96,312	200,000
Zoo Master Plan Improvements	495,961	-	495,961	42,987	452,974
Revolving Technology Servers	535,559	535,559	-	-	-
Fleet Underground Storage Tanks	811,668	-	811,668	-	811,668
Fleet Maintenance Shop Improvements	35,915	35,915	-	-	-
Landfill Closure	8,262	-	8,262	8,262	-
Landfill Expansion	1,556	-	1,556	1,556	-
Landfill Household Hazardous Waste Facility	5,400	5,400	-	-	-
Landfill Building Improvements	681,632	-	681,632	125,219	556,413
Landfill Leachate Recirculation Infrastructure	737,884	-	737,884	49,601	688,283
Arena Building Improvements	200,001	5,798	194,203	8,843	185,360
Convention Center Building Improvements	93,851	22,004	71,847	52,847	19,000
Sioux Falls Stadium Improvements	147,447	-	147,447	-	147,447
Events Center Building Improvements	2,528,018	89,738	2,438,280	182,545	2,255,735
Events Center Security System Upgrade	221,664	221,664	-	-	-
Washington Pavilion Building Improvements	2,636,160	1,489,204	1,146,956	474,843	672,113
Orpheum Building Improvements	754,188	255,960	498,228	54,140	444,088
Riverline Land Acquisition	215,359	-	215,359	53,703	161,656
Transit Administration Building	94,600	94,600	-	-	-
Transit Facility Improvements	900,000	-	900,000	-	900,000
Storm Sewer Projects	11,396,385	590,062	10,806,323	1,339,447	9,466,876
Water Projects	32,275,706	9,524,482	22,751,224	5,729,794	17,021,430
Water Reclamation Projects	189,491,861	53,289,540	136,202,321	35,711,423	100,490,898
	\$ 392,680,120	\$ 104,621,873	\$ 288,058,247	\$ 91,544,683	\$ 196,513,564

Notes to Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as

expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital Outlay	\$ 129,272,332
Plus: assets contributed from outside sources	93,499,407
Plus: assets added by Internal Service Funds	26,131,722
Plus: construction in progress added as an asset in current year	<u>77,774,472</u>
Capital asset increase per footnote	326,677,933
Plus: assets contributed to enterprise funds	1,360,491
Less: assets contributed from outside sources	(93,499,407)
Plus: assets added by Internal Service Funds	(26,131,722)
Plus: assets transferred from enterprise funds	(4,000,752)
Less: loss on sale of assets	(2,226,112)
Less: construction in progress added as an asset in current year	<u>(77,774,472)</u>
Depreciation expense	(78,457,997)
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 45,947,962</u>

H. Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities, including the current portion, of the City of Sioux Falls for the year ended December 31, 2025.

	Balance Beginning	Additions	Deletions	Balance Ending	Due Within One Year
Primary Government					
Governmental Activities:					
Bonds Payable:					
Revenue	\$ 117,565,000	\$ 23,395,000	\$ 10,490,000	\$ 130,470,000	\$ 10,915,000
Notes Payable	<u>8,198,930</u>	-	<u>1,252,990</u>	<u>6,945,940</u>	<u>1,265,567</u>
Total Debt	<u>125,763,930</u>	<u>23,395,000</u>	<u>11,742,990</u>	<u>137,415,940</u>	<u>12,180,567</u>
Unamortized Bond Premium	15,220,185	2,340,739	1,053,531	16,507,393	858,579
Rebatable Arbitrage	22,024	-	-	22,024	n/a
Right To Use Leases					
Governmental Funds	4,311,220	222,398	2,438,077	2,095,541	1,181,538
Internal Service Funds	1,596,583	7,802	100,709	1,503,676	1,496,812
Subscription Liabilities					
Governmental Funds	223,013	-	166,914	56,099	23,743
Internal Service Funds	2,370,101	312,843	1,486,050	1,196,894	1,160,037
Accrued Compensated Absences					
Governmental Funds	30,201,022	1,704,664 **	-	31,905,686	4,341,819
Internal Service Funds	<u>365,772</u>	<u>35,521</u> **	-	<u>401,293</u>	<u>85,525</u>
Total Governmental Activities	<u>180,073,850</u>	<u>28,018,967</u>	<u>16,988,271</u>	<u>191,104,546</u>	<u>21,328,620</u>
Business-type Activities:					
Bonds Payable:					
Revenue	23,430,000	-	5,190,000	18,240,000	8,655,000
Revenue Notes Payable	<u>202,167,222</u>	<u>51,961,097</u>	<u>16,053,401</u>	<u>238,074,918</u>	<u>15,117,737</u>
Total Debt	<u>225,597,222</u>	<u>51,961,097</u>	<u>21,243,401</u>	<u>256,314,918</u>	<u>23,772,737</u>
Unamortized Bond Premium	2,751,637	-	938,859	1,812,778	1,812,778
Right To Use Leases	19,804	47,975	19,804	47,975	5,766
Subscription Liabilities	18,345	-	8,981	9,364	9,364
Closure & Postclosure Care Costs *	12,373,826	-	193,590	12,180,236	n/a
Accrued Compensated Absences	<u>3,978,318</u>	<u>288,485</u> **	-	<u>4,266,803</u>	<u>546,031</u>
Total Business-type Activities	<u>244,739,152</u>	<u>52,297,557</u>	<u>22,404,635</u>	<u>274,632,074</u>	<u>26,146,676</u>
Total Primary Government	<u>\$ 424,813,002</u>	<u>\$ 80,316,524</u>	<u>\$ 39,392,906</u>	<u>\$ 465,736,620</u>	<u>\$ 47,475,296</u>
* See Note 6B for further information on Closure and Postclosure Care Costs					
**The change in the compensated absences liability is presented as a net change					

Notes to Financial Statements

continued from previous page

Component Units

Housing Commission

Revenue Notes Payable	\$ 116,438	\$ -	\$ 31,345	\$ 85,093	\$ 31,345
Right To Use Leases	-	54,097	11,282	42,815	11,744
Line of Credit	407,709	-	407,709	-	-
Mortgages Payable	7,362,276	938,358	48,813	8,251,821	237,200
Accrued Compensated Absences	95,681	31,025	-	126,706	66,114
Total Housing Commission	\$ 7,982,104	\$ 1,023,480	\$ 499,149	\$ 8,506,435	\$ 346,403

Individual Debt Issues and Other Long-Term Liabilities by Fund—The following is a summary of the individual debt issues, as of the year ended December 31, 2025.

	Purpose	Interest Rates***	Maturity Date	Authorized Not Issued Amount	Issue Amount	Amount Outstanding	Maximum Annual Debt Service
PRIMARY GOVERNMENT							
Governmental Activities							
Revenue Bonds & Notes							
Sales & Use Tax Fund							
Series 2012A Sales Tax	* Events Center	3.21%	2033	\$ -	\$ 108,440,000	\$ 56,845,000	\$ 8,205,378
Series 2016A Sales Tax	* City Center Office Building	3.09%	2036	-	20,260,000	14,975,000	1,805,500
Series 2018A Sales Tax	* Library & Parks (I) Refunding	2.14%	2025	-	10,635,000	-	-
Series 2020A Sales Tax	* Public Safety Facility	2.42%	2040	-	42,315,000	35,255,000	3,397,750
Series 2025A Sales Tax	* Aquatics & Recreation Center	3.25%	2035	-	23,395,000	23,395,000	3,031,750
Total Sales & Use Tax				-	205,045,000	130,470,000	16,440,378
Community Development							
State Flex Funds	Rental Rehab Loans	0.00%	2026	-	600,000	600,000	600,000
Storm Drainage Fund							
State Revolving Note #39	System Construction	1.00%	2030	-	8,829,000	3,693,481	931,477
State Revolving Note #42	System Construction	1.00%	2032	5,767,331	3,690,069	2,652,459	392,813
Total Storm Drainage				5,767,331		6,345,940	1,324,290
Total Revenue Bonds & Notes				5,767,331		137,415,940	18,364,668
Other Long-Term Liabilities							
Right to Use Leases - Governmental	Right to Use Assets	.24%-3.14%	2031	-	7,943,583	2,095,541	1,218,494
Right to Use Leases - Internal Service	Right to Use Assets	2.62%	2031	-	1,503,676	1,503,676	1,496,812
SBITA's - Governmental	Subscription Based IT Arrangements	2.33-3.10	2028	-	415,976	56,099	25,017
SBITA's - Internal Service	Subscription Based IT Arrangements	2.33-2.70	2027	-	3,760,510	1,196,894	1,195,972
Unamortized Bond Premium	Bond Issue	n/a	2040	-	-	16,507,393	n/a
Total Debt				5,767,331		21,359,603	3,936,295
Vested Compensated Absences							
Governmental Funds	Compensated Absences	n/a	n/a	n/a	n/a	31,905,686	n/a
Internal Service Funds	Compensated Absences	n/a	n/a	n/a	n/a	401,293	n/a
Total Governmental Activities				\$ 5,767,331		\$ 191,082,522	\$ 22,300,963
Business-type Activities							
Revenue Bonds & Notes							
Water							
Series 2017A Sales Tax	* Lewis & Clark Refunding	1.80%	2026	\$ -	\$ 31,045,000	\$ 7,400,000	\$ 7,770,000
2023 State Revolving Note DW #12	*** System Improvements	1.88%	N/A	6,073,861	6,426,139	-	-
Total Water				6,073,861		7,400,000	7,770,000
Water Reclamation							
2005 State Revolving Note CW #21	System Improvements	2.25%	2027	-	34,813,977	3,328,086	2,262,608
2015 State Revolving Note CW #35	System Improvements	1.25%	2027	-	11,304,270	2,785,693	1,449,278
2015 State Revolving Note CW #36	System Improvements	1.25%	2028	675,187	16,550,544	5,191,882	1,765,982
2016 State Revolving Note CW #37	System Improvements	1.25%	2029	-	7,350,585	2,342,521	788,992
2017 State Revolving Note CW #38	System Improvements	1.00%	2029	-	9,515,974	3,721,472	1,012,355
2019 State Revolving Note CW #40	System Improvements	1.50%	2041	332,215	26,476,585	21,733,491	1,551,963
2020 State Revolving Note CW #41	System Improvements	2.50%	2042	-	41,625,000	37,186,235	2,724,079
2021 State Revolving Note CW #43	System Improvements	2.00%	2044	-	18,500,000	17,159,510	1,124,581
2022 State Revolving Note CW #44	System Improvements	2.00%	2044	32,453,555	90,546,445	87,183,858	5,716,802
2023 State Revolving Note CW #45	System Improvements	1.25%	2046	8,104,912	9,846,088	9,846,088	557,169
2024 State Revolving Note CW #46	System Improvements	2.75%	N/A	19,197,677	41,802,323	41,802,323	n/a
2024 State Revolving Note CW #47	System Improvements	3.00%	N/A	17,376,722	5,753,278	5,753,278	n/a
2024 State Revolving Note CW #48	System Improvements	3.25%	N/A	10,959,519	40,481	40,481	n/a
Total Water Reclamation				89,099,787		238,074,918	18,953,809
Public Parking							
Series 2018B Sales Tax	* Multi-Use Parking Ramp	3.51%	2032	-	18,540,000	10,840,000	1,877,774
Total Debt				95,173,648		256,314,918	28,601,583
Other Long-Term Liabilities							
Right to Use Leases - Business Type	Right to Use Assets	2.62%	2031	-	47,975	47,975	9,037
SBITA's - Business Type	Subscription Based IT Arrangements	2.68%	2026	-	36,152	9,364	9,615
Unamortized Bond Premium	Bond Issue	n/a	2026	n/a	n/a	1,812,778	n/a
Total Debt						258,185,035	28,610,620
Vested Compensated Absences							
Compensated Absences		n/a	n/a	n/a	n/a	4,266,803	n/a
Total Business-type Activities				\$ 95,173,648		\$ 262,451,838	\$ 28,610,620

* Secured by pledge of the second penny sales and use tax.

**For bonds secured by the second penny sales tax and TIF revenues, interest rates reflect the true interest cost (TIC) calculated at the time of bond issuance.

***Principal on the loan is 100% forgiven through the State Revolving Fund program

Notes to Financial Statements

Individual Debt Issues and Long-Term Liabilities by Component Unit—The following is a summary of the individual debt issues, as of the year ended December 31, 2025.

COMPONENT UNITS	Purpose	Interest Rate	Maturity Date	Authorized Not Issued Amount	Issue Amount	Amount Outstanding	Maximum Annual Debt Service
Housing Commission							
SDHDA Note	Affordable Housing	0.00%	2028	\$ -	\$ 695,690	\$ 85,093	\$ 31,345
Mortgages							
SD Housing Development Authority	Affordable Housing	0.00%	2053	-	299,089	299,089	n/a
Sioux Falls Community Development	Affordable Housing	2.00%	2044	-	160,653	84,006	5,358
SD Housing Development Authority	Affordable Housing	0.00%	2046	-	100,000	100,000	n/a
SD Housing Development Authority	Affordable Housing	0.00%	2044	-	171,162	108,597	5,820
Sioux Falls Community Development	Affordable Housing	0.00%	2048	-	179,550	76,667	3,333
Sioux Falls Community Development	Affordable Housing	3.00%	2030	-	44,379	16,160	2,983
SD Housing Development Authority	Affordable Housing	0.00%	2032	-	360,771	359,222	n/a
Sioux Falls Community Development	Affordable Housing	0.00%	2035	-	161,880	127,651	90,000
SD Housing Development Authority	Affordable Housing	0.00%	2034	-	697,234	689,590	n/a
Sioux Falls Community Development	Affordable Housing	2.00%	2026	-	124,027	62,014	62,014
Sioux Falls Community Development	Affordable Housing	2.00%	2026	-	129,337	129,337	129,337
First Interstate Bank	Affordable Housing	4.95%	2027	-	40,000	17,671	3,132
Sioux Falls Community Development	Affordable Housing	0.00-3.00%	2027	-	60,000	12,423	6,952
Sioux Falls Community Development	Affordable Housing	0.00%	n/a	-	200,000	200,000	200,000
Sioux Falls Community Development	Affordable Housing	0.00%	n/a	-	371,000	336,000	11,760
Sioux Falls Community Development	Affordable Housing	0.00%	n/a	-	270,000	270,000	n/a
Grow South Dakota	Affordable Housing	4.75%	2032	-	130,000	66,792	12,172
SD Housing Development Authority	Affordable Housing	0.00%	2041	-	200,000	164,000	4,000
MacArthur Foundation	Affordable Housing	1.00%	2034	-	2,850,000	2,850,000	2,850,000
MacArthur Foundation	Affordable Housing	1.00%	2034	-	1,952,858	1,952,858	1,952,858
Sioux Falls Community Development	Affordable Housing	2.00%	2027	-	30,304	30,304	30,304
Sioux Falls Community Development	Affordable Housing	2.00%	2027	-	299,440	299,440	299,440
Total Mortgages				-	-	8,251,821	5,669,463
Right to Use Leases	Right to Use Assets	3.51%	2030	-	54,097	42,815	13,059
Vested Compensated Absences	Compensated Absences	n/a	n/a	n/a	n/a	126,706	66,114
Total Housing Commission				\$ -	\$ -	\$ 8,506,435	\$ 5,779,981

Pledged Revenue—The City has pledged future revenues, net of specified operating expenses, to repay various debt issues of the City. The debt and information relating to the pledged revenues at December 31, 2025, are as follows:

PRIMARY GOVERNMENT	Purpose	Pledged Revenue Source	Approximate Amount of Revenue Pledged	Final Maturity Date	Issue Amount	2025		Total Principal and Interest Remaining
						Principal and Interest Paid	Net Revenues	
Governmental Activities								
Revenue Bonds & Notes								
Sales & Use Tax Fund								
Sales Tax Revenue Bonds	Libraries, Parks, Water System & Events Center, Public Safety Facility, Aquatics and Recreation Center	Sales and Use Taxes	23%	2040	\$ 254,630,000	\$ 21,864,110	\$ 95,533,726	\$ 186,975,659
Housing Fund								
State Flex Funds	Rental Rehab Loans	Housing Revenues	0%	2025	600,000	-	2,027,002	600,000
Storm Drainage Fund								
State Revolving Notes	System Construction	Storm Drainage Revenues	13%	2032	12,519,069	1,324,290	10,582,234	6,523,328
Business-type Activities								
Revenue Bonds & Notes								
Water Reclamation								
State Revolving Notes	System Construction	Water Reclamation Revenues	52%	2046	286,270,736	15,178,408	28,943,401	215,583,355

Notes to Financial Statements

Revenue Bonds Payable

Bonds payable at December 31, 2025, consist of five issues backed and serviced solely by the second penny sales tax (Sales and Use Tax Fund), one issue backed by the second penny sales tax and serviced by the Water Fund as shown above, and one issue backed by the second penny sales tax and serviced by the Public Parking Fund as shown above.

Debt service requirements for the revenue bonds at December 31, 2025, are as follows:

Sales and Use Tax			
Year	Principal	Interest	Total
2026	\$ 10,915,000	\$ 5,517,578	\$ 16,432,578
2027	11,335,000	5,099,128	16,434,128
2028	11,765,000	4,663,578	16,428,578
2029	12,230,000	4,201,984	16,431,984
2030	12,715,000	3,715,854	16,430,854
2031-2035	55,090,000	10,667,873	65,757,873
2036-2040	16,420,000	2,363,250	18,783,250
Totals	\$ 130,470,000	\$ 36,229,243	\$ 166,699,243

Water			
Year	Principal	Interest	Total
2026	\$ 7,400,000	\$ 370,000	\$ 7,770,000
Totals	\$ 7,400,000	\$ 370,000	\$ 7,770,000

Public Parking			
Year	Principal	Interest	Total
2026	\$ 1,255,000	\$ 385,312	\$ 1,640,312
2027	1,450,000	344,524	1,794,524
2028	1,440,000	295,949	1,735,949
2029	1,480,000	246,269	1,726,269
2030	1,670,000	193,729	1,863,729
2031-2032	3,545,000	200,634	3,745,634
Totals	\$ 10,840,000	\$ 1,666,417	\$ 12,506,417

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Arbitrage provisions of the Internal Revenue Service require the City to rebate excess arbitrage earnings from bond proceeds to the federal government. As of December 31, 2025, the City had a rebatable arbitrage liability of \$22,024, which was payable from the Capital Improvements Special Revenue Fund.

Tax Increment Financing (TIF) Districts

The City has 13 active TIF districts. For each of these 13 districts, the City has entered into an agreement with the developer of the TIF district. Under each agreement, tax increments received by the City are paid over to the project sponsor as a grant to cover initial eligible project expenses as allowed by South Dakota State statutes. The project sponsor bears the risk that increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses; the City bears no responsibility to make up any shortfall. Increments totaling \$7,094,314, were received by the City and paid to project sponsors during 2025.

Notes Payable

The City has entered into several notes payable with the South Dakota Conservancy District, which have provided funds for construction and maintenance of the storm drainage, water, and water reclamation systems. These funds are drawn as construction progresses. Several notes have balances available that have not been drawn and are so noted on the individual debt table on page 67. A complete amortization schedule will be provided upon completion or partial completion of the draw term. Thus, future debt service cannot be accurately determined until all projects for each note are completed.

The Storm Drainage notes will be repaid with revenues from the Storm Drainage Fund. The estimated debt service is as follows:

Storm Drainage			
Year	Principal	Interest	Total
2026	\$ 1,265,567	\$ 58,723	\$ 1,324,290
2027	1,278,270	46,020	1,324,290
2028	1,291,101	33,190	1,324,291
2029	1,304,060	20,230	1,324,290
2030	430,082	10,460	440,542
2031-2032	776,860	8,765	785,625
Totals	\$ 6,345,940	\$ 177,388	\$ 6,523,328

The Storm Drainage Fund currently has \$47,596,082 available and undrawn notes payable from the South Dakota Conservancy District.

The Water Reclamation notes will be repaid with revenues from the Water Reclamation Fund. The estimated debt service is as follows:

Water Reclamation			
Year	Principal	Interest	Total
2026	\$ 15,117,737	\$ 3,554,292	\$ 18,672,029
2027	14,486,465	3,336,039	17,822,504
2028	12,137,694	3,104,228	15,241,922
2029	9,556,835	2,900,942	12,457,777
2030	8,954,382	2,720,212	11,674,594
2031-2035	47,555,785	10,817,182	58,372,967
2036-2040	52,562,168	5,810,799	58,372,967
2041-2045	29,968,908	982,542	30,951,450
2046	138,862	433	139,295
Totals	\$ 190,478,836	\$ 33,226,669	\$ 223,705,505
Issues With No Estimate Available	47,596,082		
Total	\$ 238,074,918		

The Water Reclamation Fund has \$89,099,787 available and undrawn notes payable from the South Dakota Conservancy District.

The City had entered into an agreement with the South Dakota Conservancy District for a \$12,500,000 with the first \$7,900,000 of the principal balance being forgiven with federal funding. Below is a summary of the activity for the current year:

Notes to Financial Statements

Beginning Balance	Water		Debt Forgiven	Balance Ending
	Additions			
\$ -	\$ 2,779,864		\$ 2,779,864	\$ -

As of December 31, 2025, there was no balance due on this note.

Right to Use Leases

Remaining principal and interest payments on right to use leases are as follows:

Governmental Funds (Includes Internal Service Funds)			
Year	Principal	Interest	Total
2026	\$ 2,678,344	\$ 41,252	\$ 2,719,596
2027	610,353	16,847	627,200
2028	186,468	4,681	191,149
2029	40,275	2,858	43,133
2030	41,341	1,792	43,133
2031	42,439	697	43,136
Totals	\$ 3,599,220	\$ 68,127	\$ 3,667,347
Enterprise Funds			
Year	Principal	Interest	Total
2026	\$ 5,765	\$ 1,011	\$ 6,776
2027	8,006	1,028	9,034
2028	8,218	816	9,034
2029	8,436	599	9,035
2030	8,659	375	9,034
2031	8,891	146	9,037
Totals	\$ 47,975	\$ 3,975	\$ 51,950

Further information on these leases can be found in Note 3I.

Subscription Liabilities

Remaining principal and interest payments on subscription liabilities are as follows:

Governmental Funds (Includes Internal Service Funds)			
Year	Principal	Interest	Total
2026	\$ 1,183,781	\$ 35,061	\$ 1,218,842
2027	61,220	1,712	62,932
2028	7,992	54	8,046
Totals	\$ 1,252,993	\$ 36,827	\$ 1,289,820
Enterprise Funds			
Year	Principal	Interest	Total
2026	\$ 9,364	\$ 251	\$ 9,615
Totals	\$ 9,364	\$ 251	\$ 9,615

Further information on these leases can be found in Note 3I.

State Flex Funds

The City has entered into an agreement with the State of South Dakota whereby the State has lent the City \$600,000 interest free for five years with the option to negotiate the refinancing for up to three additional five-year terms for a total of 20 years. The funds were used for rental rehabilitation projects.

Component Unit

The Housing Commission notes will be repaid with revenues from property rentals. The estimated debt service on these issues is as follows:

Housing Commission			
Year	Principal	Interest	Total
2026	\$ 268,545	\$ 6,295	\$ 274,840
2027	420,463	59,797	480,260
2028	61,299	52,052	113,351
2029	39,544	51,405	90,949
2030	51,972	50,737	102,709
2031-2035	6,088,713	198,594	6,287,307
2036-2040	300,118	3,459	303,577
2041-2045	337,171	1,030	338,201
2046-2050	-	-	-
Thereafter	769,089	-	769,089
Totals	\$ 8,336,914	\$ 423,369	\$ 8,760,283

Remaining principal and interest payments on the Commission's right to use leases are as follows:

Housing Commission			
Year	Principal	Interest	Payment
2026	\$ 11,744	\$ 1,315	\$ 13,059
2027	12,163	896	13,059
2028	12,597	462	13,059
2029	6,193	73	6,266
2030	118	1	119
Total	\$ 42,815	\$ 2,747	\$ 45,562

Accrued Compensated Absences

City employees are paid for accumulated vacation and sick leave upon retirement. Certain employees are also paid for a portion of excess sick leave on an annual basis. Accumulated vested compensated absences in governmental funds are recorded as a liability in the government-wide statements. Since this liability generally matures upon retirement, future maturities are not calculated.

Legal Debt Limit

The City is subject to Article XIII, Section 4, of the South Dakota Constitution which limits the amount of bonded debt to a percent of the assessed valuation of the taxable property therein for the year preceding that in which said indebtedness is incurred. The categories are as follows:

1. Not to exceed 5 percent for the year preceding the year in which said indebtedness is incurred.
2. An additional indebtedness not to exceed 10 percent for the year preceding the year in which said indebtedness is incurred for the purpose of providing water and sewage, for irrigation, domestic uses, sewerage, and other purposes upon a majority vote in favor thereof of the electors.
3. An additional indebtedness not to exceed 8 percent for the year preceding the year in which

Notes to Financial Statements

said indebtedness is incurred for the purpose of constructing street railways, electric lights, or other

electric plants upon a majority vote in favor thereof of the electors.

Accordingly, at December 31, 2025, the City has an available legal debt limit as follows:

2025 Assessed Actual Value Subject to Taxation:				\$28,430,232,318
Category	Legal Debt Limit		Net Bonded Debt Outstanding	Available Legal Debt Margin
	Percent	Amount		
General Purpose 1	5.0%	\$1,421,511,616	\$390,662,835	\$ 1,030,848,781
Special Purpose 2	10.0%	2,843,023,232	-	2,843,023,232
Special Purpose 3	8.0%	2,274,418,585	-	2,274,418,585
		<u>\$6,538,953,433</u>	<u>\$390,662,835</u>	<u>\$ 6,148,290,598</u>
Surcharge Debt Not Included in Legal Debt Limit			<u>7,977,575</u>	
Total Debt			<u>\$398,640,410</u>	

I. Leases and Subscription Agreements -

Leases - Lessee

As of December 31, 2025, the City had 236 active leases. The leases have payments that range from \$35 to \$1,745,195 and interest rates that range from 0.24 percent to 3.14 percent. As of December 31, 2025, the total combined value of the lease liability is \$3,647,191, the total combined value of the short-term lease liability is \$2,684,109. The combined value of the right to use asset, as of December 31, 2025 is \$9,983,269 with accumulated amortization of \$7,056,384 is included within the Lease Class activities table found in Note G as a combination of the Governmental and Business-Type right to use leased assets. The leases had \$0 of Variable Payments and \$0 of Other Payments, not included in the Lease Liability, within the Fiscal Year.

Leases - Lessor

As of December 31, 2025, the City had ten active leases. The leases have receipts that range from \$1,000 to \$40,739 and interest rates that range from 0.24 percent to 3.31 percent. As of December 31, 2025, the total combined value of the lease receivable is \$1,458,781, the total combined value of the short-term lease receivable is \$135,679, and the combined value of the deferred inflow of resources is \$1,402,926. The leases had \$0 of Variable Receipts and \$0 of Other Receipts, not included in the Lease Receivable, within the Fiscal Year.

Remaining principal and interest payments to be received on leases is as follows:

Governmental Funds (Includes Internal Service Funds)			
Year	Principal	Interest	Total
2026	\$ 47,680	\$ 1,281	\$ 48,961
2027	49,677	543	50,220
2028	6,880	120	7,000
2029	6,904	96	7,000
2030	5,929	71	6,000
2031-2035	23,857	142	23,999
Totals	<u>\$ 140,927</u>	<u>\$ 2,253</u>	<u>\$ 143,180</u>
Enterprise Funds			
Year	Principal	Interest	Total
2026	\$ 87,999	\$ 25,625	\$ 113,624
2027	96,631	23,916	120,547
2028	98,517	22,030	120,547
2029	100,452	20,095	120,547
2030	87,568	18,223	105,791
2031-2035	437,847	70,217	508,064
2036-2040	365,935	30,793	396,728
2041-2042	42,905	1,418	44,323
Totals	<u>\$ 1,317,854</u>	<u>\$ 212,317</u>	<u>\$ 1,530,171</u>

Subscription Arrangements

As of December 31, 2025, the City had 22 active subscriptions. The subscriptions have payments that range from \$5,724 to \$931,557 and interest rates that range from 2.32 percent to 3.10 percent. As of December 31, 2025, the total combined value of the subscription liability is \$1,262,357, and the total combined value of the short-term subscription liability is \$1,193,146. The combined value of the right to use asset, as of December 31, 2025 of

Notes to Financial Statements

\$4,716,429 with accumulated amortization of \$2,842,374 is included within the Subscription Class activities table found in Note G as a combination of the Governmental and Business-Type subscription assets. The subscriptions had no variable payments and no other payments, not included in the Subscription Liability, within the Fiscal Year.

J. Fund balances

The City-classified fund balances within the governmental funds are as follows at December 31, 2025:

	General	Entertainment Tax	Sales and Use Tax	Housing	Storm Drainage	Recreation and Aquatics Bond	Other Governmental Funds	Total
Fund balances:								
Nonspendable:								
Inventory	\$ 4,801,329	\$ -	\$ 4,653,473	\$ 51,213	\$ -	\$ -	\$ -	\$ 9,506,015
Notes Receivable	1,000,000	-	-	-	-	-	-	1,000,000
Prepays	467,965	-	-	-	-	-	-	467,965
Permanent Fund Principal	-	-	-	-	-	-	26,767	26,767
Total Nonspendable	6,269,294	-	4,653,473	51,213	-	-	26,767	11,000,747
Restricted for:								
Debt Service	-	-	13,552,560	-	-	-	22	13,552,582
Park and Recreation	257,028	-	714,912	-	-	-	-	971,940
Police	5,169	-	140,276	-	-	-	-	145,445
Health	1,664,050	-	-	-	-	-	-	1,664,050
Library	31,721	-	132,500	-	-	-	25,324	189,545
Community Development	-	-	-	35,074,651	-	-	-	35,074,651
Heroic Awards	-	-	-	-	-	-	4,395	4,395
Public Safety Facility Building	-	-	-	-	-	-	605,104	605,104
Recreation and Aquatics Bond	-	-	-	-	-	22,303,674	-	22,303,674
Storm Drainage	-	-	-	-	19,177,185	-	-	19,177,185
Other Capital Projects	-	-	-	-	5,254,112	-	-	5,254,112
Total Restricted	1,957,968	-	14,540,248	35,074,651	24,431,297	22,303,674	634,845	98,942,683
Committed to:								
Operating Agreements	3,900,248	13,185,471	-	-	-	-	-	17,085,719
Health	1,748,897	-	-	-	-	-	-	1,748,897
Entertainment Venues	-	9,724,025	-	-	-	-	-	9,724,025
Other Capital Projects	-	-	86,505,994	-	-	-	-	86,505,994
Total Committed	5,649,145	22,909,496	86,505,994	-	-	-	-	115,064,635
Assigned to:								
Transit System	-	-	-	-	-	-	13,153,864	13,153,864
911 Dispatch	-	-	-	-	-	-	4,783,264	4,783,264
2026 Budget	3,676,808	-	-	-	-	-	-	3,676,808
Total Assigned	3,676,808	-	-	-	-	-	17,937,128	21,613,936
Unassigned:	71,386,014	-	-	-	-	-	-	71,386,014
Total Fund Balances	\$ 88,939,229	\$ 22,909,496	\$ 105,699,715	\$ 35,125,864	\$ 24,431,297	\$ 22,303,674	\$ 18,598,740	\$ 318,008,015

Note 4—Joint Ventures/Related Organizations

The City of Sioux Falls is a party to two joint ventures as described below:

1. The City of Sioux Falls and Minnehaha County jointly provide funding for the **Historical Museum Trust**. The Trust provides for operation of all City- and county-owned museums. Participation in the venture is funded equally. The City contribution to the venture for the year ended December 31, 2025, was \$912,541 and is reflected as an expenditure in the General Fund. These activities are also recorded within the General Fund of the County

and, accordingly, individual financial statements of the trust are not available. Complete financial statements for Minnehaha County can be obtained at their administrative offices located at 415 North Dakota Avenue in Sioux Falls, South Dakota. There is no debt specifically related to the trust. No future benefit or burden is anticipated other than the annual subsidy.

2. The City of Sioux Falls and Minnehaha County jointly provide funding for the **Siouxland Libraries**. The City received \$1,555,000 from the County for operations during 2025. All activities of the library system are recorded in the General Fund.

Notes to Financial Statements

The City is a party to the following related organizations as described below:

The City is responsible for all of the board appointments of the **Sioux Falls Regional Airport Authority**; however, the City is not financially accountable for the Authority because the City does not have the ability to impose its will on the Authority, nor does it have a financial relationship that results in either a burden or a benefit to the City.

The City is contractually obligated to provide financial support to the following entities: **Washington Pavilion Management Inc., Zoological Society, and Great Bear Recreation Park**; however, the City is not financially accountable for these organizations because the City does not have the ability to impose its will on these organizations, and these organizations are not fiscally dependent on the City. The City provided the Washington Pavilion Management Inc. and the Zoological society operational support in the amounts of \$2,803,438 and \$2,000,000, respectively.

Note 5—Jointly Governed Organizations

The City of Sioux Falls is a member of the Lewis & Clark Regional Water System, Inc. (the "System"). The System consists of 20 members, comprising 15 municipalities and five rural water systems within South Dakota, Iowa, and Minnesota, providing drinking water to consumers. As pipelines are completed, the System collects, treats, and distributes drinking water to its member communities. Sioux Falls began receiving water from the System in 2012, and it serves as a critical supplemental water supply for the City's continued growth. The System's Board of Directors is composed of 20 directors, each representing a member, with no member having an equity interest.

The City has made commitments for (1) its portion of the base system costs, and (2) costs associated with additional capacity modifications for the Lewis & Clark Regional Water System. The City capitalized an intangible asset to acknowledge its upfront payment to the System for the future option to purchase water. This asset is being amortized over the estimated lifespan of water purchases from the System.

Note 6—Commitments and Contingencies

A. Commitments

At December 31, 2025, the City has commitments on construction projects totaling \$288,058,247 as detailed in Note 3 (G).

Between 2005 and 2010, the City entered commitments to pay for (1) its portion of base system costs and (2) costs associated with additional capacity modifications for the Lewis & Clark Regional Water System. Of the overall 44.19 MGD Lewis & Clark base system capacity, the City has secured 28.007 million gallons per day (MGD) to meet future supplemental water supply needs.

In 2022, the City entered commitments to pay for its portion of a 15.81 MGD expansion, securing an additional 6.4 MGD

for a total of 34.407 MGD to supplement the City's water supply needs. The City of Sioux Falls' portion is estimated at \$39,818,093 for the expansion project. Completion of the expansion is expected by 2031.

The City's investment to date of \$76 million is recorded in the Water Enterprise Fund as an intangible asset. Of this investment, the City made prepayments totaling \$64.3 million for its share of the estimated project costs associated with base capacity and additional capacity. An interim true-up conducted between Lewis & Clark and the City shows that the City has fully utilized its interim true-up credit. Sioux Falls owes \$6,741,489.46 (as of 10/1/2025) toward the final true-up on the base system. The final True-up amount will continue to index annually until the final true up payment is made. The City of Sioux Falls plans to make full payment of this final true-up in 2027.

The City pays a capacity charge of \$0.67 per 1,000 gallons of available capacity and a volumetric charge of \$0.73 per 1,000 gallons for water purchased. If the City uses 100 percent of its capacity, the effective rate is \$1.40 per 1,000 gallons. Sioux Falls' effective rate varied from \$1.13 per 1,000 gallons in September 2025 to \$1.43 per 1,000 gallons in November 2025, with a yearly average of \$1.26 per 1,000 gallons for 2025.

In 2025, the City received a daily average of 15.23 MGD, with a peak day of 22.84 million gallons occurring on September 12th 2025. A total of 5.56 billion gallons of water was purchased for the year ending December 31, 2025.

The Power and Distribution Fund purchases power from the Western Area Power Association and has a supplemental commitment to meet all remaining power requirements from Heartland Consumers Power District until December 31, 2036.

B. Contingent Liabilities

Litigation

The City is a defendant in various lawsuits. The City's legal counsel estimates that there is a wide-range of potential claims against the City that may or may not be covered by insurance. The results from such litigation could possibly have a material effect upon some areas of the financial statements of the City. However, there is no indication at the time of publication that these claims will be incurred, and the potential losses cannot be reasonably estimated at this time. Although the City does carry adequate reserve balances within the funds to address unforeseen circumstances and events, no reserve has been recorded for any such liability arising out of the current pending litigation.

Solid Waste Landfill Closure and Post-Closure Care Costs

The City owns and operates a landfill site located west of the City. State and federal laws will require the City to close the landfill once its capacity is reached and to monitor and maintain the site for 30 subsequent years. The City recognizes a portion of the closure and post-closure care costs in each operating period even though actual

Notes to Financial Statements

payments will not occur until the landfill is closed. The amount recognized each year is based on the landfill capacity used as of December 31. The change in the liability for the year ended December 31, 2025, is as follows:

CHANGE IN LIABILITY	
	Amount
Balance at January 1	\$ 12,373,826
Change in liability due to usage and revision of estimates	(193,590)
Balance at December 31	<u>\$ 12,180,236</u>

As of December 31, 2025, the City estimate is as follows:

Site	Used to date	Recognized Liability	Remaining	
			Liability	Life (Years)
Sioux Falls Regional Sanitary Landfill	47.0%	<u>\$ 12,180,236</u>	<u>\$ 13,713,024</u>	49.0
Totals		<u>\$ 12,180,236</u>	<u>\$ 13,713,024</u>	

The future estimated liability for these costs will be recognized as the remaining capacity is used. The estimated costs of closure and post-closure care are subject to changes such as the effects of inflation, revision of laws, and other variables.

By local ordinance as well as state and federal laws, the City is required to establish a restricted financial assurance cash fund to accumulate assets needed for the actual payment of closure and post-closure care costs. Currently, assets reported as restricted cash and cash equivalents on the combined balance sheet include \$12.1 million held for this purpose.

Subsequent Events

In January 2025, the City approved an ordinance for the sale of bonds for the construction of new pools and recreation centers in an amount not to exceed \$68 million. As of the report date, the first portion of this had been advanced in the amount of \$23.4 million with the remainder to be drawn in a second bond issuance in the coming year.

In December 2025, the City entered into a State Revolving Loan with the State of South Dakota for wastewater system improvements. The loan was in the amount of \$32.8 million. As of the date of this report, there have been no draws on this loan.

In January 2026, the City approved an ordinance for a loan to the Sioux Falls Airport Authority Expansion Project in the amount of \$5 million for a terminal project. As of the report date, none of this had been expended.

In April 2026, the City approved an ordinance for the refunding of the series 2012A and series 2016A bonds with an estimated savings of \$6.2 million and estimated principal amount of \$49.8 million.

Note 7—Risk Management

The City's risk management activities are recorded in the City Health/Life Benefit, Insurance Liability, and Workers' Compensation Funds. The purpose of these funds is to administer employee life, health, property and liability, and workers' compensation programs of the City on a cost-reimbursement basis. These funds account for the risk financing activities of the City but do not constitute a transfer of risk from the City.

Significant losses are covered by commercial insurance for all major programs. For insured losses, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for this year or the prior two years.

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 for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays a Members' Annual Operating Contribution, to provide liability coverage, under an occurrence-based 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 has reported approximate aggregate liabilities in the Health/Life Benefit Fund as follows:

	2024	2025
Balance January 1	\$ 2,800,000	\$ 1,800,000
Claims incurred during the year	22,745,879	26,598,566
Payments on claims during the year	(23,745,879)	(25,598,566)
Balance December 31	<u>\$ 1,800,000</u>	<u>\$ 2,800,000</u>

The Workers' Compensation Fund has total assets and total deferred outflows of resources of \$6,057,060 at December 31, 2025, which will be used to pay current expenses of the fund. The fund has total liabilities and deferred inflows of resources of \$5,956,204 which includes a loss reserve liability of \$5,915,615 for those claims incurred as of December 31, 2025, where it is probable that a liability has been incurred and for which the amount of loss could reasonably be estimated. The City purchases commercial insurance coverage for claims in excess of coverage provided by the Fund.

Component Unit

The Housing Commission manages risk by purchasing insurance from commercial insurance carriers for liability, workers' compensation, and employee health insurance.

Notes to Financial Statements

Paying into the unemployment compensation fund established by state law, and managed by the State of South Dakota, covers unemployment benefits.

Note 8—Conduit Debt Obligations

As authorized by South Dakota Codified Laws, Chapter 9-54, the City has issued health facility revenue bonds to acquire or construct facilities to promote the general economic welfare and health services, including housing for the elderly, of the State and City. The bonds are not general obligations nor payable by taxation, but are special, limited obligations, of the issuer, payable solely out of the revenues derived from the agreement and pledged and assigned for their payment in accordance with the indenture. Neither the City, nor the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2025, there were two series of Industrial Revenue/Economic Development Bonds outstanding with an aggregate principal amount payable of \$44.4 million.

Note 9—Fair Value

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the City has the ability to access.

Level 2 – Inputs to the valuation methodology include:

1. Quoted prices for similar assets or liabilities in active markets;
2. Quoted prices for identical or similar assets or liabilities in active markets;
3. Inputs other than quoted prices that are observable for the asset or liability;
4. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Pooled Cash				
Money Market Mutual Funds	\$ 184,849,238	\$ -	\$ -	\$ 184,849,238
U.S. Treasury Securities	-	342,388,835	-	342,388,835
Total Debt Service Trust Investments	\$ 184,849,238	\$ 342,388,835	\$ -	\$ 527,238,073
Debt Service Trust				
Money Market Mutual Funds	\$ 43,039,042	\$ -	\$ -	\$ 43,039,042
U.S. Treasury Securities	-	143,328	-	143,328
Total Debt Service Trust Investments	\$ 43,039,042	\$ 143,328	\$ -	\$ 43,182,371
Pension Investments				
Money Market Mutual Funds	\$ 8,664,384	\$ -	\$ -	\$ 8,664,384
Domestic Stocks	60,626,865	-	-	60,626,865
Foreign Stocks	3,730,476	-	-	3,730,476
U.S. Treasury Securities	-	79,479,582	-	79,479,582
Corporate Obligations	-	30,772,727	-	30,772,727
Foreign Obligations	-	14,048,396	-	14,048,396
Municipal Issues	-	19,298,735	-	19,298,735
Equity Funds	-	247,530,224	-	247,530,224
Partnership/Joint Ventures	-	-	77,061,195	77,061,195
Collective Investment Funds	-	-	378,284,259	378,284,259
	\$ 73,021,725	\$ 391,129,664	\$ 455,345,454	\$ 919,496,843
Investments measured at the net asset value (NAV)				
Pooled Cash Account				
South Dakota FIT	\$ 6,042,281			

Notes to Financial Statements

Money market mutual funds, domestic stocks, and foreign stocks classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for these securities. U.S. treasury securities, fixed income investments, corporate obligations, foreign obligations, municipal issues, and equity funds classified in Level 2 of the fair value hierarchy are valued using techniques such as quoted prices for similar investments in active and inactive markets as well as inputs other than quoted prices that are observable for these assets.

Partnerships and collective investment funds classified in level three are provided by the Fund holders and are updated based on valuations provided by the funds which are considered both unobservable and significant to the fair value measurement of these investments.

The South Dakota Public Investment Trust (SDFIT) is an external pool created for South Dakota local government investing purposes. It is regulated by a nine-member board with representation from municipalities, school districts, and counties.

The net asset value (NAV) of the SD FIT is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis. Since the City has ready access to the cash, it is reported as cash and cash equivalents.

Investments measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled Cash Account				
South Dakota FIT	\$ 6,042,281	-	1 day	1 day

It is important to note that the items held in pooled cash qualify for investment disclosures based on the standards in GASB 72 *Fair Value Measurement and Applications*, however these items can be liquidated into cash within three months or less and as such are classified as Cash and Cash Equivalents within the financial statements, themselves.

Note 10 – Tax Abatements

The City of Sioux Falls has created tax increment districts under the authority granted by South Dakota Codified Laws 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 advance of industrial, commercial, manufacturing, and agricultural, or natural resources; and the improvement of the area will likely enhance significantly the value of substantially all of the other real property in the tax increment district.

The taxes levied on all taxable property within a tax incremental district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the district. The tax increments are allocated until all costs of the tax increment district project has been repaid; however, it cannot exceed 20 years. The project sponsor bears the risk that the increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall.

The City has 13 active tax increment districts in which taxes are passed directly to developers. Because the general property taxes on tax increment districts are allocated to the districts, these taxes are not available to the City during the life of the tax increment district. The portion of general property taxes levied for these tax increment districts during the calendar year ended December 31, 2025, that was not available to the City was \$7,094,314.

Note 11—Management Contract’s

The City has entered into the following management contracts in which the City has a vested interest in the entities and related assets, and therefore, should be included with the financial statements of the City.

Event Complex and Orpheum Theater

On November 2, 2012, the City entered into a five-year agreement with ASM Global, to provide professional management of the City’s event complex consisting of the T. Denny Sanford PREMIER Center, legacy arena, and convention center, and the Orpheum Theater. This contract was renewed for another five years starting with 2022 and ending in 2026 which now includes the City’s baseball stadium. As compensation for managing the event complex, ASM Global receives a base fee with annual increases and may earn additional performance incentives.

The City holds an asset for this management contract in the amount of \$13,185,471.

Municipal Golf Courses

On January 1, 2018, the City entered into a five -year agreement with Landscapes Management Company under which Landscapes Unlimited provides professional golf services for the City’s golf courses. This was extended in 2023 through 2027, and the Company will be compensated by a base fee with annual increases and may earn additional performance incentives.

The City holds an asset for this management agreement in the amount of \$3,911,907.

Jacobson Plaza

On November 21, 2024, the City entered into a five-year agreement with Washington Pavilion Management Inc. for the management, operation and branding of the food and beverage services at Jacobson Plaza, a City owned asset. The Company will be compensated by a base fee with annual increases and may earn additional performance incentives. The incentive fee does not begin until July 1, 2026.

The City holds a liability for this management agreement in the amount of \$11,659.

Notes to Financial Statements

Note 12—Defined Benefit Pension and Other Post-Employment Benefit Plans

A. Defined Benefit Pension Plans

Plan Description

The City administers two separate single-employer defined benefit pension plans established to provide retirement, disability, and survivor benefits for all of its eligible employees hired prior to July 1, 2013. The City Employee's Retirement System (CERS) and the City Firefighters' Pension Fund (CFPF) are considered to be part of the City of Sioux Falls' financial reporting entity and are included in the City's financial reports as Pension Trust funds; therefore, they do not issue stand-alone financial reports nor are they included in the report of another entity. Each plan's assets may be used only for the payment of benefits to the members of that plan or for payment of administrative expenses, in accordance with the terms of the plan as established or amended by City ordinance.

Management of the CERS and the CFPF is vested in the Board of Trustees. The Board of Trustees of the CERS consists of seven members including the Mayor or his designee, two members who may or may not be members of the Council appointed by the Mayor with advice and consent of the Council to represent the Council; three members selected by the membership, two of whom shall be general members elected by the general division members and one of whom shall be a police member elected by the police division members; one resident and legal voter of the city who is not an official or employee of the City and whose membership on the Board of Trustees creates no conflict of interest.

The Board of Trustees of the CFPF consists of five members including the Mayor or his designee, one member who may or may not be a member of the Council appointed by the Mayor with advice and consent of the Council to represent the Council; two members selected by the membership, one resident and legal voter of the city who is not an official or employee of the City and whose membership on the Board of Trustees creates no conflict of interest.

Plan Membership

The CERS membership includes all uniformed and non-uniformed officers and employees who have certified civil service status and are not members or retirees of the CFPF, all officers and employees who are appointed by the Mayor and/or Council, and the Mayor. The CERS has two divisions, general and police. The police division covers all uniformed non-civilian police officers and the general division includes all members not included in the police division. The CFPF membership includes all non-civilian full-time officers and firefighters of the City. Membership of the plans consisted of the following at December 31, 2025, the date of the last actuarial valuation:

	CERS	CFPF
Retirees and beneficiaries receiving benefits	803	198
Vested former members not yet receiving benefits	89	8
Active plan members	<u>380</u>	<u>91</u>
Total	<u>1,272</u>	<u>297</u>

CERS general member employees are vested upon five years of service. CERS police and CFPF member employees become vested upon 15 years of service. All members of the CERS and CFPF are eligible for an actuarially reduced benefit upon completion of 20 years of service.

Benefits Provided

The City provides a defined benefit based upon years of service and final average pay. In addition, a stipend is provided based upon years of service.

All CERS and CFPF members are eligible for a cost-of-living adjustment equal to the increase in the Consumer Price Index for All Urban Consumers, not to exceed 3 percent. Members become eligible on the first of the month following the thirty-sixth full month of retirement and each January 1 thereafter.

Contributions

During FY 2025, the CERS general division member employees contributed 5 percent of their gross earnings and police division member employees contributed 10 percent of their gross earnings. CFPF member employees contributed 10 percent of their gross earnings. The employee contribution rates are established by City ordinance. Employer contributions are made throughout the year in order to aggregate the total established by actuarial valuations determined necessary to cover: 1) all administrative costs; 2) the actuarially determined cost of future benefits accruing to members during the year; and 3) an amount sufficient to amortize any unfunded liability of the system through year 2039.

CERS			
	Computed Annual Required Contributions	Actual Contributions	Percentage Contributed
2016	\$ 11,417,873	\$ 11,417,873	100%
2017	11,610,968	11,623,730	100%
2018	10,623,760	11,166,523	105%
2019	10,011,563	10,213,721	102%
2020	10,045,628	10,045,628	100%
2021	10,712,257	10,712,257	100%
2022	9,997,846	10,313,219	103%
2023	9,350,722	9,350,722	100%
2024	10,172,827	10,172,827	100%
2025	10,773,445	10,773,445	100%

Notes to Financial Statements

CFPF			
	Computed		
	Annual Required	Actual	Percentage
	Contributions	Contributions	Contributed
2016	\$ 4,407,249	\$ 4,407,249	100%
2017	4,663,612	4,663,612	100%
2018	4,270,282	4,443,152	104%
2019	3,991,024	3,991,024	100%
2020	3,965,830	3,965,830	100%
2021	4,099,545	4,176,197	102%
2022	4,034,916	4,034,916	100%
2023	3,496,950	3,496,950	100%
2024	4,053,561	4,053,561	100%
2025	4,239,946	4,239,946	100%

Computed dollar contributions (actual contributions) are based on a UAL payment and normal cost contribution rate and actuarially projected valuation payroll information available on the valuation date.

Investments

The pension trust funds are governed by the prudent pension rule, that is, the Board of Trustees should use the same degree of skill, care, prudence, and diligence, under the circumstances then prevailing, of a prudent person, familiar with such matters and acting in a similar capacity as set forth by State law (SDCL 9-16-5.10) and City ordinance (Section 35). Under this standard, the Board of Trustees has an established investment policy which outlines the distinction of responsibilities, prohibitions, diversification, and performance measurement standards.

The policy prohibits the use of any securities whose effect would be to leverage the portfolio or whose expected returns are significantly unlike those expected from their appropriate asset classes. The following was a Board's adopted asset allocation policy as of December 31, 2025:

Asset Class	Target Allocation
Domestic Equity	43%
International Equity	18%
Equity Real Estate	10%
Domestic Bonds	29%
Total	100%

Rate of Return

For the year ended December 31, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.70 percent for the CERS and 13.79 percent for the CFPF. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability (Asset)

The components of the net pension liability (asset) at December 31, 2025, were as follows:

	CERS	CFPF
Total Pension Liability	\$ 619,072,162.00	\$ 226,855,011.00
Plan Fiduciary Net Position	(684,594,241)	(249,977,954)
Net Pension Liability (Asset)	\$ (65,522,079.00)	\$ (23,122,943.00)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	110.58%	110.19%
Net Pension Liability (Asset) as a percentage of Covered Payroll	-179.50%	-217.29%

Changes in the Net Pension Liability (Asset) at December 31, 2025, are as follows:

Total Pension Liability (TPL)	CERS	CFPF
Service Cost	\$ 6,120	\$ 2,824
Interest on the Total Pension Liability (TPL)	40,848	14,799
Benefit Changes	-	-
Actual versus expected TPL #	8,598	5,081
Assumption Changes	-	-
Benefit Payments and Refunds	(33,947)	(11,697)
Net Change in Total Pension Liability	21,619	11,007
Total Pension Liability - Beginning	\$ 597,453	\$ 215,848
Total Pension Liability - Ending (a)	\$ 619,072	\$ 226,855
Plan Fiduciary Net Position		
Employer Contributions	\$ 10,773	\$ 4,240
Employee Contributions	2,439	1,043
Pension Plan Net Investment Income	83,050	30,343
Benefit Payments and Refunds	(33,947)	(11,697)
Pension Plan Administrative Expense	(241)	(151)
Other	-	-
Net Change in Plan Fiduciary Net Position	62,074	23,778
Plan Fiduciary Net Position - Beginning	622,520	226,200
Plan Fiduciary Net Position - Ending (b)	\$ 684,594	\$ 249,978
Net Pension Liability (Asset) - Ending (a) - (b)	\$ (65,522)	\$ (23,123)

Experience gain made negative to facilitate addition
Dollar amounts above are in thousands

For the year ended December 31, 2025, the City recognized pension expense of \$3.0 million, which included total pension expense of \$7.8 net of contributions totaling \$10.8 million for the CERS plan. The City recognized pension income of \$1.7 million, which included total pension expense of \$2.5 million net of contributions totaling \$4.2 million for the CFPF plan. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	CERS		CFPF	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 6,994,348	\$ -	\$ 2,830,107	\$ 148,450
Changes of Assumptions	-	-	-	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	30,534,140	-	11,226,178
Total	\$ 6,994,348	\$ 30,534,140	\$ 2,830,107	\$ 11,374,628

Notes to Financial Statements

Amounts reported as deferred outflows of resources and deferred inflows of resources related to these pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended	CERS	CFPF
December 31:		
2026	\$ 12,827,589	\$ 4,894,718
2027	(16,475,590)	(6,158,058)
2028	(11,850,200)	(4,333,488)
2029	(8,041,591)	(2,947,693)
Thereafter	-	-
Total	<u>\$ (23,539,792)</u>	<u>\$ (8,544,521)</u>

The general fund is the primary governmental fund that is typically used to liquidate prior year pension liabilities.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2025, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	3.50 percent to 8.50 percent (CERS) 8.00 percent (CFPF) including inflation.
Investment rate of return	7.0 percent net of expenses
Post-Retirement Cost-of-Living Adjustments	Annual increase equal to 100 percent of the June CPI of each year with a cap of 3 percent applied to the member's current benefit. The first increase will be granted after 36 months of retirement.

The RP-2000 Combined Healthy Annuitant Mortality tables projected to 2020 using Projection Scale BB, with 100 percent of the table rates used for both men and women.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These real rates of return 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. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2025, these best estimates of geometric returns are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return*
Domestic Stocks	7.50%
International Stocks	8.50%
Real Estate Equity	4.50%
Domestic Bonds	2.50%
International Bonds	3.50%
* Real rate of return is net of administrative and investment expenses.	

Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments.

The next table presents the plan's net pension liability/(asset), calculated using a single discount rate of 7.00 percent, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1 percent lower or 1 percent higher.

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption Results as of December 31, 2025			
	6.00%	7.00%	8.00%
CERS			
Total Pension Liability	\$694,739,843	\$ 619,072,162	\$ 555,701,891
Plan Fiduciary Net Position	(684,594,241)	(684,594,241)	(684,594,241)
Net Pension Liability (Asset)	<u>\$ 10,145,602</u>	<u>\$ (65,522,079)</u>	<u>\$ (128,892,350)</u>
CFPF			
Total Pension Liability	\$254,187,616	\$ 226,855,011	\$ 203,946,311
Plan Fiduciary Net Position	(249,977,954)	(249,977,954)	(249,977,954)
Net Pension Liability (Asset)	<u>\$ 4,209,662</u>	<u>\$ (23,122,943)</u>	<u>\$ (46,031,643)</u>

Plan Closure – Membership in the South Dakota Retirement System

Effective July 1, 2013, the CERS and CFPF were closed to new members. All full-time employees hired after this date will become members in the statewide South Dakota Retirement System (SDRS). All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit plan 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. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided

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

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age

Notes to Financial Statements

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 retirement benefits 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 percent.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities the COLA will be
 - The increase in the third quarter CPI-W, no less than 0.5 percent and no greater than 3.5 percent.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the third quarter CPI-W, no less than 0.5 percent and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

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

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

Contributions

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS board. Covered

employees are required by State statute to contribute the following percentages of their salary to the plan: Class A Members, 6.0 percent of salary; Class B Judicial Members, 9.0 percent of salary; and Class B Public Safety Members, 8.0 percent of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. During the years ended December 31, 2025, 2024, and 2023, the cost to the City was \$5,205,802, \$4,562,505, and \$3,695,166 respectively.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to SDRS

At June 30, 2025, SDRS is 100.1 percent funded and accordingly has a net pension asset. The proportionate share of the components of the net pension liability of the South Dakota Retirement System for the City 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 Net Pension Liability	\$	415,343,199
Less Proportionate Share of Net Pension Restricted for Pension Benefits		(415,574,646)
Proportionate Share of Net Pension Liability (Asset)	\$	(231,447)

On December 31, 2025, the City reported an asset of \$231,447 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 relatively to contributions of all participating entities. At June 30, 2025, the City's proportion was 2.721240 percent, which was an increase of 0.233251 percent 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 \$5,424,011. On 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	\$ 7,924,036	\$ -
Changes of Assumptions	-	12,285,371
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	11,276,715	-
Changes in proportion and difference between City contributions and proportionate share of contributions	-	479,495
City contributions subsequent to the measurement date	2,797,298	-
Total	\$ 21,998,049	\$ 12,764,866

Notes to Financial Statements

There is \$2,797,298 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction to the net pension liability in the year ending December 31, 2025. 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:		
2026	\$	5,070,287
2027		449,577
2028		312,038
2029		603,983
Total	\$	<u>6,435,885</u>

The general fund is the primary governmental fund that is typically used to liquidate prior year pension liabilities.

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

Mortality Rates

All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020.

Active and Terminated Vested Members

- Teachers, Certified Regents, and Judicial: PubT-2010
- Other Class A Members: PubG-2010
- Public Safety Members: PubS-2010

Retired Members:

- Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108 percent of rates above age 65
- Other Class A Retirees: PubG-2010, 93 percent of rates through age 74, increasing by 2 percent per year until 111 percent of rates at 83 and above
- Public Safety Retirees: PubS-2010, 102 percent of rates at all ages

Beneficiaries:

- PubG-2010 contingent survivor mortality table

Disabled Members

- Public Safety: PubS-2010 disable 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.

Investments

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

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 (see the discussion of the pension plan's investment policy) are summarized in the following table 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%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 6.50 percent. 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 equal rates equal to the member rate. Based on those 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-

Notes to Financial Statements

term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

The following presents the net pension liability/(asset) of SDRS, calculated using the discount rate of 6.50 percent, as well as what SDRS net pension asset would be if it were calculated using a discount rate that is 1 percent point lower (5.50 percent) or 1 percent point higher (7.50 percent) than the current rate:

	5.50%	6.50%	7.50%
The City's proportionate Share of the Net Pension Liability/(Asset)	\$56,722,385	\$ 231,447	\$ 46,890,243

Pension Plan Fiduciary Net Position

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

Aggregate Pension Disclosures

At December 31, 2025, the City reported the following aggregate totals for all pension plans:

Accumulated Totals for SDRS, CERS and CFPF Plans	
Total Net Pension Asset (Liability)	\$ 88,876,468
Total Deferred Outflows of Resources	31,822,504
Total Deferred Inflows of Resources	54,673,634
Total Net Pension Expense	4,898,364

B. Post-Employment Health Care Benefits (OPEB)

Plan Description and Administration

On December 20, 2016, the City approved the establishment of an irrevocable retiree health care OPEB Trust as of January 1, 2017, and the concurrent termination of the City Employee's Retirement System and the City Firefighters' Pension Fund 401(h) retiree health trusts as of December 31, 2016. The OPEB Trust is established under and conforms to all applicable sections of the Internal Revenue Code and received a final favorable determination from the Internal Revenue Service on July 13, 2017. The benefit and eligibility structure did not change because of this action. This plan is a single-employer OPEB plan.

The City transferred 401(h) assets to the OPEB Trust in amount sufficient to cover 100 percent of the actuarially determined liability for the remaining retirees and beneficiaries eligible to receive benefits. As the retiree health provisions of the 401(h) Trust and subsequently the OPEB Trust were closed to new members as of December 31, 2014, the value of assets remaining in excess of those needed to fund 100 percent of the outstanding liability were transferred to the City's internal service Health/Life Benefit Fund with a subsequent transfer of the excess assets to the City Employee's Retirement System and City Firefighters' Pension Fund.

The OPEB Trust and the investment of OPEB Trust assets are overseen by the City with the authority and guidance of City Council, with whom investments and benefit terms are established and can be amended.

Benefits Provided

The OPEB Trust provides for the payment of 50 percent of the premium for eligible retirees and their beneficiaries for their continued participation in the City's self-insured Health/Life Benefit Fund. The retiree/beneficiary pays the remaining 50 percent. The benefit levels are the same as those afforded to active employees for both health and dental coverage. As the Fund is self-insured, premium rates are established to recover the cost of benefits being provided. Rates for retirees/beneficiaries are established separately from those of active employees. Thus, there is no implicit rate subsidies for the OPEB Trust. Participation in the City's health benefit is terminated upon the eligible retiree/beneficiary reaching the age of 65.

The self-insured Health Life Benefit Fund is an internal service fund of the City and is included within the scope of this report; therefore, it does not issue a stand-alone financial report nor is it included in the report of another entity. The benefit levels and contribution rates of the Fund are governed by the City.

Plan Membership

Membership of the plans consisted of 13 inactive employees as of December 31, 2025, the last measurement date.

Change in Plan Design – OPEB

Effective January 1, 2014, access to the City's health plan is no longer available to retiring employees. In its place, the City's pension plan provides a flat dollar stipend to retirees to purchase their own health insurance. The stipend is a benefit to the employee/retiree only (no survivorship to spouse) and is given until the retiree reaches the Medicare eligible age (i.e., 65). In 2025 the amount of the stipend was \$55.37 per month per year of service, an inflationary adjustment of 3 percent is applied each year.

Funding Policy and Contributions

The City's OPEB Trust is closed to new members and the liability is fully funded, requiring no further contributions.

Net OPEB Liability

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to December 31, 2025.

The general fund is the primary governmental fund that is typically used to liquidate prior year OPEB liabilities.

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2025 valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified.

Notes to Financial Statements

Healthcare cost trend rate	7.50 percent graded down to 3.50 percent in twelve years
Investment Rate of Return	3.00 percent, net of OPEB plan investment expense
Discount Rate	3.00 percent, 20-year municipal bond rate of December 31, 2025

The RP-2000 Combined Health Table projected using Projection Scale BB was used for both men and women.

OPEB Plan Investments

The OPEB Trust assets have a segregated interest within the City's short-term pooled cash portfolio and are governed by the City's Pooled Cash Investment Policy, with the latest amendments adopted on May 13, 2014. The investment policy conforms to all applicable laws of the State of South Dakota, which serves as the guide for proper diversification, maturity constraints, internal controls, and performance measurement. The objectives of the City's investment program as set forth by the investment policy are in order of importance: safety of principal, sufficient liquidity, and attaining a competitive rate of return throughout budgetary and economic cycles. These objectives guide the City's short-term investments with terms of five years or less, which, except under limited circumstances, are held to maturity.

The City's Retiree Health OPEB trust allocation is as follows:

Asset Class	Target Allocation
U.S. Treasury Notes & Bills	74.00%
Money Market Funds	9.00%
Certificates of Deposit	12.00%
Cash	5.00%

Changes in the Net OPEB Liability (Asset)

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at December 31, 2024	\$ 271,264	\$ 3,733,182	\$ (3,461,918)
Changes for the Year			
Service Cost	\$ -	\$ -	\$ -
Interest on the Total Pension Liability (TPL)	7,467	-	7,467
Benefit Clarification	-	-	-
Difference between expected and actual experience of the Total OPEB Liability	(132,527)	-	(132,527)
Contributions Employer	-	20	(20)
Assumption Changes	1,292	-	1,292
OPEB Plan Net Investment Income	-	172,877	(172,877)
Benefit Payments and Refunds	(44,733)	(44,733)	-
Net Change in Total OPEB Liability	(168,501)	128,164	(296,665)
Balance at December 31, 2025	\$ 102,763	\$ 3,861,346	\$ (3,758,583)

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

The following presents the net OPEB (asset) liability, calculated using the discount rate of 3.00 percent, as well

as what the net OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (2.00 percent) or one percentage point higher (4.00 percent) than the current rate:

	2.00%	3.00%	4.00%
Net OPEB liability (asset)	\$ (3,757,603)	\$ (3,758,583)	\$ (3,759,536)

Sensitivity of Net OPEB (Asset) Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB (asset) liability, calculated using the healthcare cost trend rate of 7.5 percent gradually decreasing to an ultimate trend rate of 3.5 percent in 12 years. In addition, the table shows the net OPEB (asset) liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Net OPEB liability	\$ (3,759,996)	\$ (3,758,583)	\$ (3,757,158)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, the City recognized a reduction of OPEB expense of \$225,638. At the December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	85,925
Total	\$ -	\$ 85,925

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended	
December 31:	
2026	\$ (10,531)
2027	(39,161)
2028	(23,921)
2029	(12,312)
2030	-
Thereafter	-
Total	\$ (85,925)

Notes to Financial Statements

Component Unit

Housing Commission Retirement Plan

All eligible employees of the Housing Commission participate in the Housing Renewal and Local Agency Retirement Plan, a cost sharing, multiple-employer public employee retirement system to provide retirement benefits for employees of local or regional housing authorities and commissions, urban renewal agencies, and other organizations that are eligible to participate in this plan subject to the approval of the agreement. Eligible employees are defined as staff scheduled to work 20 or more hours per week after attaining age 18 and completing one year of continuous and uninterrupted employment. The right to receive retirement benefits is 20 percent vested after one year credited service up to 100 percent vested after five years credited service. Authority for establishing, administering, and amending plan provisions is found in Internal Revenue Code Section 401(a). The Automated Data Processing (ADP) Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information. That

report may be obtained by writing to ADP Retirement Services, 462 South 4th Avenue, Suite 900, Louisville, KY 40202, or by calling (502) 561-4550.

On June 24, 2002, the Housing Commission adopted Resolution No. 268-06-02 effective July 1, 2002, which implemented a mandatory after-tax employee contribution to the plan of 1 percent of basic compensation and a corresponding employer contribution of 4 percent of basic compensation addition. The resolution permitted employees to voluntarily contribute additional after-tax amounts in excess of the 1 percent mandatory amount, which would be treated as voluntary contributions, and for which the employer would contribute additional corresponding amounts up to a maximum of 7 percent. Beginning July 1, 2002, the full amount of the employer's contributions will be subject to the plan's vesting schedule of 20 percent for each year of the employee's participation in the plan. During the years ended September 30, 2025, 2024, and 2023, the cost to the Commission was \$74,192, \$51,161, and \$58,938, respectively.

Note 13—Change to or Within the Financial Reporting Entity

During the fiscal year 2025, there was a change within the financial reporting entity which resulted in the Recreation and Aquatic Bond Fund becoming a major fund due to meeting the quantitative threshold to be classified as a major fund. Since this fund is new for the year ended December 31, 2025 and was not established in the prior year, there are no adjustments or restatements to January 1, 2025 beginning fund balance of the major funds as a result of this fund.

Also during the fiscal year 2025, there was a change within the City which resulted in the Public Safety Facility Construction Fund being reported as a nonmajor fund. As a result the fund balance of the Public Safety Facility Construction Fund of \$1,213,825 which was previously reported as a major fund column is now reported in the nonmajor fund column and the nonmajor fund beginning fund balance has been adjusted by \$1,213,825. This resulted in adjustments to and restatements of beginning fund balance to nonmajor funds as follows:

	January 1, 2025 As Previously Reported	Change to or Within the Financial Reporting Entity	January 1, 2025 As Restated
Governmental Funds			
Nonmajor Funds	\$ 16,653,232	\$ 1,213,825	\$ 17,867,057
Public Safety Facilities Construction Major Fund	1,213,825	(1,213,825)	Not Applicable

Notes to Financial Statements - Fiduciary Funds Changes in Net Position

	Employee's Retirement System	Firefighters' Pension Fund	City of Sioux Falls OPEB Trust	Total Pension and Health Care Trust Funds	Police Custodial Fund
Assets					
Cash and Cash Equivalents	\$ 14,936,032	\$ 6,818,507	\$ 3,834,087	\$ 25,588,626	\$ 257,452
Receivables:					
Contribution	350,669	142,201	-	492,870	-
Interest	1,091,237	409,395	27,259	1,527,891	-
Total Receivables	1,441,906	551,596	27,259	2,020,761	-
Investments at Fair Value:					
US Government	58,863,188	20,616,394	-	79,479,582	-
Corporate Obligations	22,676,037	8,096,690	-	30,772,727	-
Foreign Obligations	9,991,802	4,056,594	-	14,048,396	-
State and Local Obligations	14,331,458	4,967,277	-	19,298,735	-
Domestic Stocks	44,373,851	16,253,014	-	60,626,865	-
Foreign Stocks	2,726,612	1,003,864	-	3,730,476	-
Index Funds:					
Equity	231,635,584	85,168,285	-	316,803,869	-
Government / Corporate Bonds	45,473,243	16,007,147	-	61,480,390	-
Mutual Funds:					
Foreign Equity	129,327,485	47,250,691	-	176,578,176	-
Domestic Equity	19,124,225	7,258,912	-	26,383,137	-
Fixed Income	32,899,721	11,669,190	-	44,568,911	-
Real Estate	56,798,040	20,263,155	-	77,061,195	-
Total Investments	668,221,246	242,611,213	-	910,832,459	-
Total Assets	684,599,184	249,981,316	3,861,346	938,441,846	257,452
Liabilities					
Accounts Payable	-	300	-	300	-
Accrued Wages	4,943	3,062	-	8,005	-
Total Liabilities	4,943	3,362	-	8,305	-
Net Position					
Restricted for Pension	\$ 684,594,241	\$ 249,977,954	\$ -	\$ 934,572,195	\$ -
Restricted for Post Employment Health Care Benefits	-	-	3,861,346	3,861,346	-
Restricted for Police Evidence and Found Property	-	-	-	-	257,452
Total Net Position	\$ 684,594,241	\$ 249,977,954	\$ 3,861,346	\$ 938,433,541	\$ 257,452

Notes to Financial Statements - Fiduciary Funds Changes in Net Position

	Employees' Retirement Pension	Firefighters' Pension	City of Sioux Falls OPEB Trust	Total Pension and Health Care Trust Funds	Police Custodial Fund
Additions					
Contributions					
Employer	\$ 10,773,445	\$ 4,239,946	\$ -	\$ 15,013,391	\$ -
Plan Members	2,439,460	1,043,035	-	3,482,495	-
Total Contributions	13,212,905	5,282,981	-	18,495,886	-
Investment Income (Loss)	84,120,337	30,771,517	172,877	115,064,731	-
Less Investment Expense	1,070,165	428,825	-	1,498,990	-
Net Investment Income (Loss)	83,050,172	30,342,692	172,877	113,565,741	-
Police Funds Received into Custody	-	-	-	-	78,715
Total Additions	96,263,077	35,625,673	172,877	132,061,627	78,715
Deductions					
Benefit Payments					
Pension	33,890,180	11,696,988	-	45,587,168	-
Health Premiums	-	-	44,713	44,713	-
Total Benefit Payments	33,890,180	11,696,988	44,713	45,631,881	-
Police Funds Released from Custody	-	-	-	-	156,819
Refunds	56,915	-	-	56,915	-
Administrative Expense	241,273	150,755	-	392,028	-
Total Deductions	34,188,368	11,847,743	44,713	46,080,824	156,819
Change in Net Position	62,074,709	23,777,930	128,164	85,980,803	(78,104)
Total Net Position, January 1	622,519,532	226,200,024	3,733,182	852,452,738	335,556
Total Net Position, December 31	<u>\$ 684,594,241</u>	<u>\$ 249,977,954</u>	<u>\$ 3,861,346</u>	<u>\$ 938,433,541</u>	<u>\$ 257,452</u>

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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[Date of Issue]

City of Sioux Falls
Sioux Falls, South Dakota

U.S. Bank Trust Company, National Association,
as Trustee
Saint Paul, Minnesota

**Re: \$50,530,000* City of Sioux Falls, South Dakota
Junior Lien Sales Tax Revenue Refunding Bonds, Series 2026A**

and

**\$39,310,000* City of Sioux Falls, South Dakota
Junior Lien Sales Tax Revenue Bonds, Series 2026B**

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Sioux Falls, South Dakota (the “City”) in connection with the authorization, sale and issuance by the City of the bonds described above, dated, as originally issued, the date hereof, in the aggregate principal amounts set forth above (the “Series 2026 Bonds”). For the purpose of this opinion, we have examined certified copies of certain proceedings taken and certain opinions, certificates and affidavits furnished by the City in the authorization, sale and issuance of the Series 2026 Bonds, including (i) the form of the Series 2026 Bonds, (ii) Ordinance No. 01-25 adopted by the City Council on January 14, 2025, (iii) Ordinance 01-25 adopted by the City Council on January 14, 2026, (iv) a Junior Lien Indenture of Trust, dated as of June 1, 2025 as amended and supplemented by a First Supplemental Indenture of Trust dated as of September 1, 2026 (the “Junior Lien Indenture”), each by and between the City and U.S. Bank Trust Company, National Association, as Trustee (the “Trustee”), (iv) an opinion of the office of the City of Sioux Falls Attorney with respect to certain matters of South Dakota law, and (vi) originals or photocopies of certified copies of such records of the City, certificates of officers of the City and other documents as we deemed relevant and necessary in order to render this opinion. We have assumed the authenticity thereof, the genuineness of the signatures thereon and the accuracy of the facts stated therein. Terms not defined herein shall have the meanings assigned thereto in the Junior Lien Indenture.

* Preliminary, Subject to change.

Based upon our review of these items and such matters of law as we have deemed necessary or appropriate, it is our opinion that:

1. The Series 2026 Bonds are valid and binding special obligations of the City enforceable in accordance with their terms. The Series 2026 Bonds are not general obligations of the City, and the general credit and taxing powers of the City are not pledged to the payment of the principal thereof or interest thereon.

2. The principal of and interest on the Series 2026 Bonds are payable from the collections of certain local sales taxes constituting the Pledged Sales Taxes pledged to the payment thereof.

3. The payment of the Series 2026 Bonds is secured by a pledge of the Second Penny Sales Tax received by the City, provided, however, the Junior Lien Indenture provides that the pledge of the Second Penny Sales Tax securing the Series 2026 Bonds, the City's outstanding \$23,395,000 Junior Lien Sales Tax Revenue Bonds, Series 2025A (the "Series 2025A Bonds"), and any additional Bonds and Parity Obligations issued on a parity with the Series 2025A Bonds and the Series 2026 Bonds as provided under the Junior Lien Indenture (collectively, the "Junior Lien Bonds") are and shall be junior and subordinate to the lien, grant, mortgage, security interest, assignment, transfer in trust and pledge of the Second Penny Sales Tax securing the City's Sales Tax Revenue Bonds issued under that certain First Amended and Restated Indenture of Trust dated as of March 1, 2012 between the City of Sioux Falls, South Dakota and U.S. Bank Trust Company, National Association, as trustee, as heretofore amended, and supplemented (the "Senior Lien Indenture") in all respects and the holders of Series 2026 Bonds and any additional Junior Lien Bonds shall have no rights to such pledged taxes during any monthly allocation described in the Senior Lien Indenture until all deposits required to be made therein for each month have been made in full. In addition, the City may issue additional refunding Sales Tax Revenue bonds under the Senior Lien Indenture.

4. The Junior Lien Indenture has been duly authorized, executed and delivered by the City, and, assuming the due authorization, execution and delivery of such instrument by, and the binding effect thereof on, the Trustee, the Junior Lien Indenture constitutes the legal, valid and binding obligation of the City, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by laws relating to bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and by the availability of equitable remedies.

5. By the Junior Lien Indenture the City has validly made and entered into covenants with and for the benefit of the owners from time to time of all Junior Lien Bonds issued thereunder, including covenants that it will allocate and credit the Pledged Sales Taxes on a junior and subordinate basis as received to the appropriate funds; that additional Junior Lien Bonds, including refunding bonds, may be issued and made payable on a parity with the Series 2026 Bonds upon certain conditions set forth in the Junior Lien Indenture. In addition, the City may issue parity obligations not secured by the Junior Lien Indenture if certain conditions specified in the

Junior Lien Indenture are satisfied and the Sales Taxes pledged to the payment of such parity obligations are allocated and remitted for the benefit of the holders thereof as provided in the Junior Lien Indenture.

6. Subject to the City's compliance with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under present law, interest on the Series 2026 Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the Series 2026 Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals. Failure to comply with certain of the covenants described above could cause interest on the Series 2026 Bonds to be included in gross income, in some cases retroactively to the date of issuance of the Series 2026 Bonds. Ownership of the Series 2026 Bonds may result in other federal tax consequences to certain taxpayers. We express no opinion regarding any such collateral consequences arising with respect to the Series 2026 Bonds.

7. Interest on the Series 2026 Bonds is includable in gross income for South Dakota franchise tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43.

In rendering this opinion, we have relied upon certifications of the City and certain other parties with respect to certain material facts solely within their knowledge relating to the facilities to be financed with proceeds of the Series 2026 Bonds, the application of the proceeds of the Series 2026 Bonds and certain other matters pertinent to the tax-exempt status of the Series 2026 Bonds.

The opinions expressed above are qualified to the extent that enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein regarding the accuracy, adequacy or completeness of the official statement relating to the Series 2026 Bonds.

In rendering this opinion, we have relied upon certifications of the City with respect to certain material facts within the City's knowledge. Our opinion represents our legal judgment based upon a review of the law and the facts that we deem relevant to render such an opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

ASHURST PERKINS COIE US LLP

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APPENDIX D

BOOK-ENTRY ONLY SYSTEM

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The information contained in the following paragraphs of this subsection “Book-Entry Only System” has been extracted from a schedule prepared by Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE.” The City makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (“Direct Participants”). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each certificate (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

NEITHER THE CITY NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

APPENDIX E

CERTAIN DEFINED TERMS

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CERTAIN DEFINED TERMS

Act: Chapters 10-52, 10-52A, and 6-8B of the South Dakota Codified Laws, and, to the extent applicable, Sections 10-45 and 10-46 of the South Dakota Codified Laws, all as amended through the date hereof;

Additional Bonds: Bonds issued pursuant to the Junior Lien Indenture, other than the Series 2025 Junior Lien Bonds or Series 2026 Junior Lien Bonds;

Annual Interest Requirements: With respect to any Series of Bonds, all interest amounts which shall become due and payable within a Fiscal Year. For purposes of calculating periodic deposits pursuant to Section 4.8 hereof, the term "Annual Interest Requirements" shall not include Bond proceeds or other amounts, including capitalized interest deposits, on deposit with the Trustee for payment of interest on the Junior Lien Bonds or amounts irrevocably deposited pursuant to Article Seven of the Junior Lien Indenture for the payment and discharge of Bonds;

Annual Principal Requirements: With respect to any Series of Bonds, all principal amounts which shall be come due and payable within a Fiscal Year, whether by reason of serial maturity or by virtue of a requirement for Mandatory Redemption Payments. For purposes of calculating periodic deposits pursuant to Section 4.8 hereof, the term "Annual Principal Requirements" shall not include Bond proceeds or other amounts irrevocably deposited pursuant to Article Seven of the Junior Lien Indenture for the payment and discharge of Bonds;

Authorized Representative: the Mayor of the Issuer, the Finance Officer of the Issuer or any other officer expressly authorized by the City Council to act on behalf of the Issuer with respect to the Junior Lien Bonds, the Notes or this Junior Lien Indenture;

Available Revenues: Any amounts that the Issuer determines, in its sole and absolute discretion, to pledge pursuant to a Supplemental Junior Lien Indenture to secure any Bond or Bonds in addition to the amount of Pledged Sales Taxes required to be deposited in the trust accounts in accordance with the Indenture;

Balloon Indebtedness: A series of Bonds, 25% or more of the original principal of which matures during any consecutive twelve month period, if such maturing principal amount is not required to be amortized below such percentage by mandatory redemption or prepayment prior to such twelve month period. Balloon Indebtedness does not include indebtedness which otherwise would be classified hereunder as Put Indebtedness;

Beneficial Holder: Any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds; through nominees or depositories;

Bond Closing: each date on which there is delivery by the Issuer of, and payment for, a series of Bonds;

Bond Counsel: any firm of nationally recognized bond counsel experienced in tax exempt financing selected by the Issuer;

Bond Fund: the fund so designated in the Indenture from which the principal of and interest and premium, if any, on the Bonds are payable;

Bond Register: the register maintained by the Trustee pursuant to the Indenture;

Bond Year: the period beginning on November 16 of each year and ending on November 15 of the following year;

Bondholder or Holder or Holders of Bonds or Owner or similar term: when used with respect to a Bond or Bonds, means any person who shall be the registered owner of any outstanding Bond. Unless and until Junior Lien Bonds of a series have been issued to a Holder other than DTC or another securities depository, all references to “Bondholder” or “Holder” or “Holders of Bonds” or “Owner” are qualified by reference to Section 2.8 of the Junior Lien Indenture;

Business Day: any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in the City where the principal corporate trust office of the Trustee is located are authorized by law or executive order to close;

City: the Issuer;

Code or Internal Revenue Code: the Internal Revenue Code of 1986, as amended, and all applicable Treasury Regulations;

Construction Fund: the fund, to which the proceeds of the Junior Lien Bonds, except for any accrued interest are appropriated;

Consultant: a professional consulting or banking firm or investment banker selected by the City, having the skill and experience necessary to render the calculation required;

Discharge Date: the date on which all outstanding Bonds are discharged under Article Seven;

Eligible Costs: Second Penny Tax Projects;

Event of Default: any of the events set forth in Section 8.1;

First Penny Tax: as defined in the Official Statement;

Fiscal Year: the period beginning on January 1 of any calendar year and ending on the next succeeding December 31;

Holder or Bondholder: the person in whose name a Bond is registered in the Bond Register;

Independent Counsel: any attorney duly admitted to practice law before the highest court of any state, who may be counsel to the Issuer but who may not be an officer or a full time employee of the Issuer;

Internal Revenue Code or Code: the Internal Revenue Code of 1986, as amended and all applicable Treasury Regulations;

Issuer: the City of Sioux Falls, South Dakota, its successors and assigns;

Junior Lien Bonds: the Series 2025 Bonds, the Series 2026A Bonds, the Series 2026B Bonds and any Additional Bonds;

Junior Lien Indenture: the Junior Lien Indenture of Trust by and between the Issuer and the Trustee, as the same may from time to time be amended or supplemented;

Junior Lien Obligations: Junior Lien Sales Tax Revenue Bonds issued and secured under the Junior Lien Indenture together with any Parity Obligations issued as provided hereunder;

Majority Consent: the consent of fifty-one percent (51%) of the Holders of the aggregate principal amount of Outstanding Bonds, or a specific series of Bonds, as the context shall indicate;

Mandatory Purchase Date: for any Bonds, the date, if any, specified in the applicable supplemental indenture as a date on which such series of Bonds are subject to mandatory purchase from the Holders thereof;

Mandatory Redemption Payments: the payments which are required to be made to redeem Bonds in accordance with a Mandatory Redemption Schedule after appropriate credits, if any, have been made;

Mandatory Redemption Schedule: for any series of Bonds, the schedule included in the applicable supplemental indenture with respect to such series of Bonds;

Maturity Date: any date on which principal of or interest or premium, if any, on Bonds is due, whether at maturity, on a scheduled interest payment date, or upon redemption or acceleration, or otherwise;

Ordinance: the Second Penny Ordinance as supplemented or amended from time to time;

Original Purchaser: with respect to any series of Bonds, the bank, investment banker, bond dealer, or other persons who act as underwriter or otherwise purchase a series of Junior Lien Bonds from the Issuer;

Outstanding Bonds: as of the date of determination, all Bonds theretofore issued and delivered under this Junior Lien Indenture except:

(A) Bonds theretofore cancelled by the Trustee or Paying Agent or delivered to the Trustee or Paying Agent cancelled or for cancellation;

(B) Bonds for which payment or redemption, moneys or securities (as provided in Article Seven) shall have been theretofore deposited with the Trustee or Paying Agent in trust for the Holders of such Junior Lien Bonds; provided, however, that if such Bonds are to be redeemed, notice of such redemption shall have been duly given pursuant to this Junior Lien Indenture or irrevocable action shall have been taken to call such Bonds for redemption at a stated redemption date; and

(C) Bonds in exchange for or in lieu of which other Bonds shall have been issued and delivered pursuant to this Junior Lien Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Issuer shall be disregarded and deemed not to be Outstanding Bonds, except that in determining

whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Bonds which the Trustee knows to be so owned shall be disregarded;

Parity Obligations: Any debt obligations issued by the City and secured by a pledge of Pledged Sales Taxes on a parity with the Bonds, but not otherwise issued under or secured by this Junior Lien Indenture.

Participant: one of the entities which is a member of the Securities Depository and deposits securities, directly or indirectly, in the Book-Entry System;

Paying Agent: the Trustee or any other entity designated pursuant to the Junior Lien Indenture as the agent of the Issuer and the Trustee to receive and disburse the principal of and premium, if any, and interest on the Bonds;

Payment Date: any date on which the principal or premium, if any, or interest on any Junior Lien Bonds is required to be paid;

Permitted Investments: any permitted investments for municipalities under the laws of the State of South Dakota in South Dakota Codified Laws Section 4-5-6, as amended and any successor provision;

Pledged Sales Taxes: Second Penny Taxes;

Project: with respect to each series of Bonds, the Eligible Costs and related property to be paid from the proceeds of such series, as determined by the Issuer;

Projected Rate: The projected yield at par of an issue of bonds as set forth in the report of a Consultant. Such report shall state that in determining the Projected Rate such Consultant reviewed the yield evaluations at par of not less than five obligations selected by such Consultant, the interest on which is generally entitled to the exemption from federal income taxation afforded by Section 103(a) of the Code or any successor thereto (or, if it is not expected that it will be reasonably possible to issue such tax-exempt obligations, then obligations the interest on which is subject to federal income tax) which obligations such Consultant states in its report are reasonable comparators for utilizing in developing such Projected Rate and which obligations: (i) were outstanding on a date selected by the Consultant which date so selected occurred during the 45-day period preceding the date of the calculation utilizing the Projected Rate in question, (ii) to the extent practicable, have a remaining term, amortization schedule and credit rating substantially the same as the bonds with respect to which such Projected Rate is being developed;

Purchase Date: the date on which any Outstanding Bonds are purchased pursuant to Section 5.6 or any similar provision established pursuant to a Related Supplemental Junior Lien Indenture;

Purchase Price: the par amount of any Bond which is subject to purchase;

Put Indebtedness: Bonds which are (i) payable or required to be purchased or redeemed by or on behalf of the City, at the option of the owner thereof, prior to their stated maturity date or (ii) payable or required to be purchased or redeemed from the owner by or on behalf of the City (other than at the option of the owner) prior to their stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund;

Rating Agency: any nationally recognized ratings agency then rating Bonds secured by the Junior Lien Indenture;

Rebate Amount: the amount of investment earnings on funds held in any fund or account required to be transferred to the Excess Investment Earnings Fund;

Record Date: with respect to any Payment Date for interest on the Bonds, (i) the first (1st) day of the month (whether or not a Business Day) including such Payment Date or (ii) if the Issuer shall be in default in payment of interest due on such Payment Date, a special Record Date for the payment of such defaulted interest established by notice mailed by the Trustee on behalf of the Issuer; notice of such special Record Date shall be mailed not less than fifteen (15) days preceding such special Record Date, to the Holder at the close of business on the fifth (5th) Business Day preceding the date of mailing;

Related Supplemental Junior Lien Indenture: with respect to any Bond, each Supplemental Junior Lien Indenture pursuant to which it was issued or is secured;

Remarketing Agent: for any series of Additional Bonds, if applicable, the “Remarketing Agent” designated pursuant to a Remarketing Agreement between the Remarketing Agent and the Issuer pertaining to such series of Bonds, provided that any Remarketing Agent shall be a registered NASD broker-dealer;

Remarketing Agreement: for any series of Additional Bonds, the similar agreement entered into between the Remarketing Agent designated therein and the issuer;

Representative: the Finance Officer or Assistant Finance Officer of the Issuer, or any other person at any time designated to act on behalf of the Issuer as evidenced by a written certificate furnished to the Trustee containing the specimen signatures of such persons and signed for the Issuer by its Finance Officer;

Responsible Agent: any person duly authorized and designated by the Trustee to act on its behalf in carrying out the applicable duties and powers of the Trustee as set forth in the Junior Lien Indenture; (any action required by the Trustee under the Junior Lien Indenture may be taken by a Responsible Agent);

Restricted Obligations: obligations which are issued by the United States Treasury and any other Permitted Investments investment in which will not cause the Bonds to be federally guaranteed obligations, within the meaning of the Code;

Second Penny Bonds: as defined in the Official Statement;

Second Penny Tax: that portion of the Sales Tax which is levied pursuant to Sections 37.002 and 37.0021 of the Code of Ordinances of the City and Ordinance No. 70-03, 14-04, 26-06 and 116-08;

Second Penny Ordinance: as defined in the Official Statement;

Second Penny Tax Project: Projects of the type described in the Second Penny Ordinance;

Senior Lien Indenture: as defined in the Official Statement;

Senior Lien Obligations: all Senior Lien Bonds and all Senior Lien Parity Obligations which are Outstanding within the meaning of the Senior Lien Indenture;

Senior Lien Parity Obligations: all Parity Obligations (as defined in the Senior Lien Indenture) which are Outstanding within the meaning of the Senior Lien Indenture;

Series 2025 Bonds: the \$23,395,000 Junior Lien Sales Tax Revenue Bonds, Series 2025A issued by the Issuer on June 17, 2025.

Series 2026A Bonds: as defined in the Official Statement;

Series 2026B Bonds: as defined in the Official Statement;

Series 2026 Bonds: collectively, the Series 2026A Bonds and the Series 2026B Bonds;

Refunded Bonds: the maturities of the Series 2012A Bonds and the Series 2016A Bonds being refunded with proceeds of the Series 2026A Bonds, as described in the Official Statement;

First Supplemental Indenture: the First Supplemental Indenture of Trust, dated as of September 1, 2026, between the City and the Trustee;

2026 Refunding Ordinance: Ordinance _____ adopted by the City Council on April 14, 2026 authorizing the issuance of the Series 2026A Bonds and the refunding of the Refunded Bonds;

SLGS: United States Treasury obligations - State and Local Government Series, as provided for in the United States Treasury Regulation 31 CFR 344;

Subordinate Obligations: a bond, note or other evidence of indebtedness described in Section 2.6(6) of the Junior Lien Indenture;

Subordinate Indenture: any indenture pursuant to which Subordinate Obligations are issued and secured;

Trust Estate: the Trust Estate as defined and set forth in the Granting Clauses of the Junior Lien Indenture;

Trustee: U.S. Bank Trust Company, National Association, and any co-trustee or successor trustee appointed, qualified and then acting as such under the provisions of this Junior Lien Indenture;

Unpaid Bonds: all Outstanding Bonds and any other Bonds which have neither matured nor been redeemed or purchased and cancelled under this Junior Lien Indenture.

Value: unless provided differently with respect to a specific series of Bonds, the value of Permitted Investments which shall be determined as of the end of each May and November, and determined and calculated as follows:

(1) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the

Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; and

(3) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest;

Variable Rate Indebtedness: Bonds bearing interest at a floating or variable rate of interest, provided that Balloon Indebtedness and Put Indebtedness which bears interest at a fixed rate until the date of the balloon maturity or the put date shall not be considered Variable Rate Indebtedness.

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APPENDIX F

SUMMARY OF CONTINUING DISCLOSURE

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The following is a brief summary of certain provisions of the Continuing Disclosure Agreement relating to the Series 2026 Bonds and does not purport to be complete or definitive and investors should refer to the Continuing Disclosure Agreement for a complete recital of its terms. A copy of the Continuing Disclosure Agreement is available upon request from the Trustee.

In order to permit the Underwriter and other participating underwriters of the Series 2026 Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (as in effect and interpreted from time to time, the “Rule”), the City will covenant and agree, for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Series 2026 Bonds, in a Continuing Disclosure Agreement, dated as of March 1, 2018, between the City and U.S. Bank Trust Company, National Association, as dissemination agent (in such capacity, the “Dissemination Agent”)(the “Continuing Disclosure Agreement”), to provide annual reports of specified information and notice of the occurrence of certain material events as hereinafter described. The City is the only “obligated person” in respect of the Series 2026 Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. The City has not defaulted under a continuing disclosure undertaking it has entered into under the Rule.

As used herein, “Owner” or “Series 2026 Bondowner” means, in respect of a Series 2026 Bond, the registered owner or owners thereof appearing in the bond register maintained by the Trustee or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Trustee evidence of such beneficial ownership in form and substance reasonably satisfactory to the Trustee. As used herein, “Beneficial Owner” means, in respect of a Series 2026 Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Series 2026 Bond (including persons or entities holding Series 2026 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series 2026 Bond for federal income tax purposes.

As used herein, a “Material Fact” is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Series 2026 Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed under the Continuing Disclosure Agreement or information generally available to the public. Notwithstanding the foregoing, a “Material Fact” is also an event that would be deemed “material” for purposes of the purchase, holding or sale of a Series 2026 Bonds within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

Information To Be Provided

Annual Information

The City has agreed that on or before 270 days after the end of each fiscal year, it will deliver to the Dissemination Agent certain financial information and operating data relating to the City for the preceding fiscal year of the City as hereinafter specified (the “Disclosure Information”), accompanied by a City certificate stating in effect that such information is the Disclosure Information required to be submitted under the Continuing Disclosure Agreement.

The Disclosure Information comprises the following (subject to modification as described below):

(1) A complete audit report and opinion of an Accountant and the statements of financial position of the City for such fiscal year, containing a balance sheet as of the end of such fiscal year and a statement of changes in net assets and statement of cash flows for the fiscal year then ended, and showing in comparative form such figures for the preceding fiscal year of the City, prepared in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board applicable to entities such as the City as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City noting the discrepancies therefrom and the effect thereof.

(2) To the extent not included in the financial statements referred to in paragraph (1) hereof, the information of the type identified below, which information may be unaudited, but shall be certified as to accuracy and completeness in all material respects by the chief financial officer of the City to the best of his or her knowledge, which certification may be based on the reliability of information obtained from governmental or other third party sources:

The following financial information and operating data as of the beginning or end of the most recent complete academic or fiscal year, as appropriate:

a. The matters covered by the Sections of Appendix A to this Official Statement entitled:

- Demographics
- City Services
- Construction
- Major Employers
- Financial Information
- Future Financing
- City Obligations

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City will agree to provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City is to provide the audited financial statements.

Any or all of the Disclosure Information may be incorporated by reference, if updated as required by the Continuing Disclosure Agreement, from other documents, including official statements, which have been submitted to each then nationally recognized municipal securities information repository under the Rule provided that, from and after July 1, 2009, the Electronic Municipal Market Access System (“EMMA”) operated by the MSRB as a National Repository shall be the primary repository for continuing disclosure under the Rule (collectively, the “National Repositories”) to the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board (the “MSRB”). The City will agree to clearly identify in the Disclosure Information each document so incorporated by reference.

If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the School determines that certain specified data regarding such replacement operations would be a Material Fact, then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations.

If the Disclosure Information is changed or the Continuing Disclosure Agreement is amended in accordance with its terms, then the City is to include in the next Disclosure Information to be delivered, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

Certain Events

The City is also to provide to the Dissemination Agent timely notice of any of the following events or conditions which is a Material Fact (as used herein, the “Material Events”):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB), or other material notices or determinations with respect to the tax status of the Series 2026 Bonds, or other material events affecting the tax-exempt status of the Series 2026 Bonds;;
- (7) Modifications to rights of security holders;
- (8) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the City; *

(13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

The City notes that, since on the date of issue there is no credit enhancement securing the Series 2026 Bonds, the events listed in clauses (4) and (5) may not be applicable.

The City also agrees to notify the Dissemination Agent promptly of any change in its fiscal year and of any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared (the “Other Events”).

Disclosure of Information

The Dissemination Agent is authorized and directed to make available to the entities identified below the following information in a timely manner by telecopy, overnight delivery, mail or other means, as appropriate:

(a) the Disclosure Information to each of the National Repositories; provided, however, that any filing with a Repository or State Depository under the Continuing Disclosure Agreement may be made solely by transmitting such filing to the MSRB in an electronic format prescribed by the MSRB;

(b) any Material Event reported to the Dissemination Agent by the City in the form provided by the City, to the MSRB and to the State Depository, if any;

(c) the failure of the City to provide the Disclosure Information required to be provided to the Dissemination Agent under the Continuing Disclosure Agreement, within 270 days after each fiscal year ends, to the MSRB and to the State Depository, if any;

(d) any amendment of or supplement to the Continuing Disclosure Agreement entered into in accordance with the provisions thereof, together with a copy of such amendment or supplement and any explanation thereof provided by the City pursuant to the Continuing Disclosure Agreement, to the MSRB and to the State Depository, if any;

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governmental body and officers in possession but subject to the supervision and order of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(e) the termination of the obligations of the City under the Continuing Disclosure Agreement in respect of the Series 2026 Bonds, to the MSRB and to the State Depository, if any; and

(f) any Other Event reported by the City to the Dissemination Agent with written direction to report it to the MSRB or State Depository, to the MSRB and the State Depository, if any.

At the written request of the City, the Dissemination Agent is also to furnish promptly to the Repositories a copy of any other information provided by the City with written direction for such dissemination.

Disclosure to Bondowners

Nothing in the Continuing Disclosure Agreement is intended to limit the ability of the Trustee to communicate with the Bondowners in such manner and at such times as it shall deem appropriate in executing the trusts under the Junior Lien Indenture. The Trustee is not required to forward any such communication to the Repositories, unless and only to the extent it is specifically directed in writing to do so by the City.

Term

The Continuing Disclosure Agreement is to remain in effect so long as any Series 2026 Bonds are Outstanding. The Continuing Disclosure Agreement is to terminate, however, as of any date on which the City delivers to the Dissemination Agent an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with this Agreement will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

Costs, Expenses and Indemnification of Dissemination Agent

The City will agree to pay reasonable compensation of the Dissemination Agent for, and all costs and expenses of the Dissemination Agent incurred in, performing the services required of it under the Continuing Disclosure Agreement, whether as agent for the City or otherwise. The Trustee shall have the right to use and apply trust money, to the extent provided in the Junior Lien Indenture, for such compensation.

The City will further agree to indemnify and hold harmless the Dissemination Agent and its officers, directors and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including reasonable attorneys' fees and expenses) which such indemnified party

may incur by reason of or in connection with the Continuing Disclosure Agreement unless caused by the willful misconduct or negligence of the Dissemination Agent in such disclosure of information.

Defaults, Remedies

Failure of the City or the Dissemination Agent to comply with any provisions of the Continuing Disclosure Agreement on its part to be observed constitutes a default thereunder and any party thereto aggrieved thereby, including the Owners of any Outstanding Series 2026 Bonds as third-party beneficiaries thereof, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained herein. Direct, indirect, consequential and punitive damages, however, shall not be recoverable by any Person for any default thereunder and are waived to the extent permitted by law. In no event shall a default under the Continuing Disclosure Agreement constitute a default or an Event of Default under the Series 2026 Bonds or the Junior Lien Indenture.

In addition to the foregoing remedies, in the event the City breaches its covenant to provide the Disclosure Information to the Dissemination Agent by the dates prescribed therefor, and such breach continues until the date 270 days after the end of the fiscal year as to which such disclosure is to be made, then the Dissemination Agent is to make available promptly to the Repositories notice of such failure.

Binding Effect

The Continuing Disclosure Agreement is to inure to the benefit of and be binding upon the City and the Dissemination Agent and their respective successors and permitted assigns (including any permitted successor to the City under the Junior Lien Indenture); provided, however, that in the event another Person succeeds to the obligations and agreements of the City under the Continuing Disclosure Agreement, the Disclosure Information may be modified to the extent permitted as described under “Amendments; Interpretation.”

Amendments; Interpretation

The Continuing Disclosure Agreement (and the form and requirements of the Disclosure Information) may be amended or supplemented from time to time, without notice to or the consent of the Owners of any Series 2026 Bonds in a writing executed by the City and the Dissemination Agent (and the consent of the Dissemination Agent to such an amendment is not to be unreasonably withheld or delayed) accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of business conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) the Continuing Disclosure Agreement as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Series 2026 Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under

the Rule. The Continuing Disclosure Agreement is to be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

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APPENDIX G

OFFICIAL TERMS AND CONDITIONS OF BOND SALES

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NOTICE OF SALE
\$50,530,000* CITY OF SIOUX FALLS, SOUTH DAKOTA
JUNIOR LIEN SALES TAX REVENUE REFUNDING BONDS, SERIES 2026A

NOTICE IS HEREBY GIVEN that these Series 2026A Bonds will be offered for sale according to the following terms:

TIME AND PLACE

Electronic proposals will be received for the purchase of \$50,530,000* Junior Lien Sales Tax Revenue Bonds, Series 2026A (the “Series 2026A Bonds”) by the City of Sioux Falls, South Dakota (the “City”) on September 2, 2026 until 10:15 A.M. Central Time, in the offices of PFM Financial Advisors LLC, 45 South 7th Street Suite 2950, Minneapolis, Minnesota, 55402. The proposals will be considered and an award will be made no later than 3:00 P.M. Central Time on the same day. The proposer offering to purchase the Series 2026A Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected. No proposal may be altered or withdrawn after the time appointed for receipt of the proposals.

Prior to the sale date and times, the City reserves the right to change the aggregate or annual principal amounts of the Series 2026A Bonds or the terms of the Series 2026A Bonds, and to postpone the sale to a later date or time or to cancel the sale. Notice of a change, postponement or cancellation will be announced at any time prior to the time established for acceptance of bids via PARITY® electronic bidding system. Prospective bidders may request notification by email transmission of any changes in the date and time for receipt of bids by so advising and furnishing their email addresses to PFM Financial Advisors LLC, attention Miles Silbert at (612) 371-3730, silbertm@pfm.com, by 5:00 P.M. Central Time, on the day prior to the date announced for acceptance of bids. In the event of a postponement, any new date and times of sale and the expected date of delivery of the Series 2026A Bonds, will be announced via PARITY® at least 18 hours prior to the time proposals are to be submitted for the Series 2026A Bonds.

FORM OF PROPOSALS

The City and PFM Financial Advisors LLC will assume no liability for the inability of the bidder to reach PFM Financial Advisors LLC prior to the time of sale specified above. All bidders are advised that each bid shall be deemed to constitute a contract between the bidder and the City to purchase the Series 2026A Bonds regardless of the manner by which the bid is submitted.

No proposal will be received after 10:15 A.M. Central Time on September 2, 2026, as specified in the Notice of Sale. The time as maintained by the Electronic Bid System shall constitute the official time with respect to all proposals submitted. A proposal may be withdrawn before the proposal deadline using the same method used to submit the proposal. If more than one proposal is received from a proposer, the last proposal received shall be considered.

Electronic Bidding: Electronic proposals must be submitted through Parity® (the “Electronic Bid System”). Information about the Electronic Bid System may be obtained by contacting Parity® at i-Deal/Parity®, Customer Support, 1359 Broadway, 2nd Floor, New York, New York 10018, (212) 849-5067.

*Preliminary, subject to adjustment.

Each proposer shall be solely responsible for making necessary arrangements to access the Electronic Bid System for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of this Notice of Sale. The City is permitting proposers to use the services of the Electronic Bid System solely as a communication mechanism to conduct the electronic bidding and the Electronic Bid System is not an agent of the City. Provisions of this Notice of Sale shall control in the event of conflict with information provided by the Electronic Bid System.

SECURITY AND PURPOSE

The Series 2026A Bonds are special limited obligations of the City and payments of principal, premium, if any, and interest related to the Series 2026A Bonds are secured solely by a pledge of the collections of the Pledged Sales Taxes and certain other amounts held under the Junior Lien Indenture by the Trustee. The proceeds of the Series 2026A Bonds will be used to (a) currently refund the City's outstanding Sales Tax Revenue Bonds, Series 2012A (the "Series 2012A Bonds") and Sales Tax Revenue Bonds, Series 2016A (the "Series 2016A Bonds" together with the Series 2012A Bonds the "Refunded Bonds") and (b) pay costs of issuance of the Series 2026A Bonds.

DATE, MATURITIES, AND REDEMPTION

The Series 2026A Bonds will be dated originally as of the delivery date (anticipated to be on or about September 16, 2026), will be fully registered bonds in the denomination of \$5,000 each, and will mature on November 15, in the following years in the following amounts:

<u>Year</u>	<u>Amount*</u>
2027	\$7,475,000
2028	7,845,000
2029	8,240,000
2030	8,655,000
2031	9,085,000
2032	9,230,000

*Preliminary, subject to adjustment.

TERM BOND OPTION

Proposals for the Series 2026A Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST

Interest is payable on May 15 and November 15 of each year commencing November 15, 2026. Interest will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the first day of the month.

CUSIP NUMBERS

The City will assume no obligation for the assignment of CUSIP numbers to the Series 2026A Bonds or for the correctness of any such numbers printed thereon, but the City will permit such printing to be done at the expense of the purchaser, if the purchaser waives any extension of the time of the delivery of the Series 2026A Bonds caused thereby.

BOOK-ENTRY-ONLY SYSTEM

The Series 2026A Bonds will be issued as fully registered securities in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2026A Bonds. Individual purchases will be made in book-entry form only in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2026A Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants, for subsequent disbursement to the beneficial owner of the Series 2026A Bonds.

TYPE OF PROPOSAL

Proposals for not less than \$50,125,760 (99.2% of Par) plus accrued interest from the date of the Bonds to the date of delivery must be submitted through PARITY® and received prior to the time specified above. All proposals shall be deemed to incorporate the provisions of this Notice of Sale. All rates must be in integral multiples of 1/20th or 1/8th of one percent. All Series 2026A Bonds of the same maturity shall bear a single uniform rate from date of issue to maturity. Each proposal must be for the entire principal amount of the Series 2026A Bonds.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

In order to establish the issue price of the Bonds for federal income tax purposes, the City requires proposers to agree to the following, and by submitting a proposal, each proposer agrees to the following.

If a proposal is submitted by a potential underwriter, the proposer confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the “initial offering price”) for each maturity as set forth in the proposal and (ii) the proposer, if it is the winning proposer (the “Purchaser”), shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate “maturity,” and the public does not include underwriters (including members of a selling group or retail distribution group) or persons related to underwriters.

If, however, a proposal is submitted for the proposer’s own account in a capacity other than as an underwriter of the Bonds, and the proposer has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the proposer shall notify the City to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the Purchaser intends to act as an underwriter, the City shall advise the Purchaser at or prior to the time of award whether (i) the competitive sale rule or (ii) the “hold-the-offering price” rule applies.

If the City advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the City at or prior to closing a certification, substantially in the form attached hereto as Exhibit A-1, as to the reasonably expected initial offering price as of the award date.

If the City advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the “hold-the-offering price” rule applies, the Purchaser shall (1) upon the request of the City confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the City a certification substantially in the form attached hereto as Exhibit A-2, together with a copy of the pricing wire.

Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by PFM Financial Advisors LLC, the City’s municipal advisor.

Proposers should prepare their proposals on the assumption that the Bonds will be subject to the “hold-the-offering-price” rule. Any proposal submitted pursuant to the Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Bonds, and proposals submitted will not be subject to cancellation or withdrawal.

SENSITIVITY

The City reserves the right after proposals are opened and prior to award to adjust the par amount and the maturity amounts of the Series 2026A Bonds in multiples of \$5,000. In the event the par amount or the maturity amounts of the Series 2026A Bonds are adjusted, the purchase price will be adjusted to ensure that the percentage net compensation (i.e. the percentage resulting from dividing (i) the aggregate difference between the offering price of the Series 2026A Bonds to the public and the price to be paid to the City (excluding accrued interest), less any bond insurance premium to be paid by the bidder, by (ii) the principal amount of the Series 2026A Bonds) remains constant.

GOOD FAITH DEPOSIT

The successful proposer (the “Purchaser”) is required to submit a good faith deposit in the amount of \$505,300 (the “Deposit”) to the City in the form of a wire transfer, as instructed by the City or its financial advisor, no later than 3:00 P.M. Central Time on the day on which the proposals are received. If the Deposit is not received by such time, the City may revoke its acceptance of the proposal. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Series 2026A Bonds. In the event the Purchaser fails to honor its accepted proposal, the Deposit will be retained by the City.

AWARD

Proposals will be compared on the basis of true interest cost. The proposal offering the lowest true interest cost will be deemed most favorable. The true interest cost is computed as the discount rate which, when used with semiannual compounding to determine the present worth of the principal and interest payments as of the date of the Series 2026A Bonds, produces an amount equal to the purchase price. If two or more proposals provide the same lowest true interest rate, the City shall determine which bid shall be accepted, and such determination shall be final. In the event of a tie, the sale of the Series 2026A Bonds will be awarded by lot.

Upon award of the Series 2026A Bonds, the successful proposer shall advise the City of the initial reoffering price to the public of the Series 2026A Bonds. Simultaneously with or before delivery of the Series 2026A Bonds, the successful proposer shall furnish to the City a certificate in form and substance acceptable to bond counsel (a) confirming the initial reoffering prices, (b) certifying that a bona fide initial reoffering of the Series 2026A Bonds has been made to the public (excluding bond houses, brokers, and other intermediaries), and (c) stating the price at which a substantial portion of the Series 2026A Bonds were sold to the public (excluding bond houses, brokers and other intermediaries).

The Mayor reserves the right to reject any and all proposals, to waive any informality in any proposal and to adjourn the sale.

SETTLEMENT

On or about September 16, 2026, the Series 2026A Bonds will be delivered without cost to the Purchaser. Delivery will be subject to receipt by the Purchaser of the legal opinion of Ashurst Perkins Coie US LLP and of customary closing papers. On the date of settlement, payment for the Series 2026A Bonds shall be made in federal or equivalent funds, which shall be received at the offices of the City, or its designee, not later than 1:00 P.M. Except as compliance with the terms of payment for the Series 2026A Bonds shall have been made impossible by action of the City or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

In order to assist the participating underwriters in the primary offering of the Series 2026A Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will covenant and agree, pursuant to a Continuing Disclosure Agreement, to provide annual reports of specified information and notice of the occurrence of certain events, if material. The City has not failed to comply with its continuing disclosure requirements except for the filing of a material financial obligation in three instances following the issuance of its Series 2020 Sales Tax Revenue Bonds. The City filed notices of the incurrence of these final obligations on the Electronic Municipal Market Access (EMMA) website on September 17, 2024.

OFFICIAL STATEMENT

The City has prepared a preliminary Official Statement dated August 25, 2026, which the City deems to be a preliminary or "near-final" Official Statement as that term is defined in Rule 15c2-12 of the Rule. The Official Statement is available electronically at www.pfm.com, through the link to the municipal calendar, and to prospective proposers who request copies from the City or its financial advisor, PFM Financial Advisors LLC, 45 South 7th Street, Suite 2950, Minneapolis, Minnesota 55402, 612-338-3535.

Not later than seven business days following the award of the Series 2026A Bonds, the City shall provide a reasonable number of copies of the Final Official Statement, as that term is used in the Rule, to the Purchaser of the Series 2026A Bonds. The Final Official Statement will be the Official Statement to be dated September 2, 2026 and the addendum which includes the maturity dates and amounts, interest rates and reoffering yields or prices, and any other information required by law. Any such addendum shall, on or after the date thereof, be fully incorporated in the Final Official Statement by reference.

The successful proposer will be supplied with Final Official Statements in a quantity sufficient to meet their request. A reasonable number of copies (50) of the Final Official Statement will be furnished without cost.

EXHIBIT A-1

ISSUE PRICE CERTIFICATE FOR COMPETITIVE SALES WITH AT LEAST THREE BIDS FROM ESTABLISHED UNDERWRITERS

\$[PRINCIPAL AMOUNT]
[BOND CAPTION]

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. Persons generally are “related parties” for purposes of this certificate if they have more than 50 percent common ownership or control, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity of the Bonds. The Sale Date of each Maturity of the Bonds is September 2, 2026.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[and the Borrower] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the

Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer [and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

By:_____

Name:_____

Dated: [ISSUE DATE]

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

EXHIBIT A-2

ISSUE PRICE CERTIFICATE –COMPETITIVE SALES WITH FEWER THAN THREE BIDS FROM ESTABLISHED UNDERWRITERS – HOLD OFFERING PRICE

\$[PRINCIPAL AMOUNT]
[BOND CAPTION]

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([“[SHORT NAME OF UNDERWRITER]”] [the “Representative”]), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the specified initial offering prices listed in Schedule B (the “Initial Offering Prices”) on or before the Sale Date. If there is a Hold-the-Offering-Price Maturity, a copy of the pricing wire for the Bonds is attached to this certificate as Schedule C.

(b) As set forth in the [Bond Purchase Agreement][Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER][each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the Hold-the-Offering-Price Rule. Based on its own knowledge and, in the case of sales by other Underwriters, representations obtained from the other Underwriters, no Underwriter has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds, if any, listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds, if any, listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (September 2, 2026), or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at one or more prices, each of which is no higher than the Initial Offering Price for such Maturity.

(d) *Issuer* means [DESCRIBE ISSUER].

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. Persons generally are “related parties” for purposes of this certificate if they have more than 50 percent common ownership or control, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity of the Bonds. The Sale Date of each Maturity of the Bonds is September 2, 2026.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM][the Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[and the Borrower] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer [and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A
SALE PRICES OF THE GENERAL RULE MATURITIES
(Attached)

SCHEDULE B

INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

(Attached)

SCHEDULE C

Pricing Wire

(Attached)

BID FORM

City of Sioux Falls, South Dakota

Sale Date: September 2, 2026

For all or none of the principal amount \$50,530,000* (Series 2026A) City of Sioux Falls, South Dakota Junior Lien Sales Tax Revenue Bonds, Series 2026A, legally issued and as described in the Notice of Sale, we will pay the City \$_____ (not less than \$50,125,760), provided the Series 2026A Bonds bear the following interest rates:

<u>Due (November 15)</u>	<u>Amount*</u>	<u>Interest Rate</u>
2027	\$7,475,000	_____ %
2028	7,845,000	_____ %
2029	8,240,000	_____ %
2030	8,655,000	_____ %
2031	9,085,000	_____ %
2032	9,230,000	_____ %

We hereby designate that the following bonds be aggregated into term bonds maturing on November 15 of the following years and in the following amounts (leave blank if no term bonds are specified):

<u>Years Aggregated</u>	<u>Maturity Year</u>	<u>Amount</u>
_____ through _____	_____	_____
_____ through _____	_____	_____
_____ through _____	_____	_____

The Series 2026A Bonds mature on November 15, of the years indicated above and interest is payable May 15 and November 15 of each year, commencing November 15, 2026.

In making this offer, we accept the terms and conditions as defined in the Notice of Sale published in the Preliminary Official Statement dated August 25, 2026. All blank spaces of this offer are intentional and are not to be construed as an omission. Our good faith deposit in the amount of \$505,300 will be filed according to the Notice of Sale.

* Following the receipt of the bids, the City reserves the right to adjust the principal amount and maturity amounts of the Series 2026A Bonds. If the principal amount or maturity amounts are adjusted, the purchase price will be adjusted to ensure that the percentage net compensation (i.e. the percentage resulting from dividing (i) the aggregate difference between the offering price of the Series 2026A Bonds to the public and the price to be paid to the City (excluding accrued interest), less any bond insurance premium to be paid by the bidder, by (ii) the principal amount of the Series 2026A Bonds) remains constant.

NOT PART OF THIS BID:

Explanatory Note: According to our computation, this proposal involves the following:

\$ _____
Net Interest Cost

True Interest Cost _____ %

Respectfully submitted,

Account Manager

By _____

(A list of the firms associated with us in this proposal is on the reverse side of this proposal.)

The foregoing offer is hereby accepted by and on behalf of the City of Sioux Falls, South Dakota, this 2nd day of September, 2026.

Mayor

Director of Finance or Assistant Director of Finance

NOTICE OF SALE
\$39,310,000* CITY OF SIOUX FALLS, SOUTH DAKOTA
JUNIOR LIEN SALES TAX REVENUE BONDS, SERIES 2026B

NOTICE IS HEREBY GIVEN that these Series 2026B Bonds will be offered for sale according to the following terms:

TIME AND PLACE

Electronic proposals will be received for the purchase of \$39,310,000* Junior Lien Sales Tax Revenue Bonds, Series 2026B (the “Series 2026B Bonds”) by the City of Sioux Falls, South Dakota (the “City”) on September 2, 2026 until 10:15 A.M. Central Time, in the offices of PFM Financial Advisors LLC, 45 South 7th Street Suite 2950, Minneapolis, Minnesota, 55402. The proposals will be considered and an award will be made no later than 3:00 P.M. Central Time on the same day. The proposer offering to purchase the Series 2026B Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected. No proposal may be altered or withdrawn after the time appointed for receipt of the proposals.

Prior to the sale date and times, the City reserves the right to change the aggregate or annual principal amounts of the Series 2026B Bonds or the terms of the Series 2026B Bonds, and to postpone the sale to a later date or time or to cancel the sale. Notice of a change, postponement or cancellation will be announced at any time prior to the time established for acceptance of bids via PARITY® electronic bidding system. Prospective bidders may request notification by email transmission of any changes in the date and time for receipt of bids by so advising and furnishing their email addresses to PFM Financial Advisors LLC, attention Miles Silbert at (612) 371-3730, silbertm@pfm.com, by 5:00 P.M. Central Time, on the day prior to the date announced for acceptance of bids. In the event of a postponement, any new date and times of sale and the expected date of delivery of the Series 2026B Bonds, will be announced via PARITY® at least 18 hours prior to the time proposals are to be submitted for the Series 2026B Bonds.

FORM OF PROPOSALS

The City and PFM Financial Advisors LLC will assume no liability for the inability of the bidder to reach PFM Financial Advisors LLC prior to the time of sale specified above. All bidders are advised that each bid shall be deemed to constitute a contract between the bidder and the City to purchase the Series 2026B Bonds regardless of the manner by which the bid is submitted.

No proposal will be received after 10:15 A.M. Central Time on September 2, 2026, as specified in the Notice of Sale. The time as maintained by the Electronic Bid System shall constitute the official time with respect to all proposals submitted. A proposal may be withdrawn before the proposal deadline using the same method used to submit the proposal. If more than one proposal is received from a proposer, the last proposal received shall be considered.

Electronic Bidding: Electronic proposals must be submitted through Parity® (the “Electronic Bid System”). Information about the Electronic Bid System may be obtained by contacting Parity® at i-Deal/Parity®, Customer Support, 1359 Broadway, 2nd Floor, New York, New York 10018, (212) 849-5067.

*Preliminary, subject to adjustment.

Each proposer shall be solely responsible for making necessary arrangements to access the Electronic Bid System for purposes of submitting its electronic proposal in a timely manner and in compliance with the requirements of this Notice of Sale. The City is permitting proposers to use the services of the Electronic Bid System solely as a communication mechanism to conduct the electronic bidding and the Electronic Bid System is not an agent of the City. Provisions of this Notice of Sale shall control in the event of conflict with information provided by the Electronic Bid System.

SECURITY AND PURPOSE

The Series 2026B Bonds are special limited obligations of the City and payments of principal, premium, if any, and interest related to the Series 2026B Bonds are secured solely by a pledge of the collections of the Pledged Sales Taxes and certain other amounts held under the Junior Lien Indenture by the Trustee. The proceeds of the Series 2026B Bonds will be used to (a) fund certain costs of parks and recreation projects in the city; and (b) to pay the costs of issuance of the Series 2026B Bonds.

DATE, MATURITIES, AND REDEMPTION

The Series 2026B Bonds will be dated originally as of the delivery date (anticipated to be on or about September 16, 2026), will be fully registered bonds in the denomination of \$5,000 each, and will mature on November 15, in the following years in the following amounts:

<u>Year</u>	<u>Amount*</u>
2036	\$3,125,000
2037	3,280,000
2038	3,445,000
2039	3,620,000
2040	3,800,000
2041	3,990,000
2042	4,190,000
2043	4,395,000
2044	4,615,000
2045	4,850,000

*Preliminary, subject to adjustment.

TERM BOND OPTION

Proposals for the Series 2026B Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above.

INTEREST

Interest is payable on May 15 and November 15 of each year commencing November 15, 2026. Interest will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the first day of the month.

CUSIP NUMBERS

The City will assume no obligation for the assignment of CUSIP numbers to the Series 2026B Bonds or for the correctness of any such numbers printed thereon, but the City will permit such printing to be done at the expense of the purchaser, if the purchaser waives any extension of the time of the delivery of the Series 2026B Bonds caused thereby.

BOOK-ENTRY-ONLY SYSTEM

The Series 2026B Bonds will be issued as fully registered securities in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2026B Bonds. Individual purchases will be made in book-entry form only in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Series 2026B Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants, for subsequent disbursement to the beneficial owner of the Series 2026B Bonds.

TYPE OF PROPOSAL

Proposals for not less than \$38,995,520 (99.2% of Par) plus accrued interest from the date of the Bonds to the date of delivery must be submitted through PARITY® and received prior to the time specified above. All proposals shall be deemed to incorporate the provisions of this Notice of Sale. All rates must be in integral multiples of 1/20th or 1/8th of one percent. In addition, the Bonds maturing on or after November 15, 2037 may not bear an interest rate less than 5.00%. All Series 2026B Bonds of the same maturity shall bear a single uniform rate from date of issue to maturity. Each proposal must be for the entire principal amount of the Series 2026B Bonds.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

In order to establish the issue price of the Bonds for federal income tax purposes, the City requires proposers to agree to the following, and by submitting a proposal, each proposer agrees to the following.

If a proposal is submitted by a potential underwriter, the proposer confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the “initial offering price”) for each maturity as set forth in the proposal and (ii) the proposer, if it is the winning proposer (the “Purchaser”), shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate “maturity,” and the public does not include underwriters (including members of a selling group or retail distribution group) or persons related to underwriters.

If, however, a proposal is submitted for the proposer’s own account in a capacity other than as an underwriter of the Bonds, and the proposer has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the proposer shall notify the City to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the Purchaser intends to act as an underwriter, the City shall advise the Purchaser at or prior to the time of award whether (i) the competitive sale rule or (ii) the “hold-the-offering price” rule applies.

If the City advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the City at or prior to closing a certification, substantially in the form attached hereto as Exhibit A-1, as to the reasonably expected initial offering price as of the award date.

If the City advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the “hold-the-offering price” rule applies, the Purchaser shall (1) upon the request of the City confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the City a certification substantially in the form attached hereto as Exhibit A-2, together with a copy of the pricing wire.

Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by PFM Financial Advisors LLC, the City’s municipal advisor.

Proposers should prepare their proposals on the assumption that the Bonds will be subject to the “hold-the-offering-price” rule. Any proposal submitted pursuant to the Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Bonds, and proposals submitted will not be subject to cancellation or withdrawal.

SENSITIVITY

The City reserves the right after proposals are opened and prior to award to adjust the par amount and the maturity amounts of the Series 2026B Bonds in multiples of \$5,000. In the event the par amount or the maturity amounts of the Series 2026B Bonds are adjusted, the purchase price will be adjusted to ensure that the percentage net compensation (i.e. the percentage resulting from dividing (i) the aggregate difference between the offering price of the Series 2026B Bonds to the public and the price to be paid to the City (excluding accrued interest), less any bond insurance premium to be paid by the bidder, by (ii) the principal amount of the Series 2026B Bonds) remains constant.

GOOD FAITH DEPOSIT

The successful proposer (the “Purchaser”) is required to submit a good faith deposit in the amount of \$393,100 (the “Deposit”) to the City in the form of a wire transfer, as instructed by the City or its financial advisor, no later than 3:00 P.M. Central Time on the day on which the proposals are received. If the Deposit is not received by such time, the City may revoke its acceptance of the proposal. No interest on the Deposit will accrue to the Purchaser. The Deposit will be applied to the purchase price of the Series 2026B Bonds. In the event the Purchaser fails to honor its accepted proposal, the Deposit will be retained by the City.

AWARD

Proposals will be compared on the basis of true interest cost. The proposal offering the lowest true interest cost will be deemed most favorable. The true interest cost is computed as the discount rate which, when used with semiannual compounding to determine the present worth of the principal and interest payments as of the date of the Series 2026B Bonds, produces an amount equal to the purchase price. If two or more proposals provide the same lowest true interest rate, the City shall determine which bid shall be accepted, and such determination shall be final. In the event of a tie, the sale of the Series 2026B Bonds will be awarded by lot.

Upon award of the Series 2026B Bonds, the successful proposer shall advise the City of the initial reoffering price to the public of the Series 2026B Bonds. Simultaneously with or before delivery of the Series 2026B Bonds, the successful proposer shall furnish to the City a certificate in form and substance acceptable to bond counsel (a) confirming the initial reoffering prices, (b) certifying that a bona fide initial reoffering of the Series 2026B Bonds has been made to the public (excluding bond houses, brokers, and other intermediaries), and (c) stating the price at which a substantial portion of the Series 2026B Bonds were sold to the public (excluding bond houses, brokers and other intermediaries).

The Mayor reserves the right to reject any and all proposals, to waive any informality in any proposal and to adjourn the sale.

SETTLEMENT

On or about September 16, 2026, the Series 2026B Bonds will be delivered without cost to the Purchaser. Delivery will be subject to receipt by the Purchaser of the legal opinion of Ashurst Perkins Coie US LLP and of customary closing papers. On the date of settlement, payment for the Series 2026B Bonds shall be made in federal or equivalent funds, which shall be received at the offices of the City, or its designee, not later than 1:00 P.M. Except as compliance with the terms of payment for the Series 2026B Bonds shall have been made impossible by action of the City or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

CONTINUING DISCLOSURE

In order to assist the participating underwriters in the primary offering of the Series 2026B Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will covenant and agree, pursuant to a Continuing Disclosure Agreement, to provide annual reports of specified information and notice of the occurrence of certain events, if material. The City has not failed to comply with its continuing disclosure requirements except for the filing of a material financial obligation in three instances following the issuance of its Series 2020 Sales Tax Revenue Bonds. The City filed notices of the incurrence of these final obligations on the Electronic Municipal Market Access (EMMA) website on September 17, 2024.

OFFICIAL STATEMENT

The City has prepared a preliminary Official Statement dated August 25, 2026, which the City deems to be a preliminary or "near-final" Official Statement as that term is defined in Rule 15c2-12 of the Rule. The Official Statement is available electronically at www.pfm.com, through the link to the municipal calendar, and to prospective proposers who request copies from the City or its financial advisor, PFM Financial Advisors LLC, 45 South 7th Street, Suite 2950, Minneapolis, Minnesota 55402, 612-338-3535.

Not later than seven business days following the award of the Series 2026B Bonds, the City shall provide a reasonable number of copies of the Final Official Statement, as that term is used in the Rule, to the Purchaser of the Series 2026B Bonds. The Final Official Statement will be the Official Statement to be dated September 2, 2026 and the addendum which includes the maturity dates and amounts, interest rates and reoffering yields or prices, and any other information required by law. Any such addendum shall, on or after the date thereof, be fully incorporated in the Final Official Statement by reference.

The successful proposer will be supplied with Final Official Statements in a quantity sufficient to meet their request. A reasonable number of copies (50) of the Final Official Statement will be furnished without cost.

EXHIBIT A-1

ISSUE PRICE CERTIFICATE FOR COMPETITIVE SALES WITH AT LEAST THREE BIDS FROM ESTABLISHED UNDERWRITERS

\$[PRINCIPAL AMOUNT]
[BOND CAPTION]

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.***

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. Persons generally are “related parties” for purposes of this certificate if they have more than 50 percent common ownership or control, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity of the Bonds. The Sale Date of each Maturity of the Bonds is September 2, 2026.

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[and the Borrower] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the

Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer [and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

By: _____

Name: _____

Dated: [ISSUE DATE]

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)

EXHIBIT A-2

ISSUE PRICE CERTIFICATE –COMPETITIVE SALES WITH FEWER THAN THREE BIDS FROM ESTABLISHED UNDERWRITERS – HOLD OFFERING PRICE

\$[PRINCIPAL AMOUNT]
[BOND CAPTION]

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ([“[SHORT NAME OF UNDERWRITER]”] [the “Representative”]), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) [SHORT NAME OF UNDERWRITER][The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the specified initial offering prices listed in Schedule B (the “Initial Offering Prices”) on or before the Sale Date. If there is a Hold-the-Offering-Price Maturity, a copy of the pricing wire for the Bonds is attached to this certificate as Schedule C.

(b) As set forth in the [Bond Purchase Agreement][Notice of Sale and bid award], [SHORT NAME OF UNDERWRITER][each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the Hold-the-Offering-Price Rule. Based on its own knowledge and, in the case of sales by other Underwriters, representations obtained from the other Underwriters, no Underwriter has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Bonds, if any, listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds, if any, listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (September 2, 2026), or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriters] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at one or more prices, each of which is no higher than the Initial Offering Price for such Maturity.

(d) *Issuer* means [DESCRIBE ISSUER].

(e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. Persons generally are “related parties” for purposes of this certificate if they have more than 50 percent common ownership or control, directly or indirectly.

(g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity of the Bonds. The Sale Date of each Maturity of the Bonds is September 2, 2026.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM][the Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer [and the Borrower] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer [and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By:_____

Name:_____

Dated: [ISSUE DATE]

SCHEDULE A
SALE PRICES OF THE GENERAL RULE MATURITIES
(Attached)

SCHEDULE B

INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

(Attached)

SCHEDULE C

Pricing Wire

(Attached)

BID FORM

City of Sioux Falls, South Dakota

Sale Date: September 2, 2026

For all or none of the principal amount \$39,310,000* (Series 2026B) City of Sioux Falls, South Dakota Junior Lien Sales Tax Revenue Bonds, Series 2026B, legally issued and as described in the Notice of Sale, we will pay the City \$_____ (not less than \$38,995,520), provided the Series 2026B Bonds bear the following interest rates:

<u>Due</u> <u>(November 15)</u>	<u>Amount*</u>	<u>Interest</u> <u>Rate</u>
2036	\$3,125,000	_____ %
2037	3,280,000	_____ %
2038	3,445,000	_____ %
2039	3,620,000	_____ %
2040	3,800,000	_____ %
2041	3,990,000	_____ %
2042	4,190,000	_____ %
2043	4,395,000	_____ %
2044	4,615,000	_____ %
2045	4,850,000	_____ %

We hereby designate that the following bonds be aggregated into term bonds maturing on November 15 of the following years and in the following amounts (leave blank if no term bonds are specified):

<u>Years Aggregated</u>	<u>Maturity Year</u>	<u>Amount</u>
_____ through _____	_____	_____
_____ through _____	_____	_____
_____ through _____	_____	_____

The Series 2026 Bonds mature on November 15, of the years indicated above and interest is payable May 15 and November 15 of each year, commencing November 15, 2026.

In making this offer, we accept the terms and conditions as defined in the Notice of Sale published in the Preliminary Official Statement dated August 25, 2026. All blank spaces of this offer are intentional and are not to be construed as an omission. Our good faith deposit in the amount of \$393,100 will be filed according to the Notice of Sale.

* Following the receipt of the bids, the City reserves the right to adjust the principal amount and maturity amounts of the Series 2026B Bonds. If the principal amount or maturity amounts are adjusted, the purchase price will be adjusted to ensure that the percentage net compensation (i.e. the percentage resulting from dividing (i) the aggregate difference between the offering price of the Series 2026B Bonds to the public and the price to be paid to the City (excluding accrued interest), less any bond insurance premium to be paid by the bidder, by (ii) the principal amount of the Series 2026B Bonds) remains constant.

NOT PART OF THIS BID:

Explanatory Note: According to our computation, this proposal involves the following:

\$ _____
Net Interest Cost

True Interest Cost _____ %

Respectfully submitted,

Account Manager

By _____

(A list of the firms associated with us in this proposal is on the reverse side of this proposal.)

The foregoing offer is hereby accepted by and on behalf of the City of Sioux Falls, South Dakota, this 2nd day of September, 2026.

Mayor

Director of Finance or Assistant Director of Finance

