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PRELIMINARY OFFICIAL STATEMENT DATED MAY 23, 2025

NEW ISSUE / BOOK ENTRY ONLY

Rating: Moody's "Aa1"

In the opinion of Perkins Coie 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 2025A Bonds is excluded from the gross income of the owners thereof for federal income tax purposes, and interest on the Series 2025A Bonds is not an item of tax preference for purposes of computing alternative minimum tax imposed on individuals. Interest on the Series 2025A 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.

**\$23,935,000* CITY OF SIOUX FALLS, SOUTH DAKOTA
JUNIOR LIEN SALES TAX REVENUE BONDS, SERIES 2025A**

Dated Date: Date of Delivery
Minimum Bid: \$23,743,520 (99.2%)

Due: November 15, as shown
on the inside front cover
Good Faith Deposit: \$239,350

The \$23,935,000* City of Sioux Falls, South Dakota Junior Lien Sales Tax Revenue Bonds, Series 2025A (the "Series 2025A Bonds") are being issued 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 May 1, 2025, (as hereafter amended and supplemented from time to time, the "Junior Lien Indenture"), between the City and U.S. Bank Trust Company, National Association (the "Trustee") to (a) fund certain costs of parks and recreation projects in the city; and (b) to pay the costs of issuance of the Series 2025A Bonds.

The Series 2025A Bonds are issuable in fully registered form and will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2025A Bonds. Purchases of beneficial ownership interests in the Series 2025A Bonds will be made in book-entry form only, in principal amounts of \$5,000 or whole multiples thereof. Beneficial owners of the Series 2025A Bonds will not receive bond certificates evidencing their ownership interests in the Series 2025A Bonds. So long as DTC or its nominee is the registered owner of the Series 2025A Bonds, payments of principal, redemption price and interest will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of the DTC participants.

Principal of the Series 2025A Bonds will be payable annually on November 15, as shown on the inside front cover of this Official Statement. Interest on the Series 2025A Bonds is payable on each May 15 and November 15, commencing November 15, 2025. The Trustee will act as Registrar, Transfer Agent and Paying Agent.

The Series 2025A Bonds are not subject to redemption prior to maturity.

THE SERIES 2025A 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 2025A 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 2025A 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 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 BOND INDENTURE"). SEE "SECURITY FOR THE SERIES 2025A BONDS" HEREIN.

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

NOT BANK QUALIFIED: The Series 2025A Bonds are not designated "Qualified Tax-Exempt Obligations."

LEGAL OPINIONS: Perkins Coie LLP, Chicago, IL

BIDS RECEIVED: Tuesday, June 3, 2025, at 10:15 A.M., C.D.T.
Via Parity® at the offices of PFM Financial Advisors LLC
Minneapolis, MN 55402

BIDS CONSIDERED: By the Mayor on Tuesday, June 3, 2025, by 3:00 P.M. C.D.T.

DELIVERY: Expected on or about June 17, 2025.

The date of this Official Statement is May 23, 2025.

*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 SCHEDULE

Series 2025A Bonds

<u>MATURITY</u> <u>(November 15)</u>	<u>AMOUNT*</u>	<u>INTEREST</u> <u>RATE</u>	<u>YIELD</u>	<u>CUSIP</u>
2026	\$1,900,000	____%	____%	
2027	2,000,000	____%	____%	
2028	2,100,000	____%	____%	
2029	2,205,000	____%	____%	
2030	2,315,000	____%	____%	
2031	2,430,000	____%	____%	
2032	2,550,000	____%	____%	
2033	2,675,000	____%	____%	
2034	2,810,000	____%	____%	
2035	2,950,000	____%	____%	

* Following the receipt of the bids, the City reserves the right to adjust the principal amount of the Series 2025A 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 2025A 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 2025A Bonds) remains constant.

TABLE OF CONTENTS

SUMMARY	1	Investment of Funds.....	16
OFFICIAL STATEMENT.....	3	Pledged Sales Taxes Covenants and Representations	16
INTRODUCTORY STATEMENT	3	Pledged Sales Taxes	17
General	3	Defaults and Remedies.....	19
Sales Taxes.....	4	Modifications	20
Miscellaneous.....	4	CONTINUING INFORMATION	21
Certain Definitions.....	4	TAX EXEMPTION.....	22
THE CITY	5	General.....	22
General	5	Bond Premium	23
SOURCES AND USES OF FUNDS*	5	Original Issue Discount.....	23
THE SERIES 2025A BONDS.....	6	Market Discount.....	24
Interest Rates; Maturity Dates and Payment	6	Pending and Future Legislation; Other Considerations	24
Optional Redemption	6	BOND AUTHORIZATION PROCEEDINGS	25
Exchange and Transfer.....	6	RATING	25
Replacement.....	6	MISCELLANEOUS.....	25
SENIOR LIEN AND JUNIOR LIEN PARITY ISSUES.....	7	UNDERWRITING	25
Additional Bonds	7	FINANCIAL ADVISOR.....	26
Subordinate Lien Obligations.....	9	CERTIFICATES CONCERNING OFFICIAL STATEMENT	26
SECURITY FOR THE SERIES 2025A BONDS	9	Appendix A – City of Sioux Falls, South Dakota	
Debt Service Reserve Fund	9	Appendix B – Excerpts from the City’s 2024 Audits	
Pledged Sales Taxes and the Junior Lien Indenture	9	Appendix C – Form of Opinions of Bond Counsel	
Sales Tax	11	Appendix D – Book-Entry Only System	
Use Tax	11	Appendix E – Certain Defined Terms	
Collections of Pledged Sales Taxes.....	12	Appendix F – Summary of Continuing Disclosure	
Historical Collections of Pledged Sales Taxes	12	Appendix G – Official Terms and Conditions of Bond Sale	
DEBT SERVICE COVERAGE.....	14		
THE JUNIOR LIEN INDENTURE	15		
Application of Series 2025A Bond Proceeds	15		
Bond Fund.....	15		
Debt Service Reserve Fund.....	15		
Capitalized Interest Fund	15		
Cost of Issuance Fund	16		
		Bid Form	

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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. The offering of the \$23,935,000* City of Sioux Falls, South Dakota Junior Lien Sales Tax Revenue Bonds, Series 2025A (the “Series 2025A 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	November 15, 2026 through November 15, 2035
Interest Payment Date	Commencing November 15, 2025 and on each May 15 and November 15 thereafter.
Redemption Provision	The Series 2025A Bonds are not subject to prior redemption.
Purpose	The proceeds of the Series 2025A Bonds, together with cash on hand will be used to (a) fund certain costs of parks and recreation projects in the city; and to (b) pay the costs of issuance of the Series 2025A Bonds.
Security	Payment of the Series 2025A Bonds is secured by a pledge of the Second Penny Sales Tax which is irrevocably pledged and appropriated to the payment of the Series 2025A Bonds. However, the pledge of the Second Penny Sales Tax securing the Series 2025A 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 2025A 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 2025A BONDS”).
Authority	The Series 2025A 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, 2025.
Tax Status	Interest on the Series 2025A Bonds is excludable from gross income for federal income tax purposes. (See “TAX EXEMPTION” herein.)
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 June 17, 2025 through the facilities of DTC in New York, New York

* Preliminary, subject to adjustment.

Denominations	The Series 2025A 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
\$23,935,000* CITY OF SIOUX FALLS, SOUTH DAKOTA
JUNIOR LIEN SALES TAX REVENUE BONDS, SERIES 2025A

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 Bonds, Series 2025A Bonds (the “Series 2025A Bonds”) which are being issued in the aggregate principal amount of \$23,935,000* 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 May 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”). See “THE CITY.” The Series 2025A Bonds and any Additional Bonds issued under the Junior Lien Indenture are hereinafter referred to as the “Bonds”. The Series 2025A 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 2025A Bonds.

The Series 2025A 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 May 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 the “Trustee”).

The Series 2025A 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 2025A Bonds.

THE PLEDGE OF THE SECOND PENNY SALES TAX SECURING THE SERIES 2025A 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 2025A BONDS” HEREIN.

* Preliminary, subject to adjustment.

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 2025A 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 2025A 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 2025A 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 2025A 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 2025A 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 219,588 and an estimated MSA population of 315,471 and serves as a retail trade center for an estimated 800,000 people in southwestern Minnesota, northwestern Iowa and eastern South Dakota. Approximately 85.22 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” attached.

SOURCES AND USES OF FUNDS*

The estimated sources for and application of funds in connection with the Series 2025A Bonds are as follows:

Sources

Par Amount	\$
Premium/(Discount)	
Funds on Hand	
Total Sources	<u>\$</u>

Uses

Construction Fund	\$
Costs of Issuance and Underwriter's Discount	
Total Uses	<u>\$</u>

*Preliminary, subject to adjustment.

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THE SERIES 2025A BONDS

Interest Rates; Maturity Dates and Payment

The Series 2025A Bonds are being issued in the aggregate principal amount of \$23,935,000* and will mature as set forth on the inside front cover hereof. All Series 2025A Bonds will bear interest at the rates set forth on the inside cover hereof, payable semiannually on May 15 and November 15 (each an “Interest Payment Date”) of each year commencing November 15, 2025. Interest will be calculated on the basis of a 360-day year with twelve months of thirty days.

The Series 2025A Bonds will be issued as fully registered bonds without interest coupons in the denomination of \$5,000 or whole multiples thereof. The Series 2025A 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 2025A Bonds are not subject to prior redemption.

Exchange and Transfer

If the book-entry only system hereinafter described is not in effect, the Series 2025A 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 2025A 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 2025A Bonds called for redemption are not required to be transferred or exchanged.

Replacement

If any Series 2025A 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 2025A Bond of like date, series and denomination. In the case of a lost, stolen or destroyed Series 2025A Bond, the City and the Trustee may require satisfactory indemnification. In the case of a mutilated Series 2025A Bond, such mutilated Series 2025A Bond shall first be surrendered to the Trustee. For every such exchange of Series 2025A Bonds, the Trustee may charge the owner of such Series 2025A Bond the Trustee’s reasonable fees and expenses with respect to the exchange.

*Preliminary, subject to adjustment.

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 Sale 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 \$140,995,000. 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 2025A 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 Bonds or to finance additional projects 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 2025A BONDS

The Series 2025A Bonds are special limited obligations of the City and payments of principal, premium, if any, and interest related to the Series 2025A 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 2025A 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 2025A 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 2025A 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 2025A 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 2025A 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 2025A 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 2025A 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 2025A 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 2025A 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 the Senior 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 2023 Second Penny Tax collections compared to 2024. The figures set forth below are based on when cash is received.

<u>Collection Month</u>	<u>Second Penny Collections 2023</u>	<u>Second Penny Collections 2024</u>	<u>Year-over-Year Percent Increase (Decrease)</u>
January	\$ 8,846,594	\$ 9,179,501	3.76%
February	6,729,813	6,915,603	2.76
March	6,298,217	6,679,191	6.05
April	7,823,965	7,830,174	0.08
May	7,284,245	7,492,556	2.86
June	7,495,923	7,613,592	1.57
July	8,564,922	8,243,908	(3.75)
August	7,461,036	7,716,317	3.42
September	7,910,103	7,861,317	(0.62)
October	7,901,615	7,828,185	(0.93)
November	7,697,617	7,968,796	3.52
December	7,598,064	7,649,922	0.68

Below are the monthly 2023 Third Penny Tax collections compared to 2024. The figures set forth below are based on when cash is received.

<u>Collection Month</u>	<u>Third Penny Collections 2023</u>	<u>Third Penny Collections 2024</u>	<u>Year-over-Year Percent Increase (Decrease)</u>
January	\$ 847,976	\$ 981,746	15.78%
February	791,067	807,779	2.11
March	776,942	849,005	9.28
April	986,338	990,463	0.42
May	949,275	953,026	0.40
June	1,043,026	1,071,298	2.71
July	1,037,528	1,055,388	1.72
August	976,450	1,024,149	4.88
September	1,054,519	1,056,550	0.19
October	970,711	952,782	(1.85)
November	933,464	1,037,372	11.13
December	875,543	1,035,321	18.25

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, 2024 through December

31, 2024 were \$93,648,127 compared to \$91,478,955 from January 1, 2023 through December 31, 2023 which is an increase of 2.37%.

Collections of Second Penny Taxes

<u>Year Ending December 31</u>	<u>Second Penny Collections</u>	<u>Second Penny Percent Increase (Decrease)</u>
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
2015	58,087,425	5.88

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, 2024 through December 31, 2024 were \$11,843,000 compared to \$11,260,215 from January 1, 2023 through December 31, 2023 which is an increase of 5.17%.

Collections of Third Penny Taxes

<u>Year Ending December 31</u>	<u>Third Penny Collections</u>	<u>Third Penny Percent Increase (Decrease)</u>
2024	\$ 11,843,000	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
2015	7,027,300	9.51

DEBT SERVICE COVERAGE

The following table shows pro forma debt service coverage on the obligations payable from the Pledged Sales Taxes including the Series 2025A 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⁾	Existing Debt Service on Senior Lien Bonds	Pro forma Series 2025A Debt Service ⁽¹⁾	Pro forma Total Debt Service after Series 2025A are issued ⁽¹⁾	Pro forma Second Penny Coverage after Series 2025A are issued ⁽¹⁾
2025	\$ 93,648,127	\$ 21,413,878	\$ 581,753	\$ 21,995,631	4.26x
2026	93,648,127	22,813,139	3,096,750	25,909,889	3.61
2027	93,648,127	15,196,902	3,101,750	18,298,652	5.12
2028	93,648,127	15,135,527	3,101,750	18,237,277	5.13
2029	93,648,127	15,126,753	3,101,750	18,228,503	5.14
2030	93,648,127	15,265,833	3,101,500	18,367,333	5.10
2031	93,648,127	15,277,953	3,100,750	18,378,703	5.10
2032	93,648,127	15,271,679	3,099,250	18,370,929	5.10
2033	93,648,127	13,404,875	3,096,750	16,501,625	5.68
2034	93,648,127	5,203,250	3,098,000	8,301,250	11.28
2035	93,648,127	5,199,500	3,097,500	8,297,000	11.29
2036	93,648,127	5,196,000	--	5,196,000	18.02
2037	93,648,127	3,397,250	--	3,397,250	27.57
2038	93,648,127	3,397,500	--	3,397,500	27.56
2039	93,648,127	3,395,750	--	3,395,750	27.58
2040	93,648,127	3,396,750	--	3,396,750	27.57
2041	93,648,127	--	--	--	--
2042	93,648,127	--	--	--	--
2043	93,648,127	--	--	--	--
2044	93,648,127	--	--	--	--
2045	93,648,127	--	--	--	--

⁽¹⁾ Preliminary, subject to adjustment.

⁽²⁾ Audited Calendar Year collections for 2024.

THE JUNIOR LIEN INDENTURE

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

Application of Series 2025A Bond Proceeds

The proceeds from the sale of the Series 2025A Bonds (including accrued interest) in the approximate amount of \$ __, __, __ 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 2025A Bonds.

Bond Fund

The Bond Fund and certain other amounts specified in the Junior Lien Indenture will be deposited with the Trustee. 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 2025A 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 2025A 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 2025A Bonds.

Cost of Issuance Fund

The City will fund the Series 2025A Cost of Issuance Fund from proceeds of the Series 2025A Bonds. The City will submit requests to the Trustee to pay or reimburse the City for costs of issuance of the Series 2025A Bonds. Any money remaining in the Series 2025A 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 [July 5], 2025, 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, 2025, the fraction in clause (1)(B) above shall be changed from one-tenth to one-fourth with respect to allocations made with respect to the Series 2025A 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.

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 2025A Bonds, in a Continuing Disclosure Agreement, dated as of March 1, 2018 (the “Continuing Disclosure Agreement”), between the City and the Trustee, as 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 G 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 2025A 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 2025A 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 2025A 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 2025A Bonds from and after the date of issuance of the Series 2025A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Series 2025A 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 2025A Bonds to be excludable from gross income. Failure to comply with certain of such requirements could cause interest on the Series 2025A Bonds to become includable in gross income, in some cases retroactively to the date of issuance of the Series 2025A 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 2025A 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 2025A Bonds is not an item of tax preference for purposes of computing alternative minimum taxable income imposed on individuals. Interest on the Series 2025A 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 2025A Bonds, the application of the proceeds of the Series 2025A Bonds and certain other matters pertinent to the tax exemption of the Series 2025A Bonds.

Ownership of the Series 2025A 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 2025A 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 2025A Bonds) as to the application of any state or local taxes. Prospective purchasers of the Series 2025A 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 2025A 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 2025A Bond is subject to backup withholding under those requirements, then the payment of interest on the Series 2025A will also be subject to backup withholding. The reporting and withholding requirements do not affect the excludability of such interest on the Series 2025A 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 2025A Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Series 2025A 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 2025A 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 2025A Bond over the principal amount payable at maturity of such Series 2025A Bond constitutes amortizable Series 2025A Bond premium that may not be deducted for federal income tax purposes. A purchaser of a Series 2025A Bond must amortize any premium over such Series 2025A Bond's term using constant yield principles, based on the Series 2025A Bond's yield to maturity. As Series 2025A Bond premium is amortized, the purchaser's basis in such Series 2025A 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 2025A Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2025A 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 2025A Bonds.

Original Issue Discount

The issue price (the "Issue Price") for each maturity of the Series 2025A Bonds is the price at which a substantial amount of such maturity of the Series 2025A Bonds is first sold to the public. The Issue Price of a maturity of the Series 2025A 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 2025A 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 2025A Bonds (the "OID Bonds") and the principal amount payable at maturity is "original issue discount."

For an investor who purchases a Series 2025A 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 2025A 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 2025A Bonds who dispose of their bonds prior to the stated maturity (whether by sale, redemption, or otherwise), who purchase Series 2025A Bonds in the initial public offering, but at a price different from the Issue Price, or who purchase Series 2025A Bonds subsequent to the initial public offering should consult their own tax advisors.

Market Discount

If a Series 2025A Bond is purchased at any time (other than in the initial public offering) for a price that is less than the Series 2025A Bond's stated redemption price at maturity, the purchaser may be treated as having purchased a Series 2025A 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 2025A 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 2025A Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2025A 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 2025A Bonds may affect the tax status of interest on the Series 2025A 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 2025A 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 2025A 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 2025A Bonds, Bond Counsel will deliver opinions, dated the date thereof, that the Series 2025A 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 2025A 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 2025A Bonds pursuant to the Junior Lien Indenture was authorized by an ordinance adopted by the City Council on January 14, 2025, approved by the Mayor of the City of Sioux Falls on such date and subsequently published in accordance with applicable statutory and charter requirements (the “Bond Ordinance”). The Bond Ordinance became effective following the expiration of the statutory referendum period since no petition for referendum was filed within the applicable period.

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 2025A Bonds or challenging the legality or validity of or the security for the Series 2025A Bonds.

RATING

Moody’s Investors Service, Inc. has assigned a rating of “Aa1” on the Series 2025A Bonds.

The rating issued reflects an opinion of the agency furnishing the same and is not a recommendation to buy or sell the Series 2025A 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 2025A 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 2025A 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 2025A 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 2025A Underwriter may offer and sell the Series 2025A Bonds to certain dealers and certain dealer banks at prices lower than the public offering prices stated on the cover hereof.

FINANCIAL 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 2025A Bonds and various debt management matters.

CERTIFICATES CONCERNING OFFICIAL STATEMENT

It shall be a condition precedent to the issuance and delivery of the Series 2025A Bonds, that the Mayor, the Director of Finance of the City and the City Attorney deliver to the purchaser of the Series 2025A 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 2025A Bonds or challenging the legality or validity of or the security for the Series 2025A 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 2025A 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 _____
Paul TenHaken, 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.org.

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>
2024	219,588	N/A	25,060	1.8%
2023	213,891	78,354	25,228	1.7%
2022	208,900	74,725	25,124	2.0%
2021	202,600	71,570	24,949	2.8%
2020	195,850	67,117	24,856	4.3%

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>
Paul TenHaken	Mayor	2026
Sarah Cole	Councilmember-At Large	2026
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
David Barranco	Councilmember-Southeast District	2026
Curt Soehl	Councilmember-Central District	2026

City Officials

Erica Beck	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 1,441 regular full-time employees including 616 public safety employees (332 within the police department, 229 fire services personnel and 55 metro communications personnel), 138 personnel assigned to engineering, highways, and streets, 144 employees within the library and parks/recreation departments, and 203 employees within the utility and other business-type enterprise services of the City. These employees help to improve and maintain 1,131 miles of paved streets, 3,469 acres of parks land, and provide water services to 64,215 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>
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
2020	7,222	919,602,112

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Major Employers

<u>Name</u>	<u>Product/Service</u>	<u>Number of Employees</u>
Sanford Health	Health Care	10,212
Avera Health	Health Care	7,709
Sioux Falls School District	Education	3,609
Smithfield Foods	Meat Processing	3,106
HyVee Food Stores	Retail Grocery	2,446
Amazon	Retail	2,000
Wells Fargo Bank	Financial	1,700
City of Sioux Falls	Government	1,682
Walmart/Sam's Club	Retail	1,641
Citigroup	Financial	1,300

Source: Sioux Falls Development Foundation

FINANCIAL INFORMATION

Financial Reports

Copies of the Audited Comprehensive Annual Financial Report of the City for the years 2019-2023 and the budgets for the years 2020-2025 are available at www.sioxford.org. 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, 2023, 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 2021-2024 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.

	2024	2023	2022	2021
Revenues				
Taxes	\$187,560,915	\$179,273,448	\$171,869,383	\$159,045,179
Licenses and permits	9,333,251	11,189,508	16,135,111	7,186,778
Intergovernmental revenues	18,011,417	20,466,010	18,356,117	16,381,687
Charges for goods and services	8,675,068	8,731,601	8,572,791	6,509,776
Fines and forfeits	766,003	857,951	698,003	617,246
Interest (Investment revenues)	4,715,929	4,363,106	(881,581)	(13,202)
Miscellaneous revenues	3,180,909	1,647,783	1,417,566	1,729,022
Total Revenues	<u>\$232,243,492</u>	<u>\$226,529,407</u>	<u>\$216,167,390</u>	<u>\$191,456,486</u>
Expenditures				
Current:				
General government	\$22,979,928	\$20,250,629	\$19,111,341	\$18,013,384
Public safety	89,232,256	82,109,191	78,071,143	73,616,786
Highways and streets	31,786,255	34,599,881	29,266,886	25,433,789
Health	17,264,408	19,185,410	16,001,401	14,441,751
Culture and recreation	35,702,114	33,618,872	32,109,468	29,310,928
Urban and economic development	14,318,164	12,887,338	26,141,612	11,166,783
Total Current Expenditures	<u>\$211,283,125</u>	<u>\$209,791,089</u>	<u>\$200,701,851</u>	<u>\$171,983,421</u>
Capital outlay	82,389	7,139,768	781,230	--
Debt service	2,722,367	2,281,162	1,129,640	--
Total Expenditures	<u>\$214,087,881</u>	<u>\$212,072,251</u>	<u>\$202,612,721</u>	<u>\$171,983,421</u>
Revenues Over (Under) Expenditures	\$ 18,155,611	\$ 14,457,156	\$ 13,554,669	\$ 19,473,065
Other Financing Sources (Uses):				
Sale of surplus property	45,784	37,365	39,543	12,240
Damage recovery	68,442	150,780	71,681	98,377
Leases issued	13,630	6,994,660	792,836	--
Subscription arrangements issued	68,759	145,108	--	--
Operating transfers in	--	--	--	--
Operating transfers out	(19,580,039)	(14,201,599)	(9,466,047)	(25,702,400)
Total Other Financing Sources (Uses)	<u>(19,383,424)</u>	<u>(6,873,686)</u>	<u>(8,561,987)</u>	<u>(25,591,783)</u>
Revenue and other sources over (under) expenditures and other uses	(1,227,813)	7,583,470	4,992,682	(6,118,718)
Fund Balances January 1	<u>\$ 95,060,735</u>	<u>\$ 87,477,265</u>	<u>\$ 82,484,583</u>	<u>\$ 88,603,301</u>
Fund Balances (Deficit), December 31	<u><u>\$ 93,832,922</u></u>	<u><u>\$ 95,060,735</u></u>	<u><u>\$ 87,477,265</u></u>	<u><u>\$ 82,484,583</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 March 1, 2025) which the City is obligated or committed to pay:

Type of Issue	Purpose	Original Issue Amount	Amount Outstanding (03/01/25)
Revenue Bonds & Notes			
Series 2012A Sales Tax Bonds	* Events Center	108,440,000	63,025,000
Series 2016A Sales Tax Bonds	* Administrative Building	20,260,000	15,990,000
Series 2017A Sales Tax Bonds	* Refunding	31,045,000	11,500,000
Series 2018A Sales Tax Bonds	* Refunding	10,635,000	1,740,000
Series 2018B Taxable Sales Tax Bonds	* Parking Ramp	18,540,000	11,930,000
Series 2020A Sales Tax Bonds	* Parking Ramp	42,315,000	36,810,000
Drinking Water⁽¹⁾			
State Revolving Note #12, 2023 ⁽²⁾	System Construction	3,646,275	--
Clean Water⁽¹⁾			
State Revolving Note #21, 2005	System Construction	34,813,977	5,485,390
State Revolving Note #35, 2015 ⁽²⁾	System Construction	10,790,225	3,386,385
State Revolving Note #36, 2015	System Construction	16,550,544	6,879,758
State Revolving Note #37, 2016	System Construction	7,350,585	3,096,332
State Revolving Note #38, 2017	System Construction	9,515,974	4,690,548
State Revolving Note #40, 2019 ⁽²⁾	System Construction	26,406,409	22,865,964
State Revolving Note #41, 2020	System Construction	41,625,000	38,952,967
State Revolving Note #43, 2021	System Construction	18,500,000	17,931,230
State Revolving Note #44, 2022 ⁽²⁾	System Construction	73,961,732	73,448,776
State Revolving Note #45, 2023 ⁽²⁾	System Construction	2,962,756	2,962,756
State Revolving Note #46, 2024 ⁽²⁾	System Construction	22,467,115	22,467,115
State Revolving Note #47, 2024 ⁽²⁾	System Construction	--	--
			\$343,162,221

(1) As of December 31, 2024.

(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 anticipates issuing additional Sales Tax Revenue bonds for City Recreation and Aquatics in late 2025. The amount of new bonds issued is expected to be approximately \$42,500,000.

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APPENDIX B

EXCERPTS FROM THE CITY'S 2024 AUDITS

COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2024

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Statement of Net Position

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Housing & Redevelopment Commission	Metro Communications Agency
Assets					
Cash and Cash Equivalents	\$ 297,635,104	\$ 102,422,656	\$ 400,057,760	\$ 3,048,355	\$ -
Assets Held for Management Agreements	14,751,957	-	14,751,957	-	-
Investments	-	-	-	25,341	-
Receivables, net	33,594,189	13,215,472	46,809,661	4,508,086	-
Lease	191,650	1,275,979	1,467,629	-	-
Prepaid Items	773,227	-	773,227	116,181	-
Internal Balances	(5,414,073)	5,414,073	-	-	-
Due From Other Governments	30,183,726	7,631	30,191,357	525,652	-
Inventory of Supplies and Stores	11,187,817	5,011,176	16,198,993	835,153	-
Restricted Assets:					
Cash and Cash Equivalents	-	12,373,826	12,373,826	-	-
Net Pension Asset	32,509,923	3,008,429	35,518,352	-	-
Net OPEB Asset	3,461,918	-	3,461,918	-	-
Capital Assets:					
Land	212,914,217	23,476,766	236,390,983	776,184	-
Buildings, net	282,373,629	72,622,759	354,996,388	2,810,296	-
Improvements Other Than Buildings, net	62,801,186	24,846,089	87,647,275	149,906	-
Machinery and Equipment, net	67,467,568	20,108,790	87,576,358	179,368	-
Infrastructure, net	921,492,986	491,703,458	1,413,196,444	-	-
Intangibles, net	5,862,337	76,314,266	82,176,603	-	-
Construction in Progress	41,217,486	251,544,292	292,761,778	-	-
Right to Use Leased Assets, net	5,141,739	19,589	5,161,328	-	-
Subscription Assets, net	3,243,347	18,076	3,261,423	-	-
Total Assets	2,021,389,933	1,103,383,327	3,124,773,260	12,974,522	-
Deferred Outflow of Resources					
City Employee's Retirement System	13,815,234	1,876,735	15,691,969	-	-
City Firefighters' Pension Fund	3,466,769	-	3,466,769	-	-
South Dakota Retirement System	15,435,477	1,783,596	17,219,073	-	-
Total Deferred Outflow of Resources	32,717,480	3,660,331	36,377,811	-	-
Liabilities					
Accounts Payable and Other Current Liabilities	20,166,018	25,983,044	46,149,062	787,933	-
Interest Payable	667,346	806,124	1,473,470	26,952	-
Deposits	139,396	707,168	846,564	20,655	-
Unearned Revenue	2,234,971	162,838	2,397,809	110,094	-
Loss Reserve on Workers' Comp Claims					
Due In More Than One Year	3,756,330	-	3,756,330	-	-
Long-term Liabilities:					
Due Within One Year	16,485,577	19,541,640	36,027,217	733,426	-
Due Within One Year - Leases/Subscriptions	5,496,105	28,785	5,524,890	-	-
Due In More Than One Year	155,087,356	225,159,363	380,246,719	7,248,678	-
Due in More Than One Year - Leases/Subscriptions	3,004,812	9,364	3,014,176	-	-
Total Liabilities	207,037,911	272,398,326	479,436,237	8,927,738	-
Deferred Inflow of Resources					
OPEB Trust	14,918	-	14,918	-	-
Lease Related	183,432	1,251,002	1,434,434	-	-
City Employee's Retirement System	1,536,977	208,791	1,745,768	-	-
City Firefighters' Pension Fund	960,915	-	960,915	-	-
South Dakota Retirement System	11,886,181	1,392,985	13,279,166	-	-
Total Deferred Inflow of Resources	14,582,423	2,852,778	17,435,201	-	-
Net Position					
Net Investment in Capital Assets	1,447,919,753	715,850,898	2,163,770,651	812,635	-
Restricted for:					
Debt Service	16,968,135	5,250,846	22,218,981	-	-
Park and Recreation	1,717,662	-	1,717,662	-	-
Police	115,861	-	115,861	-	-
Health	2,642,297	-	2,642,297	-	-
Community Development	35,203,288	-	35,203,288	-	-
Library:					
Expendable	169,760	-	169,760	-	-
Nonexpendable	24,767	-	24,767	-	-
Heroic Awards:					
Expendable	4,110	-	4,110	-	-
Nonexpendable	2,000	-	2,000	-	-
Pension	31,598,676	3,008,429	34,607,105	-	-
OPEB	3,461,918	-	3,461,918	-	-
Storm Drainage	14,811,957	-	14,811,957	-	-
Construction Projects	5,922,876	-	5,922,876	-	-
Other Purposes	-	-	-	820,037	-
Unrestricted	271,924,019	107,682,381	379,606,400	2,414,112	-
Total Net Position	\$ 1,832,487,079	\$ 831,792,554	\$ 2,664,279,633	\$ 4,046,784	\$ -

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	\$ 25,292,915	\$ 2,920,273	\$ 104,999	\$ -
Public Safety:				
Fire Protection	47,281,856	3,715,967	1,295,110	104,189
Police Protection	55,923,429	150,317	1,121,804	82,975
Highways and Streets	85,503,190	1,321,706	2,738,038	33,941,074
Public Health	18,130,943	5,308,129	5,120,995	-
Culture and Recreation:				
Libraries	14,385,925	86,348	1,438,252	65,000
Museum	3,361	-	-	-
Parks & Recreation	34,313,218	2,383,803	1,899,381	-
Entertainment Venues	10,765,522	-	-	-
Urban and Economic Development:				
Affordable Housing	2,901,883	45,651	1,463,051	-
Transit	13,075,871	-	-	-
TIF	6,711,839	-	-	-
Planning and Development Services	16,367,275	6,201,157	8,670,964	-
Interest on Long-Term Debt	4,504,920	-	-	-
Total Governmental Activities	335,162,147	22,133,351	23,852,594	34,193,238
Business-type Activities:				
Power and Distribution	9,148,994	10,305,307	-	-
Public Parking	3,507,732	2,978,475	-	-
Sanitary Landfill	12,586,311	14,087,596	-	-
Water	33,328,598	44,605,494	-	4,609,573
Water Reclamation	34,799,541	45,606,455	-	10,448,411
Total Business-type Activities	93,371,176	117,583,327	-	15,057,984
Total Government	\$ 428,533,323	\$ 139,716,678	\$ 23,852,594	\$ 49,251,222
Component Units:				
Housing & Redevelopment Commission	\$ 18,080,514	\$ 956,697	\$ 17,150,781	\$ 70,419
Metro Communications Agency	-	-	-	-
	\$ 18,080,514	\$ 956,697	\$ 17,150,781	\$ 70,419
General Revenues:				
Taxes:				
Property Tax				
Sales Tax				
Frontage Tax				
E-911 Surcharges				
Unrestricted State and County Shared Revenues				
Unrestricted Investment Earnings				
Miscellaneous Revenue, Net				
Debt Forgiveness				
Special Item (Note 14)				
Transfers of Capital Assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position - Beginning, as previously reported				
Adjustments (Note 13)				
Net Position - Beginning, as restated				
Net Position - Ending				

Statement of Activities (cont)

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Commission	Metro Communications Agency
\$ (22,267,643)	\$ -	\$ (22,267,643)		
(42,166,590)	-	(42,166,590)		
(54,568,333)	-	(54,568,333)		
(47,502,372)	-	(47,502,372)		
(7,701,819)	-	(7,701,819)		
(12,796,325)	-	(12,796,325)		
(3,361)	-	(3,361)		
(30,030,034)	-	(30,030,034)		
(10,765,522)	-	(10,765,522)		
(1,393,181)	-	(1,393,181)		
(13,075,871)	-	(13,075,871)		
(6,711,839)	-	(6,711,839)		
(1,495,154)	-	(1,495,154)		
(4,504,920)	-	(4,504,920)		
(254,982,964)	-	(254,982,964)		
-	1,156,313	1,156,313		
-	(529,257)	(529,257)		
-	1,501,285	1,501,285		
-	15,886,469	15,886,469		
-	21,255,325	21,255,325		
-	39,270,135	39,270,135		
(254,982,964)	39,270,135	(215,712,829)		
			\$ 97,383	\$ -
			-	-
			97,383	-
91,842,331	-	91,842,331	-	-
205,839,294	-	205,839,294	-	-
19,180,851	-	19,180,851	-	-
-	-	-	-	-
18,456,018	-	18,456,018	-	-
14,360,347	4,750,375	19,110,722	61,992	-
5,349,063	5,613,569	10,962,632	(692,406)	-
-	2,062,693	2,062,693	-	-
4,550,735	-	4,550,735	-	(4,550,735)
91,820	(91,820)	-	-	-
135,062	(135,062)	-	-	-
359,805,521	12,199,755	372,005,276	(630,414)	(4,550,735)
104,822,557	51,469,890	156,292,447	(533,031)	(4,550,735)
1,740,970,041	781,962,887	2,522,932,928	4,550,940	4,550,735
(13,305,519)	(1,640,223)	(14,945,742)	28,875	-
1,727,664,522	780,322,664	2,507,987,186	4,579,815	4,550,735
\$ 1,832,487,079	\$ 831,792,554	\$ 2,664,279,633	\$ 4,046,784	\$ -

Balance Sheet - Governmental Funds

	General	Entertainment Tax	Sales and Use Tax	Housing
Assets				
Cash and Cash Equivalents	\$ 84,566,079	\$ 19,321,052	\$ 97,939,941	\$ 9,437,757
Assets Held for Management Agreements	2,900,771	11,851,186	-	-
Receivables:				
Taxes-Delinquent	2,045,092	-	-	-
Accounts (net of allowance for uncollectibles)	1,548,375	-	181,460	-
Interest and Penalty	682,383	131,663	589,773	20,721
Special Assessments	110,803	-	470,549	-
Rehabilitation Loans and Grants	-	-	-	25,849,091
Leases	127,458	-	64,192	-
Due from Other Funds	295,898	-	-	-
Due from Other Governments	13,014,777	1,305,809	14,090,696	248,712
Inventory of Supplies and Stores	4,971,762	-	4,506,845	51,213
Notes Receivable	1,000,000	-	-	41,301
Prepays	83,077	-	-	-
Total Assets	<u>\$ 111,346,475</u>	<u>\$ 32,609,710</u>	<u>\$ 117,843,456</u>	<u>\$ 35,648,795</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts Payable	\$ 2,703,080	\$ 872,601	\$ 6,507,211	\$ 302,362
Due to Other Funds	-	-	-	-
Accrued Wages	3,452,911	-	-	20,249
Deposits	138,937	-	459	-
Unearned Revenue	2,145,080	-	3,955,534	30,382
Total Liabilities	<u>8,440,008</u>	<u>872,601</u>	<u>10,463,204</u>	<u>352,993</u>
Deferred Inflows of Resources				
Unavailable Revenue-Property Taxes	1,319,506	-	-	-
Unavailable Revenue-Sales Tax	8,416,708	917,502	8,340,208	-
Unavailable Revenue-Special Assessments	110,833	-	469,961	-
Lease Related	120,516	-	62,916	-
Total Deferred Inflows of Resources	<u>9,967,563</u>	<u>917,502</u>	<u>8,873,085</u>	<u>-</u>
Fund Balances				
Nonspendable	6,054,839	-	4,506,845	92,514
Restricted	2,843,149	-	18,747,505	35,203,288
Committed	2,900,771	30,819,607	75,252,817	-
Assigned	6,794,651	-	-	-
Unassigned	74,345,494	-	-	-
Total Fund Balances	<u>92,938,904</u>	<u>30,819,607</u>	<u>98,507,167</u>	<u>35,295,802</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 111,346,475</u>	<u>\$ 32,609,710</u>	<u>\$ 117,843,456</u>	<u>\$ 35,648,795</u>

Balance Sheet - Governmental Funds (cont)

Storm Drainage	Public Safety Facility Construction	Other Governmental Funds	Total Governmental Funds
\$ 21,462,585	\$ 1,439,789	\$ 17,834,198	\$ 252,001,401
-	-	-	14,751,957
-	-	-	2,045,092
-	-	36,518	1,766,353
150,453	5,399	17,641	1,598,033
-	-	-	581,352
-	-	-	25,849,091
-	-	-	191,650
-	-	-	295,898
168,062	-	1,180,024	30,008,080
-	-	-	9,529,820
-	-	-	1,041,301
-	-	-	83,077
<u>\$ 21,781,100</u>	<u>\$ 1,445,188</u>	<u>\$ 19,068,381</u>	<u>\$ 339,743,105</u>
\$ 739,405	\$ 231,363	\$ 1,718,640	\$ 13,074,662
243,802	-	111,006	354,808
63,060	-	-	3,536,220
-	-	-	139,396
-	-	585,503	6,716,499
<u>1,046,267</u>	<u>231,363</u>	<u>2,415,149</u>	<u>23,821,585</u>
-	-	-	1,319,506
-	-	-	17,674,418
-	-	-	580,794
-	-	-	183,432
<u>-</u>	<u>-</u>	<u>-</u>	<u>19,758,150</u>
-	-	26,767	10,680,965
20,734,833	1,213,825	27,171	78,769,771
-	-	-	108,973,195
-	-	16,599,294	23,393,945
-	-	-	74,345,494
<u>20,734,833</u>	<u>1,213,825</u>	<u>16,653,232</u>	<u>296,163,370</u>
<u>\$ 21,781,100</u>	<u>\$ 1,445,188</u>	<u>\$ 19,068,381</u>	<u>\$ 339,743,105</u>

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

Total Fund Balances for Governmental Funds \$ 296,163,370

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	\$ 2,581,673,245	
Accumulated Depreciation	<u>(1,013,045,675)</u>	1,568,627,570

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	8,379,014	
Cost of Subscription Assets	622,637	
Accumulated Amortization	<u>(4,460,010)</u>	4,541,641

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.

24,056,246

Internal service funds are used by management to charge the costs of fleet management, insurance programs, 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	68,105,120	
Business-Type Activities	<u>(5,416,169)</u>	62,688,951

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

Accrued Interest Payable - Bonds	(621,527)	
Accrued Interest Payable - Leases	(9,589)	
Notes Payable-Revenue	(8,198,930)	
Unamortized Bond Premium	(15,220,185)	
Bonds Payable-Revenue	(117,565,000)	
Lease and Subscription Liabilities	(4,534,233)	
Accrued Compensated Absences	<u>(30,201,022)</u>	(176,350,486)

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	3,461,918	
Deferred Inflows of Resources	<u>(14,918)</u>	<u>3,447,000</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	31,613,254	
Deferred Outflows of Resources	31,576,537	
Deferred Inflows of Resources	<u>(13,877,004)</u>	<u>49,312,787</u>

Net Position of Governmental Activities		<u><u>\$ 1,832,487,079</u></u>
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**Statement of Revenues, Expenditures, and Changes
in Fund Balance - Governmental Funds**

	General	Entertainment Tax	Sales and Use Tax	Housing
Revenues				
Taxes:				
Property	\$ 85,067,481	\$ -	\$ -	\$ -
Sales	93,648,127	11,842,503	93,648,127	-
Frontage	5,112,854	-	-	-
Lodging (includes Business Improvement District)	3,602,638	-	-	-
Penalties and Interest	129,815	-	-	-
Special Assessments	491,200	-	3,740,483	-
Licenses and Permits	9,333,251	-	140,941	-
Intergovernmental	18,011,417	-	9,329,324	2,897,325
Charges for Goods and Services	8,675,068	-	-	45,651
Fines and Forfeitures	766,003	-	-	-
Investment Revenue	4,715,929	911,017	5,255,483	173,710
Rentals	67,455	-	8,258	-
Contributions	177,225	-	3,785,965	-
Miscellaneous Revenue	1,551,011	2,872,825	50,000	-
Total Revenues	231,349,474	15,626,345	115,958,581	3,116,686
Expenditures				
Current:				
General Government	22,979,928	-	-	-
Public Safety	89,232,256	-	40,834	-
Highways and Streets	31,786,255	-	-	-
Public Health	17,264,408	-	-	-
Culture and Recreation	35,702,114	4,481,706	2,785	-
Urban and Economic Development	14,318,164	-	-	2,861,443
Debt Service:				
Principal - Bonds	-	-	10,070,000	-
Principal - Right to Use Leases	2,373,582	-	-	164
Principal - Subscription-Based IT Arrangements	186,605	-	-	-
Interest and Fiscal Charges	162,180	-	5,197,760	2
Capital Outlay				
General Government	-	-	2,423,414	-
Public Safety	12,022	-	4,567,381	-
Highways and Streets	-	-	55,643,623	-
Public Health	70,367	-	181,942	-
Culture and Recreation	-	10,306,619	45,501,390	-
Urban and Economic Development	-	-	426,633	-
Total Expenditures	214,087,881	14,788,325	124,055,762	2,861,609
Revenues Over (Under) Expenditures	17,261,593	838,020	(8,097,181)	255,077
Other Financing Sources (Uses)				
Sale of Surplus Property	45,784	93,495	-	-
Damage Recovery	68,442	-	-	-
Leases Issued	13,630	-	-	-
Subscription Arrangements Issued	68,759	-	-	-
Transfers In	-	-	9,185,063	2,050,232
Transfers Out	(19,580,039)	-	(2,665,703)	-
Total Other Financing Sources (Uses)	(19,383,424)	93,495	6,519,360	2,050,232
Special Item (See Note 14)	-	-	-	-
Net Change in Fund Balances	(2,121,831)	931,515	(1,577,821)	2,305,309
Fund Balance - Beginning	95,060,735	29,888,092	100,084,988	32,990,493
Fund Balance Ending	\$ 92,938,904	\$ 30,819,607	\$ 98,507,167	\$ 35,295,802

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

<u>Storm Drainage</u>	<u>Public Safety Facility Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 6,600,528	\$ 91,668,009
-	-	-	199,138,757
14,067,997	-	-	19,180,851
-	-	-	3,602,638
-	-	-	129,815
1,887,368	-	-	6,119,051
-	-	-	9,474,192
-	-	12,204,230	42,442,296
-	-	3,144,763	11,865,482
-	-	-	766,003
883,259	101,309	132,760	12,173,467
-	-	-	75,713
-	-	-	3,963,190
180	-	16,255	4,490,271
<u>16,838,804</u>	<u>101,309</u>	<u>22,098,536</u>	<u>405,089,735</u>
-	-	-	22,979,928
-	-	5,839,017	95,112,107
4,408,061	-	-	36,194,316
-	-	-	17,264,408
-	-	-	40,186,605
-	-	19,698,517	36,878,124
1,239,833	-	-	11,309,833
-	-	-	2,373,746
-	-	-	186,605
83,729	-	-	5,443,671
-	-	-	2,423,414
-	638,002	23,908	5,241,313
4,411,352	-	-	60,054,975
-	-	-	252,309
-	-	-	55,808,009
-	-	694,260	1,120,893
<u>10,142,975</u>	<u>638,002</u>	<u>26,255,702</u>	<u>392,830,256</u>
<u>6,695,829</u>	<u>(536,693)</u>	<u>(4,157,166)</u>	<u>12,259,479</u>
-	-	325	139,604
-	-	62,611	131,053
-	-	-	13,630
-	-	-	68,759
-	-	8,456,807	19,692,102
-	-	-	(22,245,742)
<u>-</u>	<u>-</u>	<u>8,519,743</u>	<u>(2,200,594)</u>
<u>-</u>	<u>-</u>	<u>1,489,535</u>	<u>1,489,535</u>
6,695,829	(536,693)	5,852,112	11,548,420
<u>14,039,004</u>	<u>1,750,518</u>	<u>10,801,120</u>	<u>284,614,950</u>
<u>\$ 20,734,833</u>	<u>\$ 1,213,825</u>	<u>\$ 16,653,232</u>	<u>\$ 296,163,370</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 \$ 11,548,420

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	\$ 124,818,524	
Loss on Disposal of Capital Assets	(5,243,731)	
Capital Assets transferred from component unit as revenue	2,407,564	
Capital Assets transferred from Business-type Activities	938,728	
Less Current Year Depreciation	<u>(70,603,153)</u>	52,317,932

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	82,389	
Loss on Disposal of Right to Use Leased and Subscription Assets	(2,145)	
Less Current Year Amortization	<u>(2,585,547)</u>	(2,505,303)

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	23,859,598	
Infrastructure Contributions from Other Governments	3,312,432	
From Other Governments - Surcharges and Grants	(2,640,045)	
Due From Other Governments - Taxes	<u>3,097,899</u>	27,629,884

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	11,309,833	
Principal Payments of Leases	2,560,351	
Amortization of Bond Premium	939,000	
Lease and Subscription Proceeds	<u>(82,389)</u>	14,726,795

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	(2,347,466)	
Accrued Interest	<u>49,979</u>	(2,297,487)

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.

716,402

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.

218,974

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.

2,466,940

Change in Net Position of Governmental Activities		<u><u>\$ 104,822,557</u></u>
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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	\$ 9,318,949	\$ 3,409,931	\$ 9,555,065
Receivables, net:			
Accounts	278,420	135,180	1,168,873
Interest	65,705	17,279	152,413
Special Assessments	-	-	-
Unbilled	542,092	-	-
Arbitrage Refund	-	-	-
Lease	-	27,822	-
Lease Accrued Interest	-	32	-
Prepaid Expense	-	-	-
Due From Other Funds	-	-	-
Due From Other Governments	-	-	-
Inventory of Supplies and Stores	1,198,289	-	-
Total Current Assets	11,403,455	3,590,244	10,876,351
Noncurrent:			
Restricted Cash and Cash Equivalents	-	-	12,373,826
Lease Receivable	-	388,117	-
Net Pension Asset	201,018	99,810	510,563
Capital Assets:			
Land	613,935	4,503,577	3,597,946
Buildings	503,583	468,856	16,801,412
Improvements Other Than Buildings	9,248	37,009,851	43,458,726
Machinery and Equipment	1,337,755	349,871	2,397,709
Infrastructure	49,168,413	-	5,345,235
Intangibles	-	-	-
Construction in Progress	2,301,309	-	476,977
Less: Accumulated Depreciation	(29,665,671)	(20,555,702)	(42,769,945)
Right to Use Leased Assets	5,771	5,662	18,784
Less: Accumulated Amortization	(4,328)	(4,247)	(14,088)
Subscription Assets	-	-	-
Less: Accumulated Amortization	-	-	-
Total Noncurrent Assets	24,471,033	22,265,795	42,197,145
Total Assets	35,874,488	25,856,039	53,073,496
Deferred Outflow of Resources			
City Employee's Retirement System	125,615	62,307	318,912
South Dakota Retirement System	61,179	46,789	191,125
Total Deferred Outflow of Resources	186,794	109,096	510,037
Liabilities			
Current:			
Accounts Payable	579,275	62,104	689,904
Accrued Wages	21,352	11,675	68,134
Loss Reserve on Workers' Comp Claims	-	-	-
Accrued Compensated Absences	21,331	15,151	54,569
Accrued Interest Payable	-	53,705	-
Incurred But Not Reported Claims	-	-	-
Due To Other Funds	-	-	-
Notes Payable-Revenue	-	-	-
Bonds Payable-Revenue	-	1,090,000	-
Deposits	111,347	17,835	13,805
Unearned Revenue	-	162,838	-
Lease Liabilities	1,453	1,425	4,728
Subscription Liabilities	-	-	-
Lease and Subscription Interest Payable	2	2	7
Total Current Liabilities	734,760	1,414,735	831,147
Noncurrent:			
Accrued Compensated Absences	346,645	82,628	528,991
Loss Reserve on Workers' Comp Claims	-	-	-
Closure & Postclosure Care Costs	-	-	12,373,826
Notes Payable-Revenue	-	-	-
Bonds Payable-Revenue	-	10,840,000	-
Subscription Liabilities	-	-	-
Total Noncurrent Liabilities	346,645	10,922,628	12,902,817
Total Liabilities	1,081,405	12,337,363	13,733,964
Deferred Inflow of Resources			
City Employee's Retirement System	13,975	6,932	35,480
South Dakota Retirement System	47,805	37,182	150,055
Lease Related	-	397,202	-
Total Deferred Inflow of Resources	61,780	441,316	185,535
Net Position:			
Net Investment in Capital Assets	24,169,913	9,846,443	29,105,250
Restricted for Debt Service	-	1,939,831	-
Restricted for Pension	201,018	99,810	510,563
Unrestricted	10,547,166	1,300,372	10,048,221
Total Net Position	\$ 34,918,097	\$ 13,186,456	\$ 39,664,034
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
Annual Comprehensive Financial Report
December 31, 2024

Statement of Net Position - Proprietary Funds (cont.)

Enterprise Funds (cont.)			
Water	Water Reclamation	Total	Internal Service Funds
\$ 33,151,711	\$ 46,987,000	\$ 102,422,656	\$ 45,633,703
1,616,343	2,918,586	6,117,402	412,276
214,592	231,975	681,964	300,691
205,883	-	205,883	-
2,313,830	3,320,267	6,176,189	-
17,089	-	17,089	-
41,995	-	69,817	-
16,913	-	16,945	-
-	-	-	690,150
-	-	-	61,006
3,857	3,774	7,631	175,646
3,653,007	159,880	5,011,176	1,657,997
41,235,220	53,621,482	120,726,752	48,931,469
-	-	12,373,826	-
818,045	-	1,206,162	-
1,031,821	1,165,217	3,008,429	896,669
9,465,797	5,295,511	23,476,766	-
37,312,888	52,828,578	107,915,317	2,705,385
98,932	287,906	80,864,663	1,334,217
39,303,467	15,206,954	58,595,756	65,489,550
391,572,470	453,906,754	899,992,872	-
76,314,266	-	76,314,266	-
1,949,654	246,816,352	251,544,292	46,644
(183,676,017)	(261,420,177)	(538,087,512)	(44,073,957)
24,853	22,315	77,385	1,812,220
(18,397)	(16,736)	(57,796)	(957,328)
-	36,152	36,152	4,378,160
-	(18,076)	(18,076)	(1,389,605)
374,197,779	514,110,750	977,242,502	30,241,955
415,432,999	567,732,232	1,097,969,254	79,173,424
642,912	726,989	1,876,735	559,225
815,021	669,482	1,783,596	581,718
1,457,933	1,396,471	3,660,331	1,140,943
1,517,451	22,676,787	25,525,521	1,689,682
185,140	171,222	457,523	87,478
-	-	-	800,000
190,022	165,738	446,811	77,608
73,472	678,428	805,605	-
-	-	-	1,800,000
-	2,096	2,096	-
-	12,965,970	12,965,970	-
5,038,859	-	6,128,859	-
564,181	-	707,168	-
-	-	162,838	-
6,581	5,617	19,804	1,596,583
-	8,981	8,981	1,349,679
9	499	519	36,230
7,575,715	36,675,338	47,231,695	7,437,260
1,228,018	1,345,225	3,531,507	288,164
-	-	-	2,956,330
-	-	12,373,826	-
-	189,201,252	189,201,252	-
9,212,778	-	20,052,778	-
-	9,364	9,364	1,020,422
10,440,796	190,555,841	225,168,727	4,264,916
18,016,511	227,231,179	272,400,422	11,702,176
71,525	80,879	208,791	62,216
638,728	519,215	1,392,985	444,853
853,800	-	1,251,002	-
1,564,053	600,094	2,852,778	507,069
357,378,391	295,350,901	715,850,898	25,268,857
3,311,015	-	5,250,846	-
1,031,821	1,165,217	3,008,429	896,669
35,589,141	44,781,312	102,266,212	41,939,596
\$ 397,310,368	\$ 341,297,430	826,376,385	\$ 68,105,122
		5,416,169	
		\$ 831,792,554	

**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	\$ 10,304,567	\$ 2,517,738	\$ 14,087,596
Fines and Forfeitures	740	460,737	-
Pledged as Security for Revenue Bonds and Notes:			
Charges for Goods and Services	-	-	-
Fines and Forfeitures	-	-	-
Total Operating Revenues	10,305,307	2,978,475	14,087,596
Operating Expenses:			
Personnel Services	919,745	554,097	2,791,114
Casualty Loss	-	-	-
Insurance	15,847	32,576	19,537
Professional Services	19,738	358,705	2,540,114
Rent	255,712	49,934	2,372,380
Repairs and Maintenance	339,777	572,192	1,051,504
Supplies and Materials	135,145	103,030	755,395
Utilities and Bulk Energy	5,659,645	128,149	342,551
Depreciation	1,763,030	1,229,430	3,028,448
Amortization - Lease	1,443	1,416	4,696
Amortization - Subscription	-	-	-
Other Current Expenses	43,892	1,256	32,587
Total Operating Expenses	9,153,974	3,030,785	12,938,326
Operating Income (Loss)	1,151,333	(52,310)	1,149,270
Nonoperating Revenues (Expenses):			
Investment Revenue	422,497	199,926	1,060,328
Gain (Loss) on Capital Assets	2,681	-	(471,423)
Transfers of Capital Assets (net)	243,821	-	5,473
Rent/Operating Leases	10,682	3,000	68,903
Cost Recovery & Special Assessments	-	268	-
Contributions	-	-	-
Miscellaneous	78,842	15,750	(378,832)
Federal and State Operating Grants	-	-	-
Interest Expense and Fiscal Agent Charges	-	(453,987)	-
Debt Forgiveness	-	-	-
Lease Financing	-	47,422	-
Lease Interest Revenue	-	4,947	-
Lease Interest Expense	(5)	(5)	(17)
Subscription Interest Expense	-	-	-
Total Nonoperating Revenues (Expenses)	758,518	(182,679)	284,432
Income (Loss) Before Contributions and Transfers	1,909,851	(234,989)	1,433,702
Federal and State Capital Grants	-	-	-
Capital Contributions	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Change in Net Position	1,909,851	(234,989)	1,433,702
Net Position - Beginning, as previously reported	33,050,600	13,480,338	38,405,731
Adjustments(Note 13)	(42,354)	(58,893)	(175,399)
Net Position - Beginning, as Restated	33,008,246	13,421,445	38,230,332
Net Position - Ending	\$ 34,918,097	\$ 13,186,456	\$ 39,664,034

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 Service Funds
Water	Water Reclamation	Total	
\$ -	\$ -	\$ 26,909,901	\$ 62,038,408
-	-	461,477	-
44,591,894	45,606,455	90,198,349	-
13,600	-	13,600	-
44,605,494	45,606,455	117,583,327	62,038,408
7,665,908	6,972,502	18,903,366	6,421,702
-	-	-	26,945,276
158,500	174,263	400,723	2,816,100
999,532	886,515	4,804,604	3,732,896
739,338	1,233,393	4,650,757	569,715
1,883,598	1,563,500	5,410,571	4,443,360
9,455,108	1,652,279	12,100,957	10,222,300
1,550,088	2,092,965	9,773,398	1,616,050
10,815,944	16,937,338	33,774,190	5,262,884
6,456	5,579	19,590	95,815
-	9,038	9,038	1,773,379
54,226	102,736	234,697	59,421
33,328,698	31,630,108	90,081,891	63,958,898
11,276,796	13,976,347	27,501,436	(1,920,490)
1,432,260	1,635,364	4,750,375	2,057,065
(6,998)	(7,143)	(482,883)	285,983
(4,000)	(337,114)	(91,820)	(846,908)
135,854	-	218,439	-
1,374,614	2,742,369	4,117,251	-
-	2,161,768	2,161,768	144,632
43,246	(294,483)	(535,477)	258,253
-	-	-	74,735
79,673	(3,139,214)	(3,513,528)	-
2,062,693	-	2,062,693	-
56,978	-	104,400	-
25,124	-	30,071	-
(24)	(20)	(71)	(4,377)
-	(491)	(491)	(45,851)
5,199,420	2,761,036	8,820,727	1,923,532
16,476,216	16,737,383	36,322,163	3,042
-	8,000,000	8,000,000	-
4,609,573	2,448,411	7,057,984	-
-	-	-	2,688,703
-	(135,062)	(135,062)	-
21,085,789	27,050,732	51,245,085	2,691,745
376,868,093	314,966,761		65,615,547
(643,514)	(720,063)		(202,170)
376,224,579	314,246,698		65,413,377
\$ 397,310,368	\$ 341,297,430		\$ 68,105,122
		224,805	
		\$ 51,469,890	

Statement of Cash Flows - Proprietary Funds

	Enterprise Funds	
	Power and Distribution	Public Parking
Cash Flows Provided by Operating Activities:		
Receipts from Customers	\$ 7,866,128	\$ 2,248,666
Cash Receipts from Interfund Services Provided	2,306,414	316,676
Payments to Suppliers	(6,587,069)	(1,094,010)
Payment for Interfund Services Used	(5,742)	(121,720)
Payments to Employees	(888,853)	(533,489)
Claims Paid	-	-
Other Receipts (Payments)	28,719	431,707
Net Cash Provided by Operating Activities	2,719,597	1,247,830
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	6,000	-
Purchase of Capital Assets	(2,951,377)	-
Purchase of Subscription Assets	-	-
Interest Payments and Fiscal Charges	-	(457,465)
Proceeds from Revenue Notes	-	-
Principal Payments-Revenue Notes	-	-
Principal Payments-Revenue Bonds	-	(1,195,000)
Proceeds from Lease and Subscription Liabilities	-	-
Principal Payments - Lease Liabilities and Subscription Assets	(1,445)	(1,418)
Interest Payments - Lease and Subscription Liabilities	(13)	-
Cash Received on Lease Receivables	-	47,422
Cash Received for Interest on Lease Receivables	-	4,944
Net Cash Flows (Used) By Capital and Related Financing Activities	(2,946,835)	(1,601,517)
Cash Flows Provided (Used) By Investing Activities:		
Rent Received	10,682	3,000
Investment Revenue Received	412,154	201,120
Net Cash Flows Provided (Used) By Investing Activities	422,836	204,120
Net Increase (Decrease) in Cash & Cash Equivalents During the Year	195,598	(149,567)
Cash and Cash Equivalents, January 1	9,123,351	3,559,498
Cash and Cash Equivalents, December 31	\$ 9,318,949	\$ 3,409,931
Reconciliation Of Operating Income (Loss) To Net Cash Provided By Operating Activities:		
Operating Income (Loss)	\$ 1,151,333	\$ (52,310)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	1,763,030	1,229,430
Amortization	1,443	1,416
(Increase) Decrease in-Receivables	(132,025)	47,604
-Inventory	(66,325)	-
-Due From Other Funds	-	-
-Due From Other Governments	-	-
-Net Pension Asset	(169,394)	(79,729)
-Pension Related Deferred Outflows	181,792	126,904
Increase (Decrease) in-Accounts Payable	(56,730)	30,112
-Accrued Wages	3,829	399
-Compensated Absences	45,040	(11,333)
-Pension Related Deferred Inflows	(30,375)	(15,633)
-Loss Reserve on Workers' Comp Claims	-	-
-Deposits	2,107	228
-Unearned Revenue	-	4,706
-Due To Other Funds	-	-
-Closure/Post closure Cost	-	-
-Lease Related Deferred Inflows	-	(47,422)
Other Revenue Sources (Uses)	25,872	13,458
Net Cash Provided By Operating Activities	\$ 2,719,597	\$ 1,247,830
Noncash Investing, Capital and Financing Activities:		
Capital Contributions	\$ -	\$ -
Capital Asset Purchases in Accounts Payable	98,649	-
Net Interfund Transfers of Capital Assets	-	-

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

Statement of Cash Flows - Proprietary Funds (cont)

Enterprise Funds (cont)				Internal
Sanitary Landfill	Water	Water Reclamation	Total	Service Funds
\$ 13,633,194	\$ 43,484,105	\$ 43,030,985	\$ 110,263,078	\$ 13,132,258
331,360	894,958	336,792	4,186,200	48,625,193
(6,827,052)	(14,381,411)	(11,272,695)	(40,162,237)	(23,632,883)
(20,601)	(1,412,662)	(378,143)	(1,938,868)	(17,770)
(2,762,880)	(7,383,048)	(6,858,276)	(18,426,546)	(6,154,368)
-	-	-	-	(27,108,675)
(373,021)	3,507,677	4,656,425	8,251,507	430,409
3,981,000	24,709,619	29,515,088	62,173,134	5,274,164
-	-	8,000,000	8,000,000	-
-	-	-	-	2,688,703
-	-	(135,062)	(135,062)	-
-	-	7,864,938	7,864,938	2,688,703
2,350	715	-	9,065	436,825
(7,614,647)	(9,627,005)	(88,076,948)	(108,269,977)	(7,114,869)
-	-	-	-	(2,992,803)
-	(776,710)	(2,746,503)	(3,980,678)	-
-	-	81,516,970	81,516,970	-
-	-	(11,890,659)	(11,890,659)	-
-	(3,950,000)	-	(5,145,000)	-
-	-	-	-	2,992,803
(4,702)	(6,547)	(14,198)	(28,310)	(1,592,360)
(42)	(58)	(772)	(885)	(41,699)
-	56,978	-	104,400	-
-	19,732	-	24,676	-
(7,617,041)	(14,282,895)	(21,212,110)	(47,660,398)	(8,312,103)
68,903	135,854	-	218,439	-
1,061,727	1,343,079	1,546,486	4,564,566	1,994,283
1,130,630	1,478,933	1,546,486	4,783,005	1,994,283
(2,505,411)	11,905,657	17,714,402	27,160,679	1,645,047
24,434,302	21,246,054	29,272,598	87,635,803	43,988,656
<u>\$ 21,928,891</u>	<u>\$ 33,151,711</u>	<u>\$ 46,987,000</u>	<u>\$ 114,796,482</u>	<u>\$ 45,633,703</u>
\$ 1,149,270	\$ 11,276,796	\$ 13,976,347	\$ 27,501,436	\$ (1,920,490)
3,028,448	10,815,944	16,937,338	33,774,190	5,262,884
4,696	6,456	14,617	28,628	1,869,194
(123,042)	(419,236)	(2,238,678)	(2,865,377)	(207,928)
-	(519,121)	31,267	(554,179)	(75,210)
-	-	-	-	(61,006)
-	-	-	-	(12,023)
(427,482)	(841,734)	(966,305)	(2,484,644)	(711,313)
478,924	1,131,760	1,136,731	3,056,111	1,156,014
(277,380)	(228,157)	(3,976,454)	(4,508,609)	(109,684)
17,056	41,691	42,922	105,897	12,589
29,288	73,529	35,836	172,360	(61,839)
(69,552)	(122,386)	(134,958)	(372,904)	(128,117)
-	-	-	-	836,601
-	30,384	-	32,719	-
-	-	-	4,706	-
-	-	2,096	2,096	(5,917)
543,795	-	-	543,795	-
-	(56,978)	-	(104,400)	-
(373,021)	3,520,671	4,654,329	7,841,309	430,409
<u>\$ 3,981,000</u>	<u>\$ 24,709,619</u>	<u>\$ 29,515,088</u>	<u>\$ 62,173,134</u>	<u>\$ 5,274,164</u>
\$ -	\$ 4,609,573	\$ 2,448,411	\$ 7,057,984	\$ -
202,778	711,304	15,403,448	16,416,179	109,745
5,473	(4,000)	(337,114)	(335,641)	(846,908)

Statement of Fiduciary Net Position - Fiduciary Funds

	Pension and Health Care Trust Funds	Police Custodial Fund
Assets		
Cash and Cash Equivalents	\$ 49,085,902	\$ 335,556
Receivables:		
Contribution	437,427	-
Interest	1,310,492	-
Total Receivables	1,747,919	-
Investments at Fair Value:		
US Government	68,609,346	-
Corporate Obligations	38,436,692	-
Foreign Obligations	12,653,714	-
State and Local Obligations	8,828,061	-
Domestic Stocks	60,320,750	-
Foreign Stocks	4,526,041	-
Index Funds:		
Equity	280,610,958	-
Government / Corporate Bonds	54,167,684	-
Mutual Funds:		
Foreign Equity	148,835,341	-
Domestic Equity	24,350,936	-
Fixed Income	40,472,692	-
Real Estate	59,849,209	-
Total Investments	801,661,424	-
Total Assets	852,495,245	335,556
Liabilities		
Accounts Payable	35,540	-
Accrued Wages	6,967	-
Total Liabilities	42,507	-
Net Position		
Restricted for Pension Benefits	848,719,556	-
Restricted for Post Employment Health Care Benefits	3,733,182	-
Restricted for Police Evidence and Found Property	-	335,556
Total Net Position	\$ 852,452,738	\$ 335,556

Statement of Changes in Fiduciary Net Position - Fiduciary Funds

	Pension and Health Care Trust Funds	Police Custodial Fund
Additions		
Contributions		
Employer	\$ 14,226,388	\$ -
Plan Members	3,682,357	-
Total Contributions	17,908,745	-
Investment Income	82,173,000	-
Less Investment Expense	1,373,094	-
Net Investment Income	80,799,906	-
Police Funds Received into Custody	-	158,025
Total Additions	98,708,651	158,025
Deductions		
Benefit Payments		
Pension	43,019,492	-
Health Premiums	85,289	-
Total Benefit Payments	43,104,781	-
Police Funds Released from Custody	-	101,263
Refunds	76,012	-
Administrative Expense	399,523	-
Total Deductions	43,580,316	101,263
Change in Net Position	55,128,335	56,762
Restricted Net Position, January 1	797,324,403	278,794
Restricted Net Position, December 31	<u>\$ 852,452,738</u>	<u>\$ 335,556</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, 2024, the City adopted GASB Statement No. 101, *Compensated Absences*. The provisions of the standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 13.

The first statement issued but not yet implemented that will affect the City is 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 with which to understand and anticipate certain risks to a government's financial condition. Management has not yet determined the effect these pronouncements will have on the City's financial statements. This statement will be implemented in the fiscal year ending December 31, 2025.

The second 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 decisionmakers and to help assess a government's accountability. 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. 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.

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 2024, 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, 2024. 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 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

Notes to Financial Statements

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, the Public Safety Facility Construction Fund, and the Storm Drainage 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 \$63.1 million during 2024. A majority of the supplemental appropriations were funded by the General Fund and Sales and Use Tax Fund unassigned balances carried forward from 2024 with additional amounts from American Rescue Plan Act (ARPA) grants and State Revolving Funds.

The Water Reclamation Fund experienced \$34.1 million in supplements for the Basin 15 sanitary sewer extension and the explanation of the water reclamation facility. This supplement was funded through State Revolving Funds and ARPA grants.

Parks and Recreation had supplements totaling \$18.7 million. These supplements included \$9.0 million in the Sales and Use Tax available fund balance for the purchase of the Westside Recreation Center with an additional \$0.5 million for the development of the southern outdoor aquatic center. The City supplemented \$9.0 million in General Fund transfers to the Sales and Use Tax Fund for this purchase. The General Fund supplemented an additional \$0.1 million from unobligated fund balance for a discounted admission date at the Zoo.

Entertainment Tax Fund was supplemented for \$8.1 million from unobligated fund balance for the development and construction of the Riverline District along with another \$0.35 million for HVAC repairs at the Washington Pavilion.

Notes to Financial Statements

Other supplements made in 2024 include:

- \$0.6 million supplement in the Sanitary Landfill Fund for leachate recirculation infrastructure funded through grants.
- \$0.5 million for arterial street improvements from the Sales and Use Tax Fund platting fees
- \$0.45 million for early childhood scholarship (General Fund unassigned balance)
- \$0.225 million for LED lighting for the law enforcement center funded through grants in the Centralized Facilities Fund.

Additional supplements in the amount totaling \$0.1 million for radio and auxiliary equipment and childcare research services.

Budget Compliance

There were no material violations of the annual appropriated budget for the fiscal year ending December 31, 2024.

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 and the Public Safety Facility Construction 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 **Public Safety Facility Construction Fund** accounts for the construction of the new Public Safety Facility training center and related expenses.

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, workers' compensation, liability insurance, technology equipment/software, 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.

Notes to Financial Statements

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.

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."

Notes to Financial Statements

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 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 \$5,000 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 38 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, 2024, the deposits of the City were \$12.2 million. One depository fell below the pledged collateral requirement during the fourth quarter of 2024. No other depository fell below the 100 percent of pledged collateral required as of December 31, 2024. 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, 2024.

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	\$ 316,730,027	\$ 163,310,633	\$ 142,366,578	\$ 10,936,859		\$ 115,957
(c) Money Market Funds	AAA	82,795,320	82,795,320	-	-		-
(e) Certificates of Deposit	N/A	12,906,239	12,906,239	-	-		-
(f) Cash	N/A	-	-	-	-		-
Total		\$ 412,431,586	\$ 259,012,192	\$ 142,366,578	\$ 10,936,859		\$ 115,957

* 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, 2024, the deposits of the authority were fully insured or collateralized as required by SDCL 4-

6A. All deposits as of September 30, 2024, 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

Notes to Financial Statements

for safekeeping in a financial institution that is a member of the Federal Reserve.

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 2024 is included in the accompanying financial statements, since such taxes are collected to finance expenditures budgeted for the subsequent period.

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, 2024:

Primary Government	Taxes	Accounts	Interest	Lease	Special Assessments	Notes Receivable	Loans Receivable	Unbilled	Arbitrage Refund	Allowance for Uncollectibles	Total
Governmental Activities											
General	\$ 2,045,092	\$ 3,290,954	\$ 682,383	\$ 127,458	\$ 110,803	\$ 1,000,000	\$ -	\$ -	\$ -	\$ (1,742,579)	\$ 5,514,111
Entertainment Tax	-	-	131,663	-	-	-	-	-	-	-	131,663
Sales/Use Tax	-	181,460	589,773	64,192	470,549	-	-	-	-	-	1,305,974
Housing	-	-	20,721	-	-	41,301	26,315,392	-	-	(466,301)	25,911,113
Storm Drainage	-	-	150,453	-	-	-	-	-	-	-	150,453
Public Safety Facility	-	-	5,399	-	-	-	-	-	-	-	5,399
Nonmajor Funds	-	36,518	17,641	-	-	-	-	-	-	-	54,159
Internal Service Funds	-	417,075	300,691	-	-	-	-	-	-	(4,799)	712,967
Total Governmental Activities	2,045,092	3,926,007	1,898,724	191,650	581,352	1,041,301	26,315,392	-	-	(2,213,679)	33,785,839
Business-type Activities											
Power and Distribution	-	363,203	65,705	-	-	-	-	542,092	-	(84,783)	886,217
Public Parking Facilities	-	136,861	17,311	415,939	-	-	-	-	-	(1,681)	568,430
Sanitary Landfill	-	1,195,627	152,413	-	-	-	-	-	-	(26,754)	1,321,286
Water	-	1,696,390	231,505	860,040	205,883	-	-	2,313,830	17,089	(80,047)	5,244,690
Water Reclamation	-	2,982,015	231,975	-	-	-	-	3,320,267	-	(63,429)	6,470,828
Total Business-type Activities	-	6,374,096	698,909	1,275,979	205,883	-	-	6,176,189	17,089	(256,694)	14,491,451
Total Primary Government	\$ 2,045,092	\$ 10,300,103	\$ 2,597,633	\$ 1,467,629	\$ 787,235	\$ 1,041,301	\$ 26,315,392	\$ 6,176,189	\$ 17,089	\$ (2,470,373)	\$ 48,277,290
Non current portion	\$ -	\$ -	\$ -	\$ -	\$ 765,075	\$ 1,038,442	\$ 25,960,049	\$ -	\$ -	\$ -	\$ 27,763,566
Fiduciary Funds											
Employee's Retirement	\$ -	\$ 305,205	\$ 953,510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,258,715
Firefighters' Pension	-	132,222	331,501	-	-	-	-	-	-	-	463,723
OPEB Trust	-	-	25,481	-	-	-	-	-	-	-	25,481
Total Fiduciary Funds	\$ -	\$ 437,427	\$ 1,310,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,747,919
Component Units											
Housing Commission	\$ -	\$ 67,525	\$ 40,763	\$ -	\$ -	\$ 4,399,798	\$ -	\$ -	\$ -	\$ -	\$ 4,508,086

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, 2024, was \$3.62 per \$1,000 of taxable valuation.

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 \$5,416,169 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.

Due to/from other funds:		
Receivable fund	Payable fund	Amount
General	T.I.F. District	\$ 50,000
General	Storm Drainage	243,802
General	Water Reclamation	2,096
Technology Revolving	911 Dispatch	61,006

Amounts Due from Other Governments include the following at December 31, 2024:

	Due from			
	Federal	State	Local	Total
Primary Government:				
Governmental Activities				
General Fund	\$ 282,636	\$ 12,471,109	\$ 261,032	\$ 13,014,777
Entertainment Tax	-	1,305,809	-	1,305,809
Sales/Use Tax	-	14,090,696	-	14,090,696
Housing	225,393	-	23,319	248,712
Storm Drainage	-	4,341	163,721	168,062
Nonmajor Funds	208,936	630,760	340,328	1,180,024
Internal Service Funds	-	-	175,646	175,646
Total Governmental Activities	<u>\$ 716,965</u>	<u>\$ 28,502,715</u>	<u>\$ 964,046</u>	<u>\$ 30,183,726</u>
Component Units				
Housing Commission	<u>\$ 525,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 525,652</u>
Business-type Activities				
Enterprise Funds				
Water	\$ -	\$ 3,857	\$ -	\$ 3,857
Water Reclamation	-	3,774	-	3,774
Total Enterprise Funds	<u>-</u>	<u>7,631</u>	<u>-</u>	<u>7,631</u>
Total Primary Government	<u>\$ 716,965</u>	<u>\$ 28,510,346</u>	<u>\$ 964,046</u>	<u>\$ 30,191,357</u>

The financial statements reflect interfund transfers and their related purposes as follows:

Transfers in:									
	Sales and Use Tax	Housing	Nonmajor Governmental Funds	Power and Distribution	Landfill	Fleet Revolving	Centralized Facilities	General Fixed Assets	Total
Transfers out:									
General Fund	\$ 9,050,000	\$ 2,050,232	\$ 7,479,807	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ 19,580,039
Sales and Use Tax	-	-	977,000	-	-	250,000	1,438,703	-	2,665,703
Power and Distribution	-	-	-	-	-	-	-	40,828	40,828
Water	-	-	-	-	-	-	-	4,000	4,000
Water Reclamation	135,062	-	-	-	-	-	-	337,114	472,176
Fleet Revolving	-	-	-	-	5,473	-	-	-	5,473
Centralized Facilities	-	-	-	-	-	121,769	-	901,519	1,023,288
General Fixed Assets	-	-	-	284,649	-	60,084	-	-	344,733
Total	\$ 9,185,062	\$ 2,050,232	\$ 8,456,807	\$ 284,649	\$ 5,473	\$ 431,853	\$ 2,438,703	\$ 1,283,461	\$ 24,136,240
Purpose of Transfer	Transfer for purchase of Westside Rec Center. Cost recovery of expenses for shared projects from the Water Reclamation and General Fund.	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	Transfers of fixed assets from shared projects	Replacement of aging fuel tanks	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, 2024, was as follows:

Primary Government:	Beginning Balance	Additions	Transfers & Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 198,117,477	\$ 14,840,651	\$ (43,911)	\$ 212,914,217
Intangibles (Rights)	5,567,337	295,000	-	5,862,337
Construction in Progress	44,780,902	102,037,526	(105,600,942)	41,217,486
Depreciable Assets:				
Buildings	429,227,468	35,671,476	(319,794)	464,579,150
Improvements other than Buildings	191,639,992	9,731,871	(290,617)	201,081,246
Equipment	167,576,718	19,955,187	(4,685,632)	182,846,273
Infrastructure	1,468,919,219	84,866,151	(11,037,037)	1,542,748,332
Totals at Historical Cost	2,505,829,113	267,397,861	(121,977,933)	2,651,249,041
Accumulated Depreciation:				
Buildings	(171,191,336)	(11,040,598)	26,413	(182,205,521)
Improvements other than Buildings	(132,893,253)	(5,680,398)	293,591	(138,280,060)
Equipment	(105,238,065)	(13,854,591)	3,713,951	(115,378,705)
Infrastructure	(582,860,491)	(45,290,450)	6,895,595	(621,255,346)
Total Accumulated Depreciation	(992,183,145)	(75,866,037)	10,929,550	(1,057,119,632)
Net Capital Assets	1,513,645,968	191,531,824	(111,048,383)	1,594,129,409
Right to Use Leased and Subscription Assets Being Amortized				
Right to Use Leased Buildings	1,933,190	-	-	1,933,190
Right to Use Leased Equipment	8,218,702	102,744	(63,403)	8,258,043
Subscription Assets	3,938,174	2,972,447	(1,909,824)	5,000,797
Totals at Historical Cost	14,090,066	3,075,191	(1,973,227)	15,192,030
Accumulated Amortization:				
Right to Use Leased Buildings	(944,078)	(92,481)	-	(1,036,559)
Right to Use Leased Equipment	(1,651,111)	(2,393,580)	31,756	(4,012,935)
Subscription Assets	(1,698,597)	(1,968,678)	1,909,825	(1,757,450)
Total Accumulated Amortization	(4,293,786)	(4,454,739)	1,941,581	(6,806,944)
Net Right to Use Leased and Subscription Assets	9,796,280	(1,379,548)	(31,646)	8,385,086
Governmental Activities Capital Assets, net	\$ 1,523,442,248	\$ 190,152,276	\$ (111,080,029)	\$ 1,602,514,495

Notes to Financial Statements

Primary Government:	Beginning Balance	Additions	Transfers & Retirements	Ending Balance
Business-type Activities:				
Non-Depreciable Assets:				
Land	\$ 21,607,317	\$ 1,869,449	\$ -	\$ 23,476,766
Intangibles (Rights)	76,314,266	-	-	76,314,266
Construction in Progress	174,095,783	119,267,412	(41,818,903)	251,544,292
Depreciable Assets:				
Buildings	97,811,355	11,109,685	(1,005,722)	107,915,318
Improvements other than Buildings	78,331,807	2,532,856	-	80,864,663
Equipment	56,530,331	2,805,057	(739,633)	58,595,755
Infrastructure	864,123,424	35,886,763	(17,315)	899,992,872
Totals at Historical Cost	1,368,814,283	173,471,222	(43,581,573)	1,498,703,932
Accumulated Depreciation				
Buildings	(32,532,807)	(3,314,541)	554,790	(35,292,558)
Improvements other than Buildings	(52,592,852)	(3,425,722)	-	(56,018,574)
Equipment	(36,860,195)	(2,328,707)	701,936	(38,486,966)
Infrastructure	(383,598,191)	(24,705,222)	13,999	(408,289,414)
Total Accumulated Depreciation	(505,584,045)	(33,774,192)	1,270,725	(538,087,512)
Net Capital Assets	863,230,238	139,697,030	(42,310,848)	960,616,420
Right to Use Leased and Subscription Assets Being Amortized				
Right to Use Leased Equipment	77,542	-	(157)	77,385
Subscription Assets	36,152	-	-	36,152
Totals at Historical Cost	113,694	-	(157)	113,537
Accumulated Amortization:				
Right to Use Leased Equipment	(38,208)	(19,588)	-	(57,796)
Subscription Assets	(9,038)	(9,038)	-	(18,076)
Total Accumulated Amortization	(47,246)	(28,626)	-	(75,872)
Net Right to Use Leased and Subscription Assets	66,448	(28,626)	(157)	37,665
Business Activities Capital Assets, net	863,296,686	139,668,404	(42,311,005)	960,654,085
Total Primary Government Capital Assets, net	\$ 2,386,738,934	\$ 329,820,680	\$ (153,391,034)	\$ 2,563,168,580

* 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	\$ 1,759,446
Public Safety	5,740,849
Highways & Streets	45,601,085
Health	319,219
Culture & Recreation	18,155,592
Urban & Economic Development	1,612,507
Capital Assets Held by the Government's Internal Service Funds	7,132,078
Total Depreciation and Amortization Expense - Governmental Activities	\$ 80,320,776
Business-type Activities:	
Electric Light	\$ 1,764,473
Public Parking Facilities	1,230,846
Sanitary Landfill	3,033,144
Water	10,822,400
Water Reclamation	16,951,955
Total Depreciation and Amortization Expense - Business-Type Activities	\$ 33,802,818

Notes to Financial Statements

Component Units	Beginning Balance (Restated)	Additions	Retirements	Ending Balance
Housing Commission				
Non-Depreciable Assets:				
Land	\$ 776,184	\$ -	\$ -	\$ 776,184
Depreciable Assets:				
Buildings	6,757,788	39,536	-	6,797,324
Improvements other than Buildings	445,040	-	-	445,040
Equipment	493,621	67,398	-	561,019
Totals at Historical Cost	8,472,633	106,934	-	8,579,567
Less Accumulated Depreciation:				
Buildings	(3,898,378)	(88,650)	-	(3,987,028)
Improvements other than Buildings	(273,446)	(21,688)	-	(295,134)
Equipment	(354,134)	(27,517)	-	(381,651)
Total Accumulated Depreciation	(4,525,958)	(137,855)	-	(4,663,813)
Total Housing Commission Capital Assets, Net	\$ 3,946,675	\$ (30,921)	\$ -	\$ 3,915,754

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 12/31/2024	Committed	Carryovers	Carryforwards
Centralized Facilities Improvements	\$ 5,470,492	\$ 99,913	\$ 5,370,579	\$ 330,298	\$ 5,040,281
Centralized Facilities Land Acquisition	90,202	-	90,202	-	90,202
Engineering Infrastructure Projects	54,732,507	5,379,415	49,353,092	21,224,361	28,128,731
Salt Storage Facility	72,791	-	72,791	19,416	53,375
Public Safety Training Center	571,170	-	571,170	27,639	543,531
Fire Dive Rescue Equipment	58,828	58,828	-	-	-
Fire Truck	9,564	9,564	-	-	-
Police Patrol Vehicles	904,897	904,897	-	-	-
Sculpture Walk	50,000	-	50,000	-	50,000
Street Lights	51,637	51,637	-	-	-
Light and Power Facility Improvements	6,580,794	737,777	5,843,017	373,125	5,469,892
Electric Light Projects	360,920	-	360,920	-	360,920
Circuit Improvements	3,086,402	1,563,532	1,522,870	524,713	998,157
Unforeseen Electrical System Replacement	516,275	-	516,275	-	516,275
Arrowhead Park Development	852,906	852,906	-	-	-
Arboretum Park Improvements	174,299	174,299	-	-	-
Bike Trail Construction/Reconstruction	2,855,863	451,943	2,403,920	57,102	2,346,818
Community/Regional Park Improvements	622,612	-	622,612	222,612	400,000
Cyclical Park Infrastructure Improvements	766,595	-	766,595	766,594	1
Development of Play Structures	571,000	-	571,000	-	571,000
Elmwood Golf Course Clubhouse	6,649,999	2,644,870	4,005,129	3,470,317	534,812
Falls Park Improvements	257,248	-	257,248	37,236	220,012
Family Park Improvements	51,344	51,344	-	-	-
Jacobson Plaza Development	19,256,341	14,719,878	4,536,463	4,536,463	-
Midco Aquatic Locker Rooms	1,720,298	1,720,298	-	-	-
Neighborhood Park Improvements	160,329	-	160,329	28,269	132,060
Parks System Master Plan	593,279	418,294	174,985	174,985	-
Parks Maintenance Shop	8,380	8,380	-	40,880	-
Aquatics Facilities Development	7,549,653	1,422,513	6,127,140	654,094	5,473,046
Park Land Acquisition	552,345	4,000	548,345	19,999	528,346
Park Roads and Parking Lots Improvements	188,441	188,441	-	-	-
Prairie Trail Park Improvements	1,500	1,500	-	-	-
River Greenway	14,145,932	10,642,213	3,503,719	2,192,964	1,310,755
Zoo Master Plan Improvements	495,961	-	495,961	-	495,961
Fleet Underground Storage Tanks	812,298	-	812,298	1,538	810,760
Fleet Maintenance Shop Improvements	37,788	35,915	1,873	1,873	-
Fleet Dump Trucks	10,729	10,729	-	-	-
Landfill Closure	91,544	-	91,544	50,700	40,844
Landfill Land	1,200	1,200	-	-	-
Landfill Relocation of Wall Lake Drainageway	39,411	-	39,411	36,867	2,544
Landfill Expansion	92,741	-	92,741	-	92,741
Landfill Building Improvements	963,966	-	963,966	230,748	733,218
Landfill Leachate Recirculation Infrastructure	3,606,634	475,777	3,130,857	2,922,622	208,235
Arena Building Improvements	200,000	-	200,000	-	200,000
Convention Center Building Improvements	84,412	-	84,412	22,174	62,238
Sioux Falls Stadium Improvements	185,447	-	185,447	-	185,447
Events Center Building Improvements	1,522,210	18,375	1,503,835	82,642	1,421,193
Washington Pavilion Building Improvements	2,672,104	856,165	1,815,939	694,911	1,121,028
Orpheum Building Improvements	500,633	31,044	469,589	236,295	233,294
Riverline Land Acquisition	8,100,000	5,500	8,094,500	-	8,094,500
Transit Administration Building	94,600	94,600	-	-	-
Transit Facility Improvements	900,000	-	900,000	-	900,000
Storm Sewer Projects	11,481,560	360,026	11,121,534	2,796,538	8,324,996
Water Projects	19,979,080	1,949,653	18,029,427	1,185,715	16,843,712
Water Reclamation Projects	414,596,582	246,816,352	167,780,230	81,723,224	86,057,006
	\$ 596,003,743	\$ 292,761,778	\$ 303,241,965	\$ 124,686,914	\$ 178,595,931

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:

Notes to Financial Statements

Capital Outlay	\$ 124,900,913
Plus: assets contributed from outside sources	27,951,660
Plus: assets added by Internal Service Funds	25,501,839
Plus: construction in progress added as an asset in current year	89,043,449
Capital asset increase per footnote	267,397,861
Plus: loss on sale of assets	(5,245,876)
Plus: assets contributed to enterprise funds	1,283,461
Less: assets contributed from outside sources	(27,951,660)
Plus: assets added by Internal Service Funds	(25,501,839)
Plus: assets transferred from enterprise funds	(344,733)
Plus: assets transferred from former component unit	2,407,564
Less: construction in progress added as an asset in current year	(89,043,449)
Depreciation expense	(73,188,700)
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 49,812,629</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, 2024.

	Balance Beginning (Restated)	Additions	Deletions	Balance Ending	Due Within One Year
Primary Government					
Governmental Activities:					
Bonds Payable:					
Revenue	\$ 127,635,000	\$ -	\$ 10,070,000	\$ 117,565,000	\$ 10,490,000
Notes Payable	9,438,763	-	1,239,833	8,198,930	1,252,990
Total Debt	137,073,763	-	11,309,833	125,763,930	11,742,990
Unamortized Bond Premium	16,159,185	-	939,000	15,220,185	1,053,528
Rebatable Arbitrage	22,024	-	-	22,024	n/a
Right To Use Leases					
Governmental Funds	6,671,336	13,630	2,373,746	4,311,220	2,436,915
Internal Service Funds	1,637,414	89,112	129,943	1,596,583	1,596,585
Subscription Liabilities					
Governmental Funds	340,859	68,759	186,605	223,013	112,926
Internal Service Funds	976,038	2,903,688	1,509,625	2,370,101	1,349,679
Accrued Compensated Absences					
Governmental Funds	27,853,556	2,347,466 **	-	30,201,022	3,611,451
Internal Service Funds	427,611	-	61,839 **	365,772	77,608
Total Governmental Activities	191,161,786	5,422,655	16,510,591	180,073,850	21,981,682
Business-type Activities:					
Bonds Payable:					
Revenue	28,575,000	-	5,145,000	23,430,000	5,190,000
Revenue Notes Payable	132,540,911	81,516,970	11,890,659	202,167,222	12,965,970
Total Debt	161,115,911	81,516,970	17,035,659	225,597,222	18,155,970
Unamortized Bond Premium	3,584,929	-	833,292	2,751,637	938,859
Right To Use Leases	39,659	-	19,855	19,804	19,804
Subscription Liabilities	26,957	-	8,612	18,345	8,981
Closure & Postclosure Care Costs *	11,830,031	543,795	-	12,373,826	n/a
Accrued Compensated Absences	3,805,957	172,361 **	-	3,978,318	446,811
Total Business-type Activities	180,403,444	82,233,126	17,897,418	244,739,152	19,570,425
Total Primary Government	\$ 371,565,230	\$ 87,655,781	\$ 34,408,009	\$ 424,813,002	\$ 41,552,107

* 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	\$ 147,783	\$ -	\$ 31,345	\$ 116,438	\$ 31,345
Line of Credit	2,109,588	553,264	2,255,143	407,709	407,709
Mortgages Payable	3,208,058	4,194,244	40,026	7,362,276	236,325
Accrued Compensated Absences	54,886	96,782	55,987	95,681	58,047
Total Housing Commission	<u>\$ 5,520,315</u>	<u>\$ 4,844,290</u>	<u>\$ 2,382,501</u>	<u>\$ 7,982,104</u>	<u>\$ 733,426</u>

* Compensated absences in the Governmental Funds have typically been paid from the General and Community Development funds.

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, 2024.

	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	\$ 63,025,000	\$ 8,205,378
Series 2016A Sales Tax	* City Center Office Building	3.09%	2036	-	20,260,000	15,990,000	1,805,500
Series 2018A Sales Tax	* Library & Parks (I) Refunding	2.14%	2025	-	10,635,000	1,740,000	1,827,000
Series 2020A Sales Tax	* Public Safety Facility	2.42%	2040	-	42,315,000	36,810,000	3,397,750
Total Sales & Use Tax				-	181,650,000	117,565,000	15,235,628
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	4,582,461	931,477
State Revolving Note #42	System Construction	1.00%	2032	5,767,331	3,690,069	3,016,469	392,813
Total Storm Drainage				5,767,331	-	7,598,930	1,324,290
Total Revenue Bonds & Notes				5,767,331	-	125,763,930	17,159,918
Other Long-Term Liabilities							
Right to Use Leases - Governmental	Right to Use Assets	.24%-3.14%	2028	-	9,776,350	4,311,220	2,537,065
Right to Use Leases - Internal Service	Right to Use Assets	.55%	2025	-	1,812,219	1,596,583	1,596,583
SBITA's - Governmental	Subscription Based IT Arrangements	2.33-3.10	2028	-	415,976	223,013	112,926
SBITA's - Internal Service	Subscription Based IT Arrangements	2.33-2.85	2027	-	4,152,349	2,370,101	1,349,679
Unamortized Bond Premium	Bond Issue	n/a	2040	-	-	15,220,185	n/a
Total Debt				5,767,331	-	23,721,102	5,596,253
Vested Compensated Absences							
Governmental Funds	Compensated Absences	n/a	n/a	n/a	n/a	30,201,022	n/a
Internal Service Funds	Compensated Absences	n/a	n/a	n/a	n/a	365,772	n/a
Total Governmental Activities				\$ 5,767,331	-	\$ 180,051,826	\$ 22,756,171
Business-type Activities							
Revenue Bonds & Notes							
Water							
Series 2017A Sales Tax	* Lewis & Clark Refunding	1.80%	2026	\$ -	\$ 31,045,000	\$ 11,500,000	\$ 7,770,000
2023 State Revolving Note DW #12	*** System Improvements	1.88%	N/A	8,853,725	3,646,275	-	-
Total Water				8,853,725	-	11,500,000	7,770,000
Water Reclamation							
2005 State Revolving Note CW #21	System Improvements	2.25%	2027	-	34,813,977	5,485,390	2,262,608
2012 State Revolving Note CW #34	System Improvements	2.25%	2024	-	12,040,836	-	-
2015 State Revolving Note CW #35	System Improvements	1.25%	2027	1,189,232	10,790,225	3,386,385	1,151,855
2015 State Revolving Note CW #36	System Improvements	1.25%	2028	-	16,550,544	6,879,758	1,765,982
2016 State Revolving Note CW #37	System Improvements	1.25%	2029	-	7,350,585	3,096,332	788,992
2017 State Revolving Note CW #38	System Improvements	1.00%	2029	-	9,515,974	4,690,548	1,012,355
2019 State Revolving Note CW #40	System Improvements	1.50%	2041	402,391	26,406,409	22,865,964	1,526,587
2020 State Revolving Note CW #41	System Improvements	2.50%	2042	-	41,625,000	38,952,967	2,724,079
2021 State Revolving Note CW #43	System Improvements	2.00%	2044	-	18,500,000	17,931,230	1,124,581
2022 State Revolving Note CW #44	System Improvements	2.00%	2044	49,038,268	73,961,732	73,448,776	3,716,010
2023 State Revolving Note CW #45	System Improvements	1.25%	N/A	14,988,244	2,962,756	2,962,756	n/a
2024 State Revolving Note CW #46	System Improvements	2.75%	N/A	38,532,885	22,467,115	22,467,116	n/a
2024 State Revolving Note CW #47	System Improvements	3.00%	N/A	23,130,000	-	-	n/a
2024 State Revolving Note CW #48	System Improvements	3.25%	N/A	11,000,000	-	-	n/a
Total Water Reclamation				138,281,020	-	202,167,222	16,073,049
Public Parking							
Series 2018B Sales Tax	* Multi-Use Parking Ramp	3.51%	2032	-	18,540,000	11,930,000	1,877,774
Total Debt				147,134,745	-	225,597,222	25,720,823
Other Long-Term Liabilities							
Right to Use Leases - Business Type	Right to Use Assets	0.55%	2025	-	77,542	19,804	19,805
SBITA's - Business Type	Subscription Based IT Arrangements	2.68%	2026	-	36,152	18,345	8,981
Unamortized Bond Premium	Bond Issue	n/a	n/a	n/a	n/a	2,751,637	n/a
Total Debt				-	-	228,387,008	25,740,628
Vested Compensated Absences	Compensated Absences	n/a	n/a	n/a	n/a	3,978,318	n/a
Total Business-type Activities				\$ 147,134,745	-	\$ 232,365,326	\$ 25,740,628

* 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, 2024.

COMPONENT UNITS	Purpose	Interest Rate	Maturity Date	Not Issued Amount	Issue Amount	Amount Outstanding	Annual Debt Service
Housing Commission							
SDHDA Note	Affordable Housing	0.00%	2028	\$ -	\$ 695,690	\$ 116,438	\$ 31,345
Line of Credit	First Premier Bank	8.5-8.75%	2025	-	3,544,852	407,709	n/a
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	87,612	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	114,417	5,820
Sioux Falls Community Development	Affordable Housing	0.00%	2048	-	179,550	80,000	3,333
Sioux Falls Community Development	Affordable Housing	3.00%	2030	-	44,379	18,585	2,983
Sioux Falls Community Development	Affordable Housing	0.00%	2032	-	360,771	359,222	n/a
SD Housing Development Authority	Affordable Housing	0.00%	2035	-	161,880	131,074	90,000
SD Housing Development Authority	Affordable Housing	0.00%	2034	-	697,234	689,590	n/a
SD Housing Development Authority	Affordable Housing	2.00%	2025	-	124,027	62,014	62,014
SD Housing Development Authority	Affordable Housing	2.00%	2025	-	129,337	129,337	129,337
First Interstate Bank	Affordable Housing	4.95%	2027	-	40,000	19,900	3,132
Sioux Falls Community Development	Affordable Housing	0.00-3.00%	2027	-	60,000	18,864	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	341,000	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	75,328	12,172
SD Housing Development Authority	Affordable Housing	0.00%	2041	-	200,000	172,000	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	-	1,014,000	1,014,500	1,014,000
SD Housing Development Authority	Affordable Housing	2.00%	2027	-	30,304	30,304	30,304
SD Housing Development Authority	Affordable Housing	2.00%	2027	-	299,440	299,440	299,440
Total Mortgages				-	-	7,362,276	4,730,605
Vested Compensated Absences	Compensated Absences	n/a	n/a	n/a	n/a	95,681	58,047
Total Housing Commission				\$ -		\$ 7,982,104	\$ 4,819,997

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, 2024, are as follows:

PRIMARY GOVERNMENT	Purpose	Pledged Revenue Source	Approximate Amount of Revenue Pledged	Final Maturity Date	Issue Amount	2024 Principal and Interest Paid	Net Revenues	Total Principal and Interest Remaining
Governmental Activities								
Revenue Bonds & Notes								
Sales & Use Tax Fund								
Sales Tax Revenue Bonds	Libraries, Parks, Flood Control, Water System & Events Center, Public Safety Facility	Sales and Use Taxes	23%	2040	\$ 231,235,000	\$ 21,591,274	\$ 93,648,127	\$ 178,092,537
Housing Fund								
State Flex Funds	Rental Rehab Loans	Housing Revenues	0%	2025	600,000	-	3,116,686	600,000
Storm Drainage Fund								
State Revolving Notes	System Construction	Storm Drainage Revenues	14%	2032	12,519,069	1,323,518	9,659,936	7,847,618
Business-type Activities								
Revenue Bonds & Notes								
Water Reclamation								
State Revolving Notes	System Construction	Water Reclamation Revenues	43%	2044	249,644,384	12,118,888	28,470,540	180,749,193

Revenue Bonds Payable

Bonds payable at December 31, 2024, consist of four 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, 2024, are as follows:

Sales and Use Tax			
Year	Principal	Interest	Total
2025	\$ 10,490,000	\$ 4,738,578	\$ 15,228,578
2026	9,055,000	4,347,828	13,402,828
2027	9,380,000	4,022,378	13,402,378
2028	9,715,000	3,684,578	13,399,578
2029	10,075,000	3,325,484	13,400,484
2030-2034	48,260,000	10,554,226	58,814,226
2035-2039	17,355,000	3,231,000	20,586,000
2040	3,235,000	161,750	3,396,750
Totals	\$ 117,565,000	\$ 34,065,820	\$ 151,630,820

Water			
Year	Principal	Interest	Total
2025	4,100,000	575,000	4,675,000
2026	7,400,000	370,000	7,770,000
Totals	\$ 11,500,000	\$ 945,000	\$ 12,445,000

Notes to Financial Statements

Public Parking			
Year	Principal	Interest	Total
2025	\$ 1,090,000	\$ 420,301	\$ 1,510,301
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
2030-2032	5,215,000	394,363	5,609,363
Totals	\$ 11,930,000	\$ 2,086,717	\$ 14,016,717

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, 2024, 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 \$6,600,528 were received by the City and paid to project sponsors during 2024.

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
2025	\$ 1,252,990	\$ 71,300	\$ 1,324,290
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
2030-2032	1,206,942	19,225	1,226,167
Totals	\$ 7,598,930	\$ 248,688	\$ 7,847,618

The Storm Drainage Fund currently has \$5,767,331 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
2025	\$ 12,965,970	\$ 3,107,078	\$ 16,073,048
2026	13,198,852	2,874,196	16,073,048
2027	12,301,763	2,639,981	14,941,744
2028	10,213,475	2,445,109	12,658,584
2029	7,597,332	2,277,108	9,874,440
2030-2034	36,264,335	9,191,946	45,456,281
2035-2039	40,180,774	5,275,508	45,456,282
2040-2044	29,524,989	1,210,266	30,735,255
Totals	\$ 162,247,490	\$ 29,021,192	\$ 191,268,682
Issues With No Estimate Available	39,919,732		
Total	\$ 202,167,222		

The Water Reclamation Fund has \$127,281,020 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:

Water			
Beginning Balance	Additions	Debt Forgiven	Balance Ending
\$ -	\$ 2,062,693	\$ 2,062,693	\$ -

As of December 31, 2024, there was no balance due on this note.

Notes to Financial Statements

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
2025	\$ 4,033,505	\$ 100,018	\$ 4,133,523
2026	1,154,947	32,299	1,187,246
2027	572,128	11,939	584,067
2028	147,223	785	148,008
Totals	\$ 5,907,803	\$ 145,041	\$ 6,052,844
Enterprise Funds			
Year	Principal	Interest	Total
2025	\$ 19,804	\$ 68	\$ 19,872
Totals	\$ 19,804	\$ 68	\$ 19,872

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
2025	\$ 1,462,606	\$ 72,440	\$ 1,535,046
2026	1,098,153	31,611	1,129,764
2027	24,364	653	25,017
2028	7,991	54	8,045
Totals	\$ 2,593,114	\$ 104,758	\$ 2,697,872
Enterprise Funds			
Year	Principal	Interest	Total
2025	\$ 8,981	\$ 491	\$ 9,472
2026	9,364	251	9,615
Totals	\$ 18,345	\$ 742	\$ 19,087

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
2025	\$ 267,670	\$ 7,170	\$ 274,840
2026	78,054	51,535	129,589
2027	419,871	50,414	470,285
2028	61,299	42,669	103,968
2029	39,544	42,021	81,565
2029-2033	1,257,252	161,755	1,419,007
2034-2038	4,166,805	43,011	4,209,816
2039-2043	262,700	2,030	264,730
2044-2048	156,430	105	156,535
Thereafter	769,089	-	769,089
Totals	\$ 7,478,714	\$ 400,710	\$ 7,879,424

During 2024, the Housing Commission issued several lines of credit agreement with First Premier Bank with carrying interest rates between 8.5-8.75 percent and maturity dates ranging from April 10, 2025 to May 1, 2025. The outstanding balance as of September 30, 2024 is \$407,709.

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.

Notes to Financial Statements

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 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, 2024, the City has an available legal debt limit as follows:

2024 Assessed Actual Value Subject to Taxation:				\$25,673,135,709
Category	Legal Debt Limit		Net Bonded Debt Outstanding	Available Legal Debt Margin
	Percent	Amount		
General Purpose 1	5.0%	\$ 1,283,656,785	\$ 337,685,730	\$ 945,971,055
Special Purpose 2	10.0%	2,567,313,571	-	2,567,313,571
Special Purpose 3	8.0%	2,053,850,857	-	2,053,850,857
		<u>\$ 5,904,821,213</u>	<u>\$ 337,685,730</u>	<u>\$ 5,567,135,483</u>
Surcharge Debt Not Included in Legal Debt Limit			<u>10,266,143</u>	
Total Debt			<u>\$ 347,951,873</u>	

I. Leases and Subscription Agreements -

Leases - Lessee

As of December 31, 2024, the City had 173 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, 2024, the total combined value of the lease liability is \$5,927,607, the total combined value of the short-term lease liability is \$4,053,309. The combined value of the right to use asset, as of December 31, 2024 is \$10,268,618 with accumulated amortization of \$5,486,848 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, 2024, the City had nine active leases. The leases have receipts that range from \$1,000 to \$39,552 and interest rates that range from 0.24 percent to 3.31 percent. As of December 31, 2024, the total combined value of the lease receivable is \$1,467,629, the total combined value of the short-term lease receivable is \$117,554, and the combined value of the deferred inflow of resources is \$1,434,434. 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
2025	\$ 47,737	\$ 2,001	\$ 49,738
2026	48,672	1,288	49,960
2027	50,672	548	51,220
2028	7,877	123	8,000
2029	6,904	96	7,000
2030-2034	29,788	213	30,001
Totals	<u>\$ 191,650</u>	<u>\$ 4,269</u>	<u>\$ 195,919</u>
Enterprise Funds			
Year	Principal	Interest	Total
2025	\$ 69,817	\$ 23,667	\$ 93,484
2026	64,588	22,687	87,275
2027	71,691	21,686	93,377
2028	72,844	20,533	93,377
2029	74,024	19,352	93,376
2030-2034	421,309	77,307	498,616
2035-2039	398,810	38,982	437,792
2040-2042	102,896	4,280	107,176
Totals	<u>\$ 1,275,979</u>	<u>\$ 228,494</u>	<u>\$ 1,504,473</u>

Notes to Financial Statements

Subscription Arrangements

As of December 31, 2024, the City had 23 active subscriptions. The subscriptions have payments that range from \$776 to \$931,557 and interest rates that range from 2.33 percent to 3.10 percent. As of December 31, 2024, the total combined value of the subscription liability is \$2,611,459, and the total combined value of the short-term

subscription liability is \$1,471,586. The combined value of the right to use asset, as of December 31, 2024 of \$5,036,949 with accumulated amortization of \$1,775,526 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, 2024:

	General	Entertainment Tax	Sales and Use Tax	Housing	Storm Drainage	General Government Construction	Public Safety Facility Construction	Other Governmental Funds	Total
Fund balances:									
Nonspendable:									
Inventory	\$ 4,971,762	\$ -	\$ 4,506,845	\$ 51,213	\$ -	\$ -	\$ -	\$ -	\$ 9,529,820
Notes Receivable	1,000,000	-	-	41,301	-	-	-	-	1,041,301
Prepays	83,077	-	-	-	-	-	-	-	83,077
Permanent Fund Principal	-	-	-	-	-	-	-	26,767	26,767
Total Nonspendable	6,054,839	-	4,506,845	92,514	-	-	-	26,767	10,680,965
Restricted for:									
Debt Service	-	-	16,968,113	-	-	-	-	22	16,968,135
Park and Recreation	163,962	-	1,553,700	-	-	-	-	-	1,717,662
Police	5,169	-	110,692	-	-	-	-	-	115,861
Health	2,642,297	-	-	-	-	-	-	-	2,642,297
Library	31,721	-	115,000	-	-	-	-	23,039	169,760
Community Development	-	-	-	35,203,288	-	-	-	-	35,203,288
Heroic Awards	-	-	-	-	-	-	-	4,110	4,110
Public Safety Facility Building	-	-	-	-	-	-	1,213,825	-	1,213,825
Storm Drainage	-	-	-	-	14,811,957	-	-	-	14,811,957
Other Capital Projects	-	-	-	-	5,922,876	-	-	-	5,922,876
Total Restricted	2,843,149	-	18,747,505	35,203,288	20,734,833	-	1,213,825	27,171	78,769,771
Committed to:									
Operating Agreements	2,900,771	11,851,186	-	-	-	-	-	-	14,751,957
Entertainment Venues	-	18,968,421	-	-	-	-	-	-	18,968,421
Other Capital Projects	-	-	75,252,817	-	-	-	-	-	75,252,817
Total Committed	2,900,771	30,819,607	75,252,817	-	-	-	-	-	108,973,195
Assigned to:									
Transit System	-	-	-	-	-	-	-	13,877,938	13,877,938
911 Dispatch	-	-	-	-	-	-	-	2,721,356	2,721,356
2025 Budget	6,794,651	-	-	-	-	-	-	-	6,794,651
Total Assigned	6,794,651	-	-	-	-	-	-	16,599,294	23,393,945
Unassigned:									
	74,345,494	-	-	-	-	-	-	-	74,345,494
Total Fund Balances	\$ 92,938,904	\$ 30,819,607	\$ 98,507,167	\$ 35,295,802	\$ 20,734,833	\$ -	\$ 1,213,825	\$ 16,653,232	\$ 296,163,370

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, 2024, was \$900,945 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 \$1,480,000 from the County for operations during 2024. All activities of the library system are recorded in the General Fund.

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.

Notes to Financial Statements

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 \$2,496,760 and \$2,050,000, 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, 2024, the City has commitments on construction projects totaling \$303,241,965 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, securing 28.01 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 per day for a total of 34 MGD to supplement the City's water supply needs. The City of Sioux Falls' portion is \$48,798,902 for the expansion project, which includes both the Lewis & Clark Expansion and the Lewis & Clark Raw Water Expansion. Completion of the expansion is expected by 2031. Lewis & Clark is also planning construction of a 2nd Collector Well at Site C. Completion is planned for 2028. The City of Sioux Falls' portion of this project is \$1,807,711, payable in 2026 and 2027.

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 and Clark and the City shows that the City has fully utilized its interim true-up credit. Sioux Falls owes \$6,235,147.68 (as of 2/11/2025) toward the final true-up on the base system, indexed for inflation on Oct. 1, 2024. The City of Sioux Falls plans to make full payment of this Final True-Up in 2027. The final amount will continue to change, based on indexing due to inflation.

Construction of the base system is 95 percent complete, with the City having started to receive water from the System on July 30, 2012. The City is committed to purchasing a minimum of 2.75 million gallons of water per day.

The City pays a capacity charge of \$0.64 per 1000 gallons of available capacity and a volumetric charge of \$0.73 per 1000 gallons for water purchased. If the City uses 100 percent of its capacity, the effective rate is \$1.37 per 1000 gallons. Sioux Falls' effective rate varied from \$1.18 per 1000 gallons in August 2024 to \$1.47 per 1000 gallons in January 2024, with a yearly average of \$1.28 per 1000 gallons for 2024.

In 2024, the City received a daily average of 14.39 MGD (million gallons per day), with a peak day of 21.641 million gallons occurring on July 29, 2024. A total of 5.265 billion gallons of water was purchased for the year ending December 31, 2024.

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.

Notes to Financial Statements

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 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, 2024, is as follows:

CHANGE IN LIABILITY	
	Amount
Balance at January 1	\$ 11,830,031
Change in liability due to usage and revision of estimates	543,795
Balance at December 31	<u>\$ 12,373,826</u>

As of December 31, 2024, the City estimate is as follows:

Site	Used to date	Recognized Liability	Remaining	
			Liability	Life (Years)
Sioux Falls Regional Sanitary Landfill	47.6%	<u>\$ 12,373,826</u>	<u>\$ 13,626,312</u>	50.0
Totals		<u>\$ 12,373,826</u>	<u>\$ 13,626,312</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 \$12.4 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, no funds had been drawn and no bonds have been sold in relation to this approval.

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:

	2023	2024
Balance January 1	\$ 2,000,000	\$ 2,800,000
Claims incurred during the year	21,659,829	22,745,879
Payments on claims during the year	(20,859,829)	(23,745,879)
Balance December 31	<u>\$ 2,800,000</u>	<u>\$ 1,800,000</u>

The Workers' Compensation Fund has total assets and total deferred outflows of resources of \$5,541,824 at December 31, 2024, which will be used to pay current expenses of the fund. The fund has total liabilities and deferred inflows of resources of \$3,802,594 which includes a loss reserve liability of \$3,756,330 for those claims incurred as of December 31, 2024, 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. 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

Notes to Financial Statements

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, 2024, there were two series of Industrial Revenue/Economic Development Bonds outstanding with an aggregate principal amount payable of \$45.6 million.

Note 9—Fair Value

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

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.

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Pooled Cash				
Money Market Mutual Funds	\$ 58,835,898	\$ -	\$ -	\$ 58,835,898
U.S. Treasury Securities	-	316,496,104	-	316,496,104
Total Debt Service Trust Investments	\$ 58,835,898	\$ 316,496,104	\$ -	\$ 375,332,001
Debt Service Trust				
Money Market Mutual Funds	\$ 23,959,061	\$ -	\$ -	\$ 23,959,061
U.S. Treasury Securities	-	233,924	-	233,924
Total Debt Service Trust Investments	\$ 23,959,061	\$ 233,924	\$ -	\$ 24,192,985
Pension Investments				
Money Market Mutual Funds	\$ 30,134,948	\$ -	\$ -	\$ 30,134,948
Domestic Stocks	60,320,750	-	-	60,320,750
Foreign Stocks	4,526,041	-	-	4,526,041
U.S. Treasury Securities	-	68,609,346	-	68,609,346
Corporate Obligations	-	38,436,693	-	38,436,693
Foreign Obligations	-	12,653,714	-	12,653,714
Municipal Issues	-	8,828,060	-	8,828,060
Equity Funds	-	213,658,970	-	213,658,970
Partnership/Joint Ventures	-	-	59,849,208	59,849,208
Collective Investment Funds	-	-	334,778,643	334,778,643
	\$ 94,981,739	\$ 342,186,783	\$ 394,627,851	\$ 831,796,374
Investments measured at the net asset value (NAV)				
Pooled Cash Account				
South Dakota FIT	\$ 12,817,851			

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 Pooled Cash Account	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
South Dakota FIT	\$ 12,817,851	-	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, 2024, that was not available to the City was \$6,600,528.

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 \$11,851,186.

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 \$2,900,771.

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.

Notes to Financial Statements

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, 2024, the date of the last actuarial valuation:

	CERS	CFPF
Retirees and beneficiaries receiving benefits	783	191
Vested former members not yet receiving benefits	90	7
Active plan members	<u>423</u>	<u>103</u>
Total	<u>1,296</u>	<u>306</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 2024, 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
2015	\$ 11,397,261	\$ 11,417,873	100%
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%

CFPF			
	Computed Annual Required Contributions	Actual Contributions	Percentage Contributed
2015	\$ 4,484,256	\$ 4,484,256	100%
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%

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

Notes to Financial Statements

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, 2024:

December 31, 2024	
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, 2024, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.35 percent for the CERS and 10.36 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, 2024, were as follows:

	CERS	CFPF
Total Pension Liability	\$ 597,453,464.00	\$ 215,848,454.00
Plan Fiduciary Net Position	(622,519,532)	(226,200,024)
Net Pension Liability (Asset)	\$ (25,066,068.00)	\$ (10,351,570.00)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.20%	104.80%
Net Pension Liability (Asset) as a percentage of Covered Payroll	-66.30%	-96.84%

Changes in the Net Pension Liability (Asset) at December 31, 2024, are as follows:

Total Pension Liability (TPL)	CERS	CFPF
Service Cost	\$ 6,364	\$ 2,875
Interest on the Total Pension Liability (TPL)	39,605	14,435
Benefit Changes	-	-
Actual versus expected TPL #	4,841	(644)
Assumption Changes	-	-
Benefit Payments and Refunds	(31,919)	(11,177)
Net Change in Total Pension Liability	18,891	5,489
Total Pension Liability - Beginning	\$ 578,562	\$ 210,359
Total Pension Liability - Ending (a)	\$ 597,453	\$ 215,848
Plan Fiduciary Net Position		
Employer Contributions	\$ 10,173	\$ 4,053
Employee Contributions	2,553	1,129
Pension Plan Net Investment Income	59,159	21,475
Benefit Payments and Refunds	(31,919)	(11,177)
Pension Plan Administrative Expense	(245)	(154)
Other	-	-
Net Change in Plan Fiduciary Net Position	39,721	15,326
Plan Fiduciary Net Position - Beginning	582,799	210,874
Plan Fiduciary Net Position - Ending (b)	\$ 622,520	\$ 226,200
Net Pension Liability (Asset) - Ending (a) - (b)	\$ (25,067)	\$ (10,352)

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

For the year ended December 31, 2024, the City recognized pension expense of \$0.4 million, which included total pension expense of \$10.6 net of contributions totaling \$10.2 million for the CERS plan. The City recognized pension income of \$2.2 million, which included total pension expense of \$1.9 million net of contributions totaling \$4.1 million for the CFPF plan. At December 31, 2024, 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	\$ 5,339,084	\$ 1,745,768	\$ -	\$ 960,915
Changes of Assumptions	650,770	-	-	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	9,702,115	-	3,466,769	-
Total	\$ 15,691,969	\$ 1,745,768	\$ 3,466,769	\$ 960,915

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:

	CERS	CFPF
Year Ended December 31:		
2025	\$ 10,629,579	\$ 2,089,716
2026	17,581,491	5,591,469
2027	(10,456,257)	(3,789,534)
2028	(3,808,612)	(1,385,797)
Thereafter	-	-
Total	\$ 13,946,201	\$ 2,505,854

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, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Notes to Financial Statements

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, 2024, 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, 2024			
CERS	6.00%	7.00%	8.00%
Total Pension Liability	\$ 671,146,923	\$ 597,453,464	\$ 535,798,464
Plan Fiduciary Net Position	(622,519,532)	(622,519,532)	(622,519,532)
Net Pension Liability (Asset)	\$ 48,627,391	\$ (25,066,068)	\$ (86,721,068)
CFPF			
Total Pension Liability	\$ 242,040,422	\$ 215,848,454	\$ 193,907,083
Plan Fiduciary Net Position	(226,200,024)	(226,200,024)	(226,200,024)
Net Pension Liability (Asset)	\$ 15,840,398	\$ (10,351,570)	\$ (32,292,941)

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 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

Notes to Financial Statements

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, 2024, 2023, and 2022, the cost to the City was \$4,562,505, \$3,695,166, and \$3,137,645 respectively.

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

At June 30, 2024, SDRS is 100.0 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, 2024, and reported by the City as of December 31, 2024, are as follows:

Proportionate Share of Net Pension Liability	\$	371,164,705
Less Proportionate Share of Net Pension Restricted for Pension Benefits		(371,265,419)
Proportionate Share of Net Pension Liability (Asset)	\$	(100,714)

On December 31, 2024, the City reported an asset of \$100,715 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2024, 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, 2024, the City's proportion was 2.487989 percent, which was an increase of 0.071988 percent from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the City recognized pension expense of \$1,978,969. On December 31, 2024, 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	\$ 9,326,106	\$ -
Changes of Assumptions	1,660,464	12,656,995
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	3,793,604	-
Changes in proportion and difference between City contributions and proportionate share of contributions	339	622,171
City contributions subsequent to the measurement date	2,438,560	-
Total	\$ 17,219,073	\$ 13,279,166

There is \$2,438,559 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:	
2025	\$ (3,830,974)
2026	4,625,345
2027	413,250
2028	293,727
Total	\$ 1,501,348

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

Notes to Financial Statements

Actuarial Assumptions

The total pension asset in the June 30, 2024, 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	1.71 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, 2024 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, 2024 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	56.3%	3.6%
Investment Grade Debt	22.8%	2.3%
High Yield Debt	7.0%	2.8%
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-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)	\$51,176,984	\$ (100,715)	\$ (42,061,843)

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, 2024, the City reported the following aggregate totals for all pension plans:

Notes to Financial Statements

Accumulated Totals for SDRS, CERS and CFPF Plans	
Total Net Pension Asset (Liability)	\$ 35,518,352
Total Deferred Outflows of Resources	36,377,811
Total Deferred Inflows of Resources	15,985,849
Total Pension Expense	14,415,417

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 32 inactive employees as of December 31, 2024, 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 2024 the amount of the stipend was \$53.76 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, 2024.

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, 2024 valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified.

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, 2024

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

Notes to Financial Statements

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, 2023	\$ 497,592	\$ 3,652,139	\$ (3,154,547)
Changes for the Year			
Service Cost	\$ -	\$ -	\$ -
Interest on the Total Pension Liability (TPL)	13,648	-	13,648
Benefit Clarification	-	-	-
Difference between expected and actual experience of the Total OPEB Liability	(154,657)	-	(154,657)
Contributions Employer	-	30	(30)
Assumption Changes	-	-	-
OPEB Plan Net Investment Income	-	166,332	(166,332)
Benefit Payments and Refunds	(85,319)	(85,319)	-
Net Change in Total OPEB Liability	(226,328)	81,043	(307,371)
Balance at December 31, 2024	\$ 271,264	\$ 3,733,182	\$ (3,461,918)

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)	\$ (3,458,725)	\$ (3,461,918)	\$ (3,465,016)

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

The following presents the net OEPB (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	\$ (3,468,704)	\$ (3,461,918)	\$ (3,455,002)

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

For the year ended December 31, 2024, the City recognized OPEB expense of \$88,397. At the December 31, 2024, 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	-	14,918
Total	\$ -	\$ 14,918

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:	
2025	\$ 21,765
2026	1,779
2027	(26,851)
2028	(11,611)
2029	-
Thereafter	-
Total	\$ (14,918)

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

Notes to Financial Statements

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

Note 13 —Adjustments To and Restatements of Beginning Balances

Change in Accounting Principle

As of January 1, 2024 the City adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a

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, 2024, 2023, and 2022, the cost to the Commission was \$51,161, \$58,938, and \$58,938, respectively.

compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of this change in accounting principle is described in column B of the table below.

The Housing and Redevelopment Commission changed accounting estimates in relation to accumulated depreciation, resulting in an increase in net position shown in column C below.

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances				
	1/1/2024 As Previously Reported	Change in Accounting Principle (B)	Change in Accounting Estimate (C)	1/1/2024 As Restated
Government-Wide				
Governmental Activities	\$ 1,740,970,041	\$ (13,305,519)	\$ -	\$ 1,727,664,522
Business-Type Activities	781,962,887	(1,640,223)	-	780,322,664
Total Primary Government	<u>\$ 2,522,932,928</u>	<u>\$ (14,945,742)</u>	<u>\$ -</u>	<u>\$ 2,507,987,186</u>
Proprietary Funds				
Power and Distribution	\$ 33,050,600	\$ (42,354)	\$ -	\$ 33,008,246
Public Parking	13,480,338	(58,893)	-	13,421,445
Sanitary Landfill	38,405,731	(175,399)	-	38,230,332
Water	376,868,093	(643,514)	-	376,224,579
Water Reclamation	314,966,761	(720,063)	-	314,246,698
Total Proprietary Funds	<u>\$ 776,771,523</u>	<u>\$ (1,640,223)</u>	<u>\$ -</u>	<u>\$ 775,131,300</u>
Internal Service Funds				
Fleet Revolving	<u>\$ 33,148,868</u>	<u>\$ (202,170)</u>	<u>\$ -</u>	<u>\$ 32,946,698</u>
Component Unit				
Housing and Redevelopment Commission	<u>\$ 4,550,940</u>	<u>\$ -</u>	<u>\$ 28,875</u>	<u>\$ 4,579,815</u>

Note 14 —Special Item

Transfer of Component Unit Operations

In October 2023, the City Council in agreement with Minnehaha County approved Metro Communications to dissolve operations as its own separate entity and become part of the City operations. Due to this legislation change, Metro Communications is part of the City and is no longer a discretely presented component unit. The transfer of these operations was shown as a special item in the current year non-major, governmental and government-wide financial statements.

All values transferred from Metro Communications were deemed accurate and fair upon transfer with the exception of the governmental fund current liabilities and fund balance. The ending liabilities reported on December 31, 2023 were \$873,063 compared to the amount transferred on January 1, 2024 was \$1,476,646. The ending fund balance reported as of December 31, 2023 was \$2,093,388 whereas the amount transferred on January 1, 2024 was \$1,489,805. This difference of \$603,853 was due to the timing of payments received from the State and County. In accordance with the City policy on the availability of

revenue within governmental funds, these amounts were considered to be unearned revenues and not revenues whereas with Metro Communications these were considered to be revenues based on its own policies.

In accordance with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, paragraph 56, the City is required to disclose certain items being transferred from the prior component unit. These amounts are disclosed as follows:

Items Transferred From Metro Communications to the City of Sioux Falls		
	Government- Wide	Governmental Funds
Assets		
Current Assets	\$ 2,966,451	\$ 2,966,451
Other Assets	14,578	-
Capital Assets	2,407,564	-
Total Assets	<u>5,388,593</u>	<u>2,966,451</u>
Deferred Outflows of Resources	<u>1,118,024</u>	<u>-</u>
Liabilities		
Current Liabilities	873,063	1,476,646
Long Term Liabilities	340,505	-
Total Liabilities	<u>1,213,568</u>	<u>1,476,646</u>
Deferred Inflows of Resources	<u>742,314</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	2,407,564	-
Nonspendable	-	43,537
Restricted	14,578	-
Unrestricted/unassigned	<u>2,128,593</u>	<u>1,446,268</u>
Total Net Position/Fund Balance	<u>\$ 4,550,735</u>	<u>\$ 1,489,805</u>

Notes to Financial Statements - Fiduciary Funds Statement of 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	\$ 33,777,625	\$ 11,600,576	\$ 3,707,701	\$ 49,085,902	\$ 335,556
Receivables:					
Contribution	305,205	132,222	-	437,427	-
Interest	953,510	331,501	25,481	1,310,492	-
Total Receivables	1,258,715	463,723	25,481	1,747,919	-
Investments at Fair Value:					
US Government	50,636,839	17,972,507	-	68,609,346	-
Corporate Obligations	28,374,565	10,062,127	-	38,436,692	-
Foreign Obligations	9,231,881	3,421,833	-	12,653,714	-
State and Local Obligations	6,501,914	2,326,147	-	8,828,061	-
Domestic Stocks	44,147,989	16,172,761	-	60,320,750	-
Foreign Stocks	3,305,558	1,220,483	-	4,526,041	-
Index Funds:					
Equity	205,311,096	75,299,862	-	280,610,958	-
Government / Corporate Bonds	40,041,005	14,126,679	-	54,167,684	-
Mutual Funds:					
Foreign Equity	108,688,528	40,146,813	-	148,835,341	-
Domestic Equity	17,651,153	6,699,783	-	24,350,936	-
Fixed Income	29,614,165	10,858,527	-	40,472,692	-
Real Estate	44,005,088	15,844,121	-	59,849,209	-
Total Investments	587,509,781	214,151,643	-	801,661,424	-
Total Assets	622,546,121	226,215,942	3,733,182	852,495,245	335,556
Liabilities					
Accounts Payable	22,300	13,240	-	35,540	-
Accrued Wages	4,289	2,678	-	6,967	-
Total Liabilities	26,589	15,918	-	42,507	-
Net Position					
Restricted for Pension	\$ 622,519,532	\$ 226,200,024	\$ -	\$ 848,719,556	\$ -
Restricted for Post Employment Health Care Benefits	-	-	3,733,182	3,733,182	-
Restricted for Police Evidence and Found Property	-	-	-	-	335,556
Total Net Position	\$ 622,519,532	\$ 226,200,024	\$ 3,733,182	\$ 852,452,738	\$ 335,556

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	\$ 10,172,827	\$ 4,053,561	\$ -	\$ 14,226,388	\$ -
Plan Members	2,553,032	1,129,325	-	3,682,357	-
Total Contributions	12,725,859	5,182,886	-	17,908,745	-
Investment Income (Loss)	60,133,549	21,873,119	166,332	82,173,000	-
Less Investment Expense	974,915	398,179	-	1,373,094	-
Net Investment Income (Loss)	59,158,634	21,474,940	166,332	80,799,906	-
Police Funds Received into Custody	-	-	-	-	158,025
Total Additions	71,884,493	26,657,826	166,332	98,708,651	158,025
Deductions					
Benefit Payments					
Pension	31,842,506	11,176,986	-	43,019,492	-
Health Premiums	-	-	85,289	85,289	-
Total Benefit Payments	31,842,506	11,176,986	85,289	43,104,781	-
Police Funds Released from Custody	-	-	-	-	101,263
Refunds	76,012	-	-	76,012	-
Administrative Expense	245,177	154,346	-	399,523	-
Total Deductions	32,163,695	11,331,332	85,289	43,580,316	101,263
Change in Net Position	39,720,798	15,326,494	81,043	55,128,335	56,762
Total Net Position, January 1	582,798,734	210,873,530	3,652,139	797,324,403	278,794
Total Net Position, December 31	<u>\$ 622,519,532</u>	<u>\$ 226,200,024</u>	<u>\$ 3,733,182</u>	<u>\$ 852,452,738</u>	<u>\$ 335,556</u>

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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June __, 2025

City of Sioux Falls
Sioux Falls, South Dakota

**Re: \$_____ City of Sioux Falls, South Dakota
 Junior Lien Sales Tax Revenue Bonds, Series 2025A**

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 amount of \$_____ (the “Series 2025A 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 2025A Bonds, including (i) the form of the Series 2025A Bonds, (ii) Ordinance No. 01-25 adopted by the City Council on January 14, 2025, (iii) a Junior Lien Indenture of Trust, dated as of May 1, 2025 (the “Junior Lien Indenture”), (iv) an opinion of the office of the City of Sioux Falls Attorney with respect to certain matters of South Dakota law, and (v) 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.

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 2025A Bonds are valid and binding special obligations of the City enforceable in accordance with their terms. The Series 2025A 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 2025A Bonds are payable from the collections of certain local sales taxes constituting the Pledged Sales Taxes, as defined in the Junior Lien Indenture, pledged to the payment thereof.

3. The payment of the Series 2025A 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 2025A Bonds and any additional Bonds and Parity Obligations issued on a parity with the Series 2025A 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 2025A 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. 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 2025A 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.

5. 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 2025A Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. Interest on the Series 2025A 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 2025A Bonds to be included in gross income, in some cases retroactively to the date of issuance of the Series 2025A Bonds. Ownership of the Series 2025A 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 2025A Bonds.

6. Interest on the Series 2025A 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 2025A Bonds, the application of the

proceeds of the Series 2025A Bonds and certain other matters pertinent to the tax-exempt status of the Series 2025A 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 2025A 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,

PERKINS COIE 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 2025A 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 and acceptable to the Trustee;

Bond Fund: the fund so designated in Section 5.3 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 and acceptable to the Trustee, 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 designated by the Trustee, 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 2025A 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 2025A Bonds: as defined in the Official Statement;

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.

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 2025A 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 2025A 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 2025A Bonds, in a Continuing Disclosure Agreement, dated as of March 1, 2018, between the City and the Trustee, as 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 2025A 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 2025A Bondowner” means, in respect of a Series 2025A 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 2025A 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 2025A Bond (including persons or entities holding Series 2025A Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Series 2025A 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 2025A 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 2025A 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 180 days after the end of each fiscal year, it will deliver to the Trustee 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 Trustee 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 2025A Bonds, or other material events affecting the tax-exempt status of the Series 2025A 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 2025A Bonds, the events listed in clauses (4) and (5) may not be applicable.

The City also agrees to notify the Trustee promptly of any change in the 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 Trustee 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 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 Trustee 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 Trustee under the Continuing Disclosure Agreement, within 180 days after the fiscal year, 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 2025A Bonds, to the MSRB and to the State Depository, if any; and

(f) any Other Event reported by the City to the Trustee, to the MSRB and the State Depository, if any.

At the written request of the City, the Trustee is also to furnish promptly to the Repositories a copy of any other information provided by the City 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 described under “Disclosure of Information” above.

Term

The Continuing Disclosure Agreement is to remain in effect so long as any Series 2025A Bonds are Outstanding. The Continuing Disclosure Agreement is to terminate, however, as of any date on which the City delivers to the Trustee 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 Trustee

The City will agree to pay reasonable compensation of the Trustee for, and all costs and expenses of the Trustee 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 Trustee 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 Trustee’s disclosure of information pursuant to the Continuing Disclosure Agreement unless caused by the willful misconduct or negligence of the Trustee in such disclosure of information.

Defaults, Remedies

Failure of the City or the Trustee 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 2025A 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 2025A 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 Trustee 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 Trustee 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 Trustee 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 2025A Bonds in a writing executed by the City and the Trustee (and the consent of the Trustee 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 2025A 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.

APPENDIX G

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

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NOTICE OF SALE
\$23,935,000* CITY OF SIOUX FALLS, SOUTH DAKOTA
JUNIOR LIEN SALES TAX REVENUE BONDS, SERIES 2025A

NOTICE IS HEREBY GIVEN that these Series 2025A Bonds will be offered for sale according to the following terms:

TIME AND PLACE

Electronic proposals will be received for the purchase of \$23,935,000* City of Sioux Falls, South Dakota Junior Lien Sales Tax Revenue Bonds, Series 2025A (the “Series 2025A Bonds”) by the City of Sioux Falls, South Dakota (the “City”) on Tuesday, June 3, 2025 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 2025A 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 2025A Bonds or the terms of the Series 2025A 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) 987-5370, 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 2025A Bonds, will be announced via PARITY® at least 18 hours prior to the time proposals are to be submitted for the Series 2025A 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 2025A Bonds regardless of the manner by which the bid is submitted.

No proposal will be received after 10:15 A.M. Central Time on Tuesday, June 3, 2025, 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 2025A Bonds are special limited obligations of the City and payments of principal, premium, if any, and interest related to the Series 2025A 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 2025A 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 2025A Bonds.

DATE, MATURITIES, AND REDEMPTION

The Series 2025A Bonds will be dated originally as of the delivery date (anticipated to be on or about June 17, 2025), 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>
2026	\$1,900,000
2027	2,000,000
2028	2,100,000
2029	2,205,000
2030	2,315,000
2031	2,430,000
2032	2,550,000
2033	2,675,000
2034	2,810,000
2035	2,950,000

*Preliminary, subject to adjustment.

TERM BOND OPTION

Proposals for the Series 2025A 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, 2025. 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 2025A 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 2025A Bonds caused thereby.

BOOK-ENTRY-ONLY SYSTEM

The Series 2025A 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 2025A 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 2025A 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 2025A Bonds.

TYPE OF PROPOSAL

Proposals for not less than \$23,743,520 (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, 2036 may not bear an interest rate less than 5.00%. All Series 2025A 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 2025A 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 2025A Bonds in multiples of \$5,000. In the event the par amount or the maturity amounts of the Series 2025A 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 2025A 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 2025A Bonds) remains constant.

GOOD FAITH DEPOSIT

The successful proposer (the “Purchaser”) is required to submit a good faith deposit in the amount of \$239,350 (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 2025A 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 2025A 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 2025A Bonds will be awarded by lot.

Upon award of the Series 2025A Bonds, the successful proposer shall advise the City of the initial reoffering price to the public of the Series 2025A Bonds. Simultaneously with or before delivery of the Series 2025A 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 2025A 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 2025A 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 June 17, 2025, the Series 2025A Bonds will be delivered without cost to the Purchaser. Delivery will be subject to receipt by the Purchaser of the legal opinion of Perkins Coie LLP and of customary closing papers. On the date of settlement, payment for the Series 2025A 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 2025A 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 2025A 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 Certificate, 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 May 23, 2025, 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 2025A 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 2025A Bonds. The Final Official Statement will be the Official Statement to be dated June 3, 2025 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 [DATE].

(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 ([DATE]), 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 [DATE].

(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: June 3, 2025

For all or none of the principal amount \$23,935,000* City of Sioux Falls, South Dakota Junior Lien Sales Tax Revenue Bonds, Series 2025A, legally issued and as described in the Notice of Sale, we will pay the City \$_____ (not less than \$23,743,520), provided the Series 2025A Bonds bear the following interest rates:

<u>Due (November 15)</u>	<u>Amount*</u>	<u>Interest Rate</u>
2026	\$1,900,000	_____ %
2027	2,000,000	_____ %
2028	2,100,000	_____ %
2029	2,205,000	_____ %
2030	2,315,000	_____ %
2031	2,430,000	_____ %
2032	2,550,000	_____ %
2033	2,675,000	_____ %
2034	2,810,000	_____ %
2035	2,950,000	_____ %

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 2025A 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, 2025.

In making this offer, we accept the terms and conditions as defined in the Notice of Sale published in the Preliminary Official Statement dated May 23, 2025. 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 \$239,350 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 2025A 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 2025A 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 2025A 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 3rd day of June, 2025.

Mayor

[Director of Finance or Assistant Director of Finance]