SOUTH DAKOTA BUILDING AUTHORITY

2026
ANNUAL REPORT

SOUTH DAKOTA BUILDING AUTHORITY

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Chairman

Douglas Hajek,
Vice Chairman

Tina Van Camp,
Secretary

Julie Bartling

James Breckenridge

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Executive Secretary

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RUSSELL A. OLSON
AUDITOR GENERAL

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

The Honorable Larry Rhoden
Governor of South Dakota

and

Board of Directors
South Dakota Building Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the South Dakota Building Authority (SDBA), a component unit of the State of South Dakota, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the SDBA's basic financial statements, and have issued our report thereon dated October 9, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SDBA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SDBA's internal control. Accordingly, we do not express an opinion on the effectiveness of the SDBA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

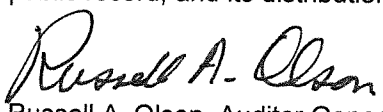
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record, and its distribution is not limited.



Russell A. Olson, Auditor General
Pierre, South Dakota

October 9, 2026

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RUSSELL A. OLSON
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

The Honorable Larry Rhoden
Governor of South Dakota

and

Board of Directors
South Dakota Building Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the South Dakota Building Authority (SDBA), a component unit of the State of South Dakota, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the SDBA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the SDBA as of June 30, 2026, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the SDBA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the South Dakota Building Authority has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements, for the year ended June 30, 2026. Accordingly, revenues and expenses have been reclassified within the statement of revenues, expenses, and changes in fund net position to comply with the new reporting model. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the SDBA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SDBA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SDBA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *the Management's Discussion and Analysis* on pages 9-12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency

with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the SDBA's basic financial statements. The Schedule of Cash and Investments and the Schedule of Building Authority Fund Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Cash and Investments and the Schedule of Building Authority Fund Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of the Board of the South Dakota Building Authority and the Schedule of Projects Financed and Bonds Refunded but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2026 on our consideration of the SDBA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SDBA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDBA's internal control over financial reporting and compliance.



Russell A. Olson, Auditor General
Pierre, South Dakota

October 9, 2026

Overview of the Financial Statements:

The discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements. The Fund's basic financial statements include: 1) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the Financial Statements. The report also contains supplementary information relating to the Schedule of Cash and Investments and the Schedule of Building Authority Fund Expenses.

The State of Net Position presents information on all Fund's assets and liabilities, with the difference between the two reported as net position.

The Statement of Revenues, Expenses and Change in Net Position presents information showing how the Fund's net position changed during the most recent fiscal year.

The State of Cash Flows presents the Fund's flows of cash by defined categories. The primary purpose of the Statement of Cash Flows is to provide information about the Fund's cash receipts and payments during the year.

The Notes to the Financial Statements are an integral part of the financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements.

Effective FY-26, the Fund implemented GASB 103, which updates the Proprietary fund reporting model by refining operating vs. non-operating definitions, reclassifying financing-related items as non-operating, requiring new subtotals for non-capital subsidies, and revising the order of revenues and expenses in the Statement of Revenues, Expenses and Changes in Fund Net Position. As a result, FY-26 financial statements are not directly comparable to prior issued financial statements. Interest expense and bond issuance costs, previously reported as operating, are now non-operating, significantly affecting operating income and loss. FY-25 amounts have been revised for comparability.

Financial Summary:

Changes in Assets, Liabilities and Net Position
(in thousands of dollars)

	2026	2025	$ Change	% Change
Assets:				
Total assets	$ 221,808.3	$241,868.1	$ (20,059.8)	(8.3%)
Deferred outflows:				
Deferred amounts of refunding of debt	7,065.2	7,909.5	(844.3)	(10.7%)
Liabilities:				
Other liabilities	24,870.2	24,233.9	636.3	2.6%
Long-term liabilities	219,211.4	240,919.8	(21,708.4)	(9.0%)
Total liabilities	244,081.6	265,153.7	(21,072.1)	(7.9%)
Deferred inflows:				
Deferred amount of refunding of debt	8.1	51.2	(43.1)	(84.2%)
Unrestricted net position	(15,216.2)	(15,427.3)	211.1	1.4%
Total net position	($ 15,216.2)	($ 15,427.3)	$ 211.1	1.4%

Changes in Revenues, Expenses and Fund Net Position
(in thousands of dollars)

	2026	2025	$ Change	% Change
Operating revenues:				
Finance income on amounts due from State	$ 8,155.8	$ 11,371.4	($ 3,215.6)	(28.3%)
Fees, charges and other income	803.6	807.7	(4.1)	(0.5%)
Total operating revenues	8,959.4	12,179.1	(3,219.7)	(26.4%)
Operating expenses:				
Administrative costs	711.1	677.2	33.9	5.0%
Total operating expenses	711.1	677.2	33.9	5.0%
Operating income	8,248.3	11,501.9	(3,253.6)	(28.3%)
Total noncapital subsidies	(229.0)	(211.7)	(17.3)	(8.2%)
Operating income and noncapital subsidies	8,019.3	11,290.2	(3,270.9)	(29.0%)
Other non-operating revenues/(expenses):				
Interest expense	(7,712.5)	(8,079.9)	367.4	(4.5%)
Loss from moving construction in progress to amounts due from State	(144.6)	0.0	(144.6)	N/A
Cost of issuance	0.0	(173.3)	173.3	(100.0%)
Fund equity contributions	0.0	69.2	(69.2)	(100.0%)
Investment income	48.9	33.9	15.0	(44.2%)
Total non-operating revenues/(expenses)	(7,808.2)	(8,150.1)	341.9	4.2%
Income /(loss) before unusual or infrequent items	211.1	3,140.1	(2,929.0)	(93.3%)
Unusual or infrequent items:				
Receipt from State for future debt service	0.0	5,110.7	(5,110.7)	(100.0%)
Change in net position	211.1	8,250.8	(8,039.7)	97.4%
Ending net position	($ 15,216.2)	($ 15,427.3)	$ 211.1	1.4%

Detailed analysis:

For FY 2026, the Authority did not issue any new money bonds and paid construction costs of $75,000. The interest proration increased significantly due to the funds received in FY-25 from Senate Bill 56. There were no bonds issued in FY-26. Construction funds were completely spent and all current projects are completed.

Significant capital asset and long-term financing activity:

The Authority is authorized to issue revenue bonds, notes or other obligations on behalf of state institutions for the purpose of the constructing, equipping and improving of facilities or the refinancing of outstanding debt.

The Authority did not issue any bonds in FY 2026.

The Authority paid at maturity, bonds totaling $21.4 million in FY 2026.

The Authority's bonds are rated AA+ by Standard and Poor's and Aa1 by Moody's Investor Service. The Series 2022B bond is unrated.

More detailed information about the Authority's debt can be found in Note 5, Bonds Payable.

Currently known facts, decisions or conditions:

There are no currently known facts, decisions or conditions that are expected to have significant effect on the Authority's financial position. There are currently no bonds that have been approved or authorized to be issued in the near future.

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SOUTH DAKOTA BUILDING AUTHORITY
STATEMENT OF NET POSITION
At June 30, 2026

Assets:	
Current assets:	
Cash and cash equivalents:	
Unrestricted held by South Dakota Investment Council	$ 51,332,876
Total cash and cash equivalents	51,332,876
Amounts due from State – short-term	15,257,000
Interest receivable	709,027
Interest receivable on investments	287,342
Prepaids	14,074
Total current assets	67,600,319
Noncurrent assets:	
Amounts due from State – long-term	154,208,000
Total noncurrent assets	154,208,000
Total assets	221,808,319
Deferred outflows of resources:	
Deferred amount from refunding debt	7,065,223
Liabilities:	
Current liabilities:	
Bonds payable, net of unamortized premiums	21,708,409
Accrued interest payable	661,595
Due to State Agencies	2,305,130
Accounts payable	444
Unearned authority fees	194,650
Total current liabilities	24,870,228
Noncurrent liabilities:	
Bonds payable, net of unamortized premiums	219,211,440
Total noncurrent liabilities	219,211,440
Total liabilities	244,081,668
Deferred inflows of resources:	
Deferred amount from refunding debt	8,120
Net position:	
Unrestricted net position	(15,216,246)
Total net position	($ 15,216,246)

See Notes to Financial Statements

SOUTH DAKOTA BUILDING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2026

Operating revenues:	
Finance income on amounts due from State	$ 8,155,827
Fees, charges, and other	803,574
Total operating revenues	8,959,401
Operating expenses:	
Administrative costs	711,050
Total operating expenses	711,050
Operating income	8,248,351
Non-capital subsidies:	
Contributions to State	(229,038)
Total non-capital subsidies	(229,038)
Operating income and non-capital subsidies	8,019,313
Other non-operating revenues and (expenses):	
Loss from moving construction in progress to amount due from State	(144,644)
Interest Expense	(7,712,485)
Investment income	48,913
Total other non-operating revenues and expenses	(7,808,216)
Increase in fund net position	211,097
Fund net position - beginning of period	(15,427,343)
Fund net position - end of period	($ 15,216,246)

See Notes to Financial Statements

SOUTH DAKOTA BUILDING AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2026

Cash flows from operating activities:	
Receipts for admin fees	$ 803,575
Payment for general expenses	(708,315)
Net cash provided by operating activities	95,260
Cash flows from capital and related financing activities:	
Principal paid on bonds	(21,360,000)
Interest payments on bonds	(8,121,734)
Payments for construction of buildings	(75,263)
Net cash used for capital and related financing activities	(29,556,997)
Cash flows from noncapital financing activities:	
Payments to state agencies	(918,458)
Net cash used for noncapital financing activities	(918,458)
Cash flows from investing activities:	
Receipts for amounts due from State	15,720,000
Receipts for interest income on amounts due from State	8,451,642
Investment gain from change in market value	2,118,921
Net cash provided by investing activities	26,290,563
Net decrease in cash and cash equivalents during the fiscal year	(4,089,632)
Cash and cash equivalents at beginning of year	55,422,508
Cash and cash equivalents at end of year	$ 51,332,876
Reconciliation of operating loss to net cash provided by operating activities	
Operating income	$ 8,248,351
Adjustments to reconcile operating income:	
Receipts for amounts due from State	(15,720,000)
Receipts for interest income on amounts due from State	(8,451,642)
Decrease/(increase) in assets:	
Amounts due from State	15,720,000
Interest receivable	295,815
Prepaids	2,597
Increase/(decrease) in liabilities:	
Accounts payable	139
Total adjustments	(8,153,091)
Net cash provided by operating activities	$ 95,260

See Notes to Financial Statements

SOUTH DAKOTA BUILDING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 1. The Authority

The South Dakota Building Authority ("the Authority") was created and organized by Chapter 5-12 of the South Dakota Codified Laws (the Act). The purposes of the Authority are to build and otherwise provide hospital, housing, penitentiary, administrative, classroom, dining hall, field house, parking, union building, library, recreational, laboratory, office and similar facilities for the use by the State. Amounts issued by the Authority shall not be deemed to constitute a debt of the State of South Dakota or any political subdivision thereof. The Authority is a component unit of the State of South Dakota. As such, the accompanying financial statements are included in the Annual Comprehensive Financial Report of the State of South Dakota.

The Authority is empowered under the Act to acquire, construct, complete, remodel, maintain and equip buildings and other facilities as the Legislature by law declares to be in the public interest. To finance such projects, the Authority is empowered to issue and sell bonds or other forms of indebtedness in such amount or amounts as the Authority may determine, to refund and refinance its indebtedness as often as is advantageous in the public interest to do so, to pledge any and all income of the Authority and any revenues derived from such facilities or any combination thereof, to secure the payment of such bonds and other forms of indebtedness and to redeem such bonds or indebtedness. The Authority may also issue interim notes to finance any of the projects or perform any of the duties authorized under the Act, including planning, architectural and engineering fees, acquisition of land and purchase of equipment.

Concurrently with the issuance of bonds, interim notes or other forms of indebtedness, the Authority executes agreements or supplements of the related facilities and sites with the board, department, office, commission or agency of the State which will use and operate the facility.

The Authority performs the activities shown below.

> Building Authority – Accounts for the agreement financial receipts, debt service payments, service fees and disbursements necessary to conduct the day-to-day business of the Building Authority.

The South Dakota Building Authority contracts with the South Dakota Health and Educational Facilities Authority for management services on an annual basis.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation: The Authority, as a component unit of the State of South Dakota, follows standards established by the Governmental Accounting Standards Board (GASB). Generally accepted accounting principles applicable to the Authority are generally those applicable to similar businesses in the private sector. For the fiscal year ended June 30, 2026, the South Dakota Building Authority implemented GASB Statement No. 103, Financial Reporting Model Improvements. This GASB standard establishes uniform guidelines for distinguishing operating vs. nonoperating categories and introduces a distinct subtotal and section for 'noncapital subsidies' presented on the Statement of Revenues, Expenses and Changes in Fund Net Position. The standard also refines the MD&A strictly to five required sections that focus on targeted content and analysis in a more accessible narrative.

The Authority utilizes the accrual basis of accounting wherein revenues are recognized when earned and expenses are recognized when incurred. Other significant policies are:

Agreements: Properties contracted under long-term contracts are accounted for as financing transactions. The present value of aggregate future rentals is recorded as a receivable at the time the assets are turned over to State agencies. Principal received during construction is recorded as Amounts Held For Others until the project has been completed. Interest incurred during the construction of a project is funded currently by scheduled payments. Accordingly, such interest is recorded as an expense and the related finance income is recorded as revenue.

Fees, Charges and Other Income: Service and other fees are recorded as income when earned.

Reporting Entity: The accompanying financial statements include all the integral parts of the Authority's operations. The Authority believes that it has no oversight responsibility for any other agency which would require it to be included in the reporting entity.

Investments: The Authority participates in the investment pool managed by the South Dakota Investment Council. Under South Dakota Codified Law, the South Dakota Investment Council pools all participating monies for investment purposes and allocates all earnings of the investments back to the individual participating funds in the same ratio as the average daily cash balance of each participating fund bears to the average cash balance of the participating funds.

Investments are reported at fair value, which approximates market value, in accordance with GASB Statement No. 72. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Authority defines cash and cash equivalents as investments with original maturities of ninety days or less and any participating funds in the State's internal investment pool held by the State Treasurer. The amount held in the State's internal investment pool is reported at fair value. The Authority essentially has on demand access to the entire amount of cash in the internal investment pool.

Revenue and Expense Recognition: Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering items in connection with an enterprise fund's principal ongoing operations. The Authority records all revenues derived from administrative fees as operating revenues since these revenues relate to the principal activity of the Authority. Operating expenses include administrative expenses necessary to perform the principal activity of the Authority. On the Statement of Cash Flows, activity associated with the construction of contracted assets, including the associated debt, is reported as cash flows from capital and related financing activities. Activity associated with agreement payments is reported in investing activities.

Deferred Outflows of Resources: Deferred outflows of resources represent a consumption of net position by the government that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred Inflows of Resources: Deferred inflows of resources represent an improvement of net position by the government that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until then.

Note 3. Cash and Investments Held by South Dakota Investment Council

Management of the State's internal investment pool is the statutory responsibility of the South Dakota Investment Council. The investment policy and required risk disclosures for the State's internal investment pool are presented in the South Dakota Investment Council Audit Report. Cost and fair value, which approximates market value, of cash and investments on June 30, 2026, consist of the following:

	Carrying Value	Fair Value
Cash and Investments managed by the South Dakota Investment Council	$ 51,299,301	$ 51,332,876

Custodial Credit Risk:
Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2026, none of the Authority's deposits were exposed to custodial credit risk.

Note 4. Amounts due from State

In accordance with the bond resolutions, the Authority has entered into agreements with various boards and departments of the State of South Dakota on the facilities completed and those now in construction. These agreements call for scheduled payments which, in the aggregate, are sufficient to pay the principal and interest on the related bonds and any administrative costs of the Authority.

At such time as the agencies have made payments sufficient to cover the principal and administrative costs, the Authority will transfer all its rights, title and interest in the related facilities to the agency.

The agreements, which are for periods coinciding with the revenue bonds issued related to the various facilities, are subject to termination and cancellation in any year for which the Legislature of South Dakota fails to make an appropriation to pay the required amounts due.

A summary of amounts due from State at June 30, 2026, is as follows:

Agency	Related Bond Issues	Amounts due from State
Board of Regents	2005C Revenue Bonds	$ 1,895,538
	2006A Revenue Bonds	158,875
	2007 Revenue Bonds	17,521,175
	2009 Revenue Bonds	7,650,692
	2010A Revenue Bonds	258,475
	2011A Revenue Bonds	346,800
	2012A Revenue Bonds	2,889,875
	2013B Revenue Bonds	59,712,000
	2014A Revenue Bonds	32,662,000
	2015B Revenue Bonds	10,811,500
	2017A Revenue Bonds	12,751,600
	2018A Revenue Bonds	12,577,250
	2020C Revenue Bonds	26,365,000
	2022A Revenue Bonds	12,000,000
	2022B Revenue Bond	10,069,687
	2025A Revenue Bonds	7,311,406

Agency	Related Bond Issues	Amounts due from State
Department of Game, Fish and Parks	2007 Revenue Bonds	418,000
	2008 Revenue Bonds	336,375
	2010C Revenue Bonds	1,578,828
	2013D Revenue Bonds	3,956,976
	2014A Revenue Bonds	545,500
	2015A Revenue Bonds	3,958,990
Total Minimum Payments		225,776,542
Less: Amount representing interest		(56,311,542)
Present Value of Payments representing principal		$ 169,465,000

Prior to FY 2015, the agreement balance reflected the payments under the refunding bonds. Beginning in FY 2015, the agreements were not adjusted to reflect the change in bond payments as a result of the refunding. Prior periods were not adjusted for this change of accounting practice.

The following is a schedule of future payments remaining at June 30, 2026:

Year Ending June 30	Amounts due from State Principal	Interest	Total
2027	$ 15,257,000	$ 7,867,507	$ 23,124,507
2028	14,330,000	7,174,022	21,504,022
2029	14,795,000	6,523,587	21,318,587
2030	14,283,000	5,864,119	20,147,119
2031	13,466,000	5,207,614	18,673,614
2032-2036	55,174,000	17,085,562	72,259,562
2037-2041	32,300,000	5,562,093	37,862,093
2042-2046	9,860,000	1,027,038	10,887,038
	$ 169,465,000	$ 56,311,542	$ 225,776,542

The payments reported in the preceding amounts due from State schedules do not include administrative fees incorporated into the agreement schedules and collected over the life of the agreement.

Note 5. Bonds Payable

The following is a schedule of the activity and ending balances for the bonds payable as of June 30, 2026.

Series	Final Maturity Date	Percent Interest Rate	Balance 6/30/25	Issued	Retired	Balance 6/30/26	Due Within 1 Year
Bonds:							
2014D	2026	5.0	1,790,000	-	870,000	920,000	920,000
2017A	2042	4.0-5.0	42,820,000	-	2,140,000	40,680,000	2,255,000
2018A	2040	5.0	23,075,000	-	1,160,000	21,915,000	1,215,000
2019A	2034	4.0-5.0	7,590,000	-	1,715,000	5,875,000	630,000
2019B	2038	2.491-3.201	59,595,000	-	4,640,000	54,955,000	4,750,000
2020A	2040	1.344-2.619	65,700,000	-	7,170,000	58,530,000	7,250,000
2020B	2029	1.274-1.732	6,665,000	-	1,690,000	4,975,000	1,705,000
2020C	2045	4.00	19,975,000	-	1,510,000	18,465,000	900,000
2022A	2046	4.00	8,420,000	-	265,000	8,155,000	275,000
2025A	2045	4.125-5.00	4,970,000	-	150,000	4,820,000	160,000
Bond from direct borrowings and direct placements:							
2022B	2035	2.17	9,090,000	-	50,000	9,040,000	702,000
	Total		$ 249,690,000	$ -	$21,360,000	$228,330,000	$ 20,762,000

The bonds at June 30, 2026, are payable as follows:

Year Ending June 30	Principal	Interest	Total
Bonds			
2027	$ 20,060,000	$ 7,351,480	$ 27,411,480
2028	17,955,000	6,831,646	24,786,646
2029	18,280,000	6,329,505	24,609,505
2030	17,645,000	5,815,920	23,460,920
2031	16,720,000	5,294,642	22,014,642
2032-2036	71,480,000	18,901,297	90,381,297
2037-2041	47,290,000	6,502,311	53,792,311
2042-2046	9,860,000	1,027,038	10,887,038
Subtotal	219,290,000	58,053,839	277,343,839
Bond from Direct Borrowings and Direct Placements			
2027	702,000	196,168	898,168
2028	970,000	180,935	1,150,935
2029	990,000	159,886	1,149,886
2030	1,008,000	138,402	1,146,402
2031	1,031,000	116,529	1,147,529
2032-2036	4,339,000	237,767	4,576,767
Subtotal	9,040,000	1,029,687	10,069,687
Total	$ 228,330,000	$ 59,083,526	$287,413,526
Add: unamortized premiums	12,589,849		
Total Bonds Payable, Net of Amortization	$240,919,849		

Note 6. Refunded and Defeased Bonds

The Authority has entered into refunding transactions whereby refunding bonds have been issued to facilitate defeasance of the Authority's obligation with respect to certain bond issues. The proceeds of the refunding issues have been placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payments of interest and principal on the issues being refunded. Refunded bonds and the related assets held in the trust are not included in the accompanying financial statements since the Authority has satisfied its obligations with respect thereto through consummation of the refunding transactions.

During the 2025 Legislative Session, Senate Bill 56 was passed that set aside $53,713,826 in a cash center held with the State Investment Council. These funds are to pay off a portion of the Series 2014D bonds ($1,589,341) to maturity, a portion of the Series 2017A bonds (36,628,248), which will be called on June 1, 2027, and a portion of the Series 2018A bonds ($15,496,237), which will be called on June 1, 2028.

Note 7. Arbitrage

Arbitrage as it applies to government financing refers to the ability of state governments to obtain funds at a tax-exempt rate of interest and to then invest those funds in investments which earn a higher yield, resulting in a profit to the issuer. The arbitrage rebate rules require that any earnings from the investment of the tax-exempt bond proceeds which exceed the yield on the bonds be remitted to the federal government every five years. Under the terms of the bond documents, the Authority will pay any obligations due to the federal government at the final computation date. Based on arbitrage rebate calculations as of June 30, 2026, no arbitrage rebate obligations exist.

Note 8. Construction in Progress

Land and buildings under construction for other governmental agencies as of June 30, 2026:

Construction in Progress as of June 30, 2025:		$ 5,114,644
Construction payments in FY 2026:		
Series 2025A BHSU-RC Nursing Addition	75,263	
Total construction payments in FY 2026		75,263
Total construction completed and transferred to Amounts due from State and Amounts held for Others in FY 2026		(5,114,644)
Accounts Payable – June 30, 2025		(75,263)
Accounts Payable – June 30, 2026		0
Construction in Progress as of June 30, 2026		$ 0

SUPPLEMENTARY INFORMATION

SOUTH DAKOTA BUILDING AUTHORITY
SCHEDULE OF CASH AND INVESTMENTS
June 30, 2026

Project	Cash and Investments (at Cost)
Agency Agreement Program	
Debt Service Fund	$ 173,812
South Dakota Public Building Fund	48,201,375
Total Agency Agreement Program	48,375,187
Operating Fund	887,633
State Investment Council Interest	2,036,481
Total	$ 51,299,301

The cash and investments within the agreement program include the amounts restricted for the completion of the projects based on construction budgets.

SUPPLEMENTARY INFORMATION

SOUTH DAKOTA BUILDING AUTHORITY
SCHEDULE OF BUILDING AUTHORITY FUND EXPENSES
For the Year Ended
June 30, 2026

Administrative expenses	
Insurance – property, cyber & performance bond	$ 354,747
South Dakota Health and Educational Facilities Authority – administrative fees	238,032
Director's and officer's insurance	31,007
Audit Fees	23,038
Ratings agency expenses	15,922
Rent	12,996
Paying agent fees	11,150
Moody's rating agency fee	9,000
Arbitrage rebate calculations	6,100
Legal fees	1,785
Capital purchases	1,750
Other	1,737
Office Expense	1,533
Utilities	1,200
Telephone	630
Board member per diem and taxes	357
Travel Expense	66
Total administrative expenses	$ 711,050

OTHER INFORMATION
SOUTH DAKOTA BUILDING AUTHORITY
SCHEDULE OF PROJECTS FINANCED AND BONDS REFUNDED

Issue	Project	Amount
Series 1969A	Northern State University – classroom and auditorium	$1,000,000
Series 1969B	Plankinton kitchen and dining facility	325,000
Series 1970	South Dakota State University – Physical Education Center	3,685,000
Series 1971	Black Hills State University – Library – 1,581,500 Yankton State Hospital Gymnasium– 875,000	2,456,500
Series 1975 Jan	South Dakota School of Mines & Technology – Physical Education Center	2,600,000
Series 1975A	South Dakota State University – Animal Science Center – 1,600,000 University of South Dakota – Science Center – 3,600,000	5,200,000
Series 1975B	South Dakota State University – Library	4,200,000
Series 1975 Aug	Refunded Series 1969,1970,1971, 1975 Jan, 1975 A & B bonds	17,500,000
Series 1976 Apr	Redfield food services facility	2,000,000
Series 1976 Jun	University of South Dakota – DakotaDome	5,200,000
Series 1977 Jul	South Dakota State University – feed processing unit	980,000
Series 1978 Jan	Northern State University – Beulah Williams Library	490,000
Series 1978 Apr	Refund Series 1975 Aug, 1976 Apr, 1976 Jun, 1977 Jul and 1978 Jan bonds	26,685,000
Series 1980 Feb	University of South Dakota – law school – 4,250,000 South Dakota State University – pharmacy addition – 500,000	4,750,000
Series 1980 Mar	South Dakota State University – horticulture center	520,000
Series 1980 May	South Dakota State University – home management laboratory	100,000
Note 1981 Jan	Department of Game, Fish & Parks – Blue Dog fish hatchery – 3,269,000 Watertown cold storage unit – 130,000	3,399,000
Note 1981 Mar	University of South Dakota – armory	600,000
Series 1982 Nov	Department of Game, Fish & Parks – Blue Dog fish hatchery – 2,290,000 Watertown cold storage unit – 130,000 University of South Dakota – armory – 600,000	3,020,000

Issue	Project	Amount
Series 1984	Refund Series 1978 Apr, 1980 Feb, 1980 Mar and 1982 Nov bonds	21,870,000
Series 1985	Northern State University – Barnett Center	6,915,000
Series 1986A	Sale Leaseback	175,000,000
Series 1986B	Sale Leaseback	12,820,000
Series 1987A	Cultural Heritage Center	5,500,000
Series 1987B	Refund Series 1984 bonds	12,665,000
Series 1988A	Black Hills State University – physical education facility	2,947,000
Series 1989 Certificates	Sale Leaseback – Improvements to State facilities	7,075,000
Series 1989 Mar	Conservation Reserve Enhancement Program	10,000,000
Series 1989 Sep	Conservation Reserve Enhancement Program	5,263,000
Series 1989 Nov	Conservation Reserve Enhancement Program	4,737,000
Series 1990 Mar	Conservation Reserve Enhancement Program	2,000,000
Series 1990 Jun	Conservation Reserve Enhancement Program	3,000,000
Series 1990 Dec	Conservation Reserve Enhancement Program	3,000,000
Series 1990 Certificates	Energy Conservation projects	1,500,000
Series 1991 Jul	Conservation Reserve Enhancement Program	4,015,000
Series 1991A	Department of Game, Fish & Parks – Custer State Park	1,200,000
Series 1991B	South Dakota State University – Northern Plains Bio-stress Lab – 4,895,500 Department of Game, Fish & Parks – Custer State Park – 1,299,500	6,195,000
Series 1991A Lease Revenue Trust	Refund Series 1986B and 1987A bonds	11,315,000
Series 1991B Lease Revenue Trust	Refund Series 1988A and 1989 certificates	16,030,000
Series 1992 Jul	Conservation Reserve Enhancement Program	2,591,000
Series 1992	Department of Human Services – Human Services Center – 33,075,000 Department of Game, Fish & Parks – Custer State Park – 1,500,000 South Dakota State University – Northern Plains Bio-stress Lab – 230,000	34,805,000
Series 1992 Dec	Conservation Reserve Enhancement Program	223,500
Series 1993 Jul	Conservation Reserve Enhancement Program	1,474,000
Series 1993A	University of South Dakota – I.D. Weeks Library addition	6,800,000
Series 1993B	South Dakota State University – animal diagnostics laboratory – 5,400,000 Department of Game, Fish & Parks - Custer State Park – Sylvan Lake store, preliminary engineering study, conference center and additional lodging units at State Game Lodge – 200,000	5,600,000

Issue	Project	Amount
Series 1993A Lease Revenue Trust	Refund Series 1992 bonds	33,075,000
Series 1993B Lease Revenue Trust	Refund Series 1987B bonds	11,310,000
Series 1994A	Department of Health – State Health Lab – 7,100,000 Department of Game, Fish & Parks – Custer State Park – Legion Lake store – 425,000	7,525,000
Note 1995	Northern State University – Beulah Williams Library	4,500,000
Series 1995A	Refund 1995 Note – 4,500,000 Board of Regents – maintenance and repair projects – 7,450,000	11,950,000
Series 1996A	Refund Series 1986A certificates	112,471,501
Series 1996B	Refund Series 1986A certificates	19,665,000
Series 1996C	Refund Series 1991B and 1994A bonds	14,140,000
Series 1996D	Department of Game, Fish & Parks – Sioux Falls Outdoor Learning Skills Center	2,500,000
Series 1997	University of South Dakota – Old Main building	2,463,000
Series 1998A	Conservation Reserve Enhancement Program	8,000,000
Series 1999	Dakota State University – 3,030,000 South Dakota State University – 2,540,000 South Dakota School of Mines & Technology – 2,540,000 Refund Series 1992 bonds – 1,845,000	9,955,000
Series 2000	University of South Dakota - DakotaDome roof	6,505,000
Series 2002 Special Obligation Taxable Refunding Bonds	Refund Series 1988A bonds and Series 1989 certificates	6,825,000
Series 2002	Black Hills State University – Meier Music Hall – 2,500,000 Dakota State University – Technology classroom – 2,500,000	5,000,000
Series 2003	Refund Series 1993A, 1993B, 1995A and 1996D bonds	15,785,000
Series 2003A	University of South Dakota – Lee Medical School – 12,500,000 South Dakota School of Mines & Technology – Devereaux Library, air conditioning unit – physical plant and campus primary electrical system upgrade – 2,040,000 Refund Series 1997 bonds – 2,320,000	16,860,000
Series 2005A	Office of Attorney General and Department of Public Safety – DCI Crime Lab Building	4,500,000
Series 2005B	Office of Attorney General and Department of Public Safety – DCI Crime Lab Building	8,135,000

Issue	Project	Amount
Series 2005C	Northern State University – Mewaldt/Jensen Technology Center – 7,000,000	
	Refund Series 1999 and 2000 bonds – 10,125,000	17,125,000
Series 2006A	USD - Sioux Falls – Center for Graduate Education and Applied Research (GEAR) – 2,000,000	
	Department of Game, Fish & Parks – fish hatcheries improvements – 10,000,000	
	Refund Series 1996C bonds – 4,265,000	16,265,000
Series 2006B	Refund Series 1996A bonds	24,650,000
Series 2006C Taxable	Refund Series 1996A bonds	1,205,000
Series 2007	South Dakota State University – Avera Health & Science Building – 24,000,000	
	USD - Sioux Falls – Administration Building – 7,700,000	
	University of South Dakota – Beacom School of Business – 5,400,000	
	Slagle Hall – 4,600,000	
	Maintenance and repair projects – 8,590,000	
	Department of Game, Fish & Parks – Custer State Park improvements – 5,110,000	
	Custer State Park Camping Cabins – 840,000	56,240,000
Series 2008	Black Hills State University – Life Sciences Laboratory – 8,034,361	
	Dakota State University – Habeger Science Center renovation – 6,005,750	
	Northern State University – Mewaldt/Jensen and Krikac building – 2,687,171	
	South Dakota School of Mines & Technology – Chemical and Biological Engineering/ Chemistry building – 17,859,804	
	Paleontology building – 7,024,922	
	South Dakota State University – Berg Agricultural Hall – 7,962,629	
	Dairy Microbiology building – 8,214,225	
	University of South Dakota – Akeley Lawrence Science Center – 5,228,094	
	Churchill Haines building – 6,714,341	
	Pardee Lab building – 3,771,432	
	Department of Game, Fish & Parks – Custer State Park improvements – 2,182,271	75,685,000
Series 2009 Taxable Build America Bonds	Black Hills State University - Rapid City	13,585,000
Series 2010A Taxable Build America Bonds	Black Hills State University – Woodburn Hall – 5,400,000	
	Dakota State University - Infrastructure – 3,000,000	
	Northern State University – Graham Hall and Lincoln Hall – 3,000,000	11,400,000

Issue	Project	Amount
Series 2010B Taxable Recovery Zone Economic Development Bonds	USD - Sioux Falls - Science and Technology building – 8,970,000 Department of Human Services - Human Services Center dietary building – 5,630,000	14,600,000
Series 2010C Taxable	Department of Game, Fish & Parks – Custer State Park improvements	3,875,000
Series 2010D	Refund Series 1999 bonds	1,065,000
Series 2011	Black Hills State University – chiller upgrade – 1,164,804 Northern State University – Krikac building, Spafford Hall air conditioning and electrical loop – 1,459,898 South Dakota State University – central heating plant – 5,632,287 University of South Dakota – water, sewer, electrical loop, heating boilers and Delzell electrical and mechanical infrastructure upgrade – 4,623,011	12,880,000
Series 2011A	Refund Series 2002 and 2003A bonds	6,925,000
Series 2012A	Refund Series 2003A bonds	9,740,000
Series 2013B	Black Hills State University – infrastructure – 3,754,649 Jonas Science Center – 1,173,328 Dakota State University – energy efficiency and ADA compliance – 1,196,794 Northern State University – Johnson Fine Arts Center – 4,693,311 street improvements – 563,197 South Dakota School of Mines & Technology – utility infrastructure – 2,571,935 South Dakota State University – utility tunnel/condensate infrastructure repair and modernization – 6,570,636 Headhouse/Greenhouse – 938,662 Chicoine Architecture, Mathematics and Engineering building – 9,386,622 cow/calf research facility – 2,722,121 University of South Dakota – mechanical overhaul and modernization – 7,509,298 science, health and research lab portion of Sanford Coyote Sports Center – 8,161,668 Sanford Coyote Sports Center – 11,996,474 Patterson Hall – 6,101,305	67,340,000
Series 2013C Taxable	University of South Dakota – Sanford Coyote Sports Center	10,000,000

Issue	Project	Amount
Series 2013D Taxable	Department of Game, Fish & Parks – Angostura Recreation Area – 1,500,000 Cedar Shores stabilization project – 3,000,000	4,500,000
Series 2014A	South Dakota State University – Dana J. Dykhouse football stadium – 33,910,000 Department of Game, Fish & Parks – Good Earth visitor center – 1,279,700 Custer State Park visitor center – 630,300	35,820,000
Series 2014B	Refund Series 2005C bonds	5,250,000
Series 2014C Taxable	Refund Series 2005C bonds	7,180,000
Series 2014D	Refund Series 2006A bonds	7,505,000
Series 2014E	Refund Series 2007 bonds	35,455,000
Series 2014F Taxable	Refund Series 2007 bonds	8,785,000
Series 2015A Taxable	Department of Game, Fish & Parks – Custer State Park lodge improvements at State Game Lodge, Sylvan Lake, Legion Lake & Blue Bell	11,500,000
Series 2015B	Dakota State University – Beacom Institute of Technology – 5,421,927 South Dakota School of Mines & Technology – Chemical and Biological Engineering/ Chemistry building – 5,458,073	10,880,000
Series 2017A	Animal Industry Board – Animal Disease Research and Diagnostics Lab – 44,305,000 South Dakota State University – Oscar Larson performing arts center – 11,500,000 Refund Series 2008 bonds – 1,405,000	57,210,000
Series 2018A	South Dakota State University – Raven Precision Agriculture Center – 17,830,000 University of South Dakota – DakotaDome and practice football field – 12,925,000	30,755,000
Series 2019A	Refund Series 2009 and 2011 bonds	16,560,000
Series 2019B Taxable	Refund Series 2010C, 2013B and 2013D bonds	72,900,000
Series 2020A Taxable	Refund Series 2014A, 2014E, 2014F, 2015A and 2015B bonds	80,325,000
Series 2020B Taxable	Refund Series 2011A, 2012A and 2014B bonds	10,160,000
Series 2020C	Black Hills State University – E.Y. Berry Library – 2,166,990 Dakota State University – East Hall – 2,166,990 South Dakota School of Mines & Technology – Devereaux Library – 3,469,309 South Dakota State University – Lincoln Hall – 8,672,209	

Issue	Project	Amount
Series 2020C (cont.)	University of South Dakota – Center for Health Education and I.D.Weeks Library – 4,769,502	
	Refund Series 2010A bonds – 5,090,000	26,335,000
Series 2022A	Black Hills State University – E.Y. Berry Library – 2,618,330	
	University of South Dakota – Center for Health Education – 6,536,670	9,155,000
Series 2022B	Refund Series 2010B bonds	9,259,000
Series 2025A	Black Hills State University – Rapid City Nursing addition	4,970,000
	Total amount of bonds issued	$1,537,499,501
	Total number of bonds issued	99