

City of North Sioux City

**Independent Auditor's Report
and Financial Statements**

**For the Year Ended
December 31, 2025**

City of North Sioux City

City Officials

December 31, 2025

Mayor:

Chris Bogenrief

Governing Board:

Lynn Hoffman

Julie Burhoop

Jessica Strain

Vincent Tucker

Finance Officer:

Amy Lilly

City Administrator:

Jeff Dooley

City of North Sioux City

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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the City Commission
City of North Sioux City
Union County, South Dakota

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Sioux City, South Dakota, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 6, 2026. A disclaimer of opinion was issued on the aggregate discretely presented component units because the financial data of these component units was not audited.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of North Sioux City'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of North Sioux City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of North Sioux City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs as item 2025-001, to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of North Sioux City's financial statements are free of 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 determination of financial statement amounts. 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, described in the accompanying Schedule of Prior and Current Audit Findings and Questioned Costs as item 2025-002, to be a material weakness.

City's Response to Findings

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

Purpose of this Report

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

A handwritten signature in dark ink, appearing to read "CIO of LLC".

Yankton, South Dakota
August 6, 2026



**Independent Auditor's Report on Compliance for each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

To the City Commission
City of North Sioux City
Union County, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of North Sioux City, South Dakota (City), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Current Audit Findings and Questioned Costs.

In our opinion, the City of North Sioux City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes. As required by South Dakota Codified Law 4-11-11, this report and our report on compliance for each major federal program are matters of public record and their distribution is not limited.

A handwritten signature in dark ink, appearing to read "CIO of LLC". The signature is written in a cursive, flowing style.

Yankton, South Dakota
August 6, 2026

City of North Sioux City
Schedule of Prior and Current Audit Findings
For the Year Ended December 31, 2025

Schedule of Prior Audit Findings

Finding Number 2024-001 – Internal Control Finding

A material weakness was reported for a lack of segregation of duties. This comment results from the size of the City, which precludes staffing at a level sufficient enough to provide an ideal environment and internal control. This finding has not been corrected and is being restated as Finding 2025-001.

Schedule of Current Audit Findings

Section I - Summary of Independent Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified: X Yes No

Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Noncompliance material to financial statements noted? X Yes No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified: Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of Major Programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs:

 \$ 1,000,000

Auditee qualified as low-risk auditee? X Yes No

City of North Sioux City
Schedule of Prior and Current Audit Findings
For the Year Ended December 31, 2025 (Continued)

Section II - Financial Statement Findings

Finding Number 2025-001 - Internal Control Finding

Material Weakness

The City of North Sioux City does not have an adequate segregation of duties for revenues resulting in a decreased reliability of reported financial data and increased potential for the loss of public assets.

Criteria: A good system of internal controls contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The City of North Sioux City has limited number of office personnel, and accordingly, does not have adequate internal accounting controls in revenue, expenditures, and payroll functions because of lack of segregation of duties.

Cause: This City has insufficient number of staff to adequately separate duties.

Effect: As a result, a misappropriation of assets and errors could occur in the financial reporting process and not detected.

Recommendation: Although it is recognized that number of office staff may not be large enough to permit adequate segregation of duties in all respects, it is important that management and those charged with governance be aware of this condition. We recommend that the city officials exercise adequate oversight of the accounting function.

Management's Response: Management agrees with the finding and recommendations. A response can be found in the Corrective Action Plan.

Finding Number 2025-002 - Compliance Finding

Material Weakness

Budgets exceeding the appropriations for one department.

Criteria: SDCL 9-21-9 requires that the governing body shall not add to the expenditures any sum in excess of the amount provided for in the annual appropriation ordinance specially provided.

Condition: In 2025, the expenditures paid exceeded amounts budgeted in the Highways and Streets department.

Recommendation: We recommend that when such a situation occurs in the future, a supplemental budget be adopted to utilize unobligated fund balances.

Management's Response: Management agrees with the finding and recommendation. A response can be found in the Corrective Action Plan.

Section III - Financial Statement Findings

There are no findings or questioned costs relating to federal award programs which are required to be reported in accordance with 2 CFR 200.516(a).

City of North Sioux City

City of North Sioux City
Phone: (605) 232-4276

504 River Drive
North Sioux City, SD 57049

The City of North Sioux City respectfully submits the following corrective action plan for the year ended December 31, 2025.

Name and address of independent public accounting firm:

ELO Prof. LLC
118 W 3rd St.
Yankton, SD 57078

The City of North Sioux City, SD, has considered the lack of segregation of duties. At this time, it is not cost effective for The City of North Sioux City, SD to hire the additional staff needed to achieve segregation of duties. Alternate procedures have been implemented by the City of North Sioux City, SD, to decrease the likelihood that financial data is adversely affected.

The City of North Sioux City's Board will continue to monitor the necessity to have segregation of duties and implement such segregation as budget dollars and board authority allow.

The City of North Sioux City will monitor the budgets of each fund more closely to ensure that overspending does not occur. If expenditures are anticipated to exceed the annual appropriation, the City will adopt a supplemental appropriation to utilize unobligated fund balances.



Independent Auditor's Report

City Commission
City of North Sioux City
North Sioux City, South Dakota

Report on the Audit of the Financial Statements

Disclaimer of Opinion and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Sioux City, South Dakota, as of and for the year ended December 31, 2025, and the related notes to the financial statements. We were not engaged to audit the financial statements of the discretely presented component units. These financial statements collectively comprise the city's basic financial statements as listed in the Table of Contents.

Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the City of North Sioux City. Accordingly, we do not express opinions on those financial statements.

Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of North Sioux City, South Dakota as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of North Sioux City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Disclaimer of Opinion of the Aggregate Discretely Presented Component Units

The financial statements of the North Sioux City Housing and Redevelopment commission and the North Sioux City Economic Development Commission have not been audited, and we were not engaged to audit the North Sioux City Housing and Redevelopment Commission or the North Sioux City Economic Development Commission's financial statements as part of the City's basic financial statements. The North Sioux City Housing and Redevelopment Commission and the North Sioux City Economic Development Commission financial activities are included in the City's basic financial statements as part of the discretely presented component units and represent the assets, net position, and revenues of the City's aggregate discretely presented component units.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 misstatements, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Because of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinion section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units. 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 judgement 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 judgement 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 purposes of expressing an opinion on the effectiveness of the City of North Sioux City, South Dakota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of North Sioux City, South Dakota'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 (MD&A), Budgetary Comparison Schedules, the Schedule of the City Proportionate Share of the Net Pension Liability (Asset), and Schedule of the City's Contributions listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Nonmajor Fund Financial Statements and the Schedule of Expenditures of Federal Awards as listed in the Table of Contents 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 related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "CIO of LLC", is positioned above the typed name and date.

Yankton, South Dakota
August 6, 2026

City of North Sioux City
Management Discussion and Analysis (MD&A)
December 31, 2025

Management's Discussion and Analysis

This section of the City of North Sioux City's annual financial report presents our discussion and analysis of the City of North Sioux City financial performance during the fiscal year ending December 31, 2025. Please read it in conjunction with the City of North Sioux City financial statements, which follow this section.

Financial Highlights

During the year, the City of North Sioux City revenues generated from charges for services, taxes and other revenues of the governmental and business-type programs were \$3,660,336 more than the \$13,979,767 governmental and business-type program expenditures.

Overview of the Financial Statements

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in a single column in the basic financial statements.

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

City of North Sioux City
Management Discussion and Analysis (MD&A)
December 31, 2025

Figure A-2

Major Features of the City of North Sioux City's Government-wide and Fund Financial Statements

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

City of North Sioux City
Management Discussion and Analysis (MD&A)
December 31, 2025

Government-Wide Statements

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

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

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

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

1. **Governmental Activities** -- This category includes most of the City of North Sioux City's basic services, such as police, cemetery, library, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants, and interest earnings finance most of these activities.
2. **Business-type Activities** -- The City charges a fee to customers to help cover the costs of certain services it provides. The City of North Sioux City's water, sewer, stormwater, and garbage systems are included here.

Fund Financial Statements

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

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

City of North Sioux City
Management Discussion and Analysis (MD&A)
December 31, 2025

The City has two kinds of funds:

1. **Governmental Funds** – Most of the City of North Sioux City’s basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can readily converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of North Sioux City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
2. **Proprietary Funds** – Services for which the City charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City of North Sioux City’s enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

City of North Sioux City
Management Discussion and Analysis (MD&A)
December 31, 2025

Financial Analysis of the City as a Whole

Table A-1
City of North Sioux City
Statement of Net Position

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2024	2025	2024	2025	2024	2025	2024-2025
Current and Other Assets	\$ 1,842,482	\$ 2,774,160	\$ 7,054,635	\$ 8,707,517	\$ 8,897,117	\$ 11,481,677	29.05%
Capital Assets (Net of Depreciation)	47,582,134	40,937,879	10,393,954	19,544,274	57,976,088	60,482,153	4.32%
Total Assets	49,424,616	43,712,039	17,448,589	28,251,791	66,873,205	71,963,830	7.61%
Pension Related Deferred Outflows	421,420	501,113	--	--	421,420	501,113	18.91%
Total Deferred Outflows or Resources	421,420	501,113	--	--	421,420	501,113	18.91%
Long-Term Liabilities Outstanding	475,301	716,219	6,688,824	10,265,561	7,164,125	10,981,780	53.29%
Other Liabilities	2,684,673	413,367	337,137	327,889	3,021,810	741,256	-75.47%
Total Liabilities	3,159,974	1,129,586	7,025,961	10,593,450	10,185,935	11,723,036	15.09%
Pension Related Deferred Inflows	309,602	282,483	--	--	309,602	282,483	-8.76%
Total Deferred Inflows of Resources	309,602	282,483	--	--	309,602	282,483	-8.76%
Net Investment in Capital Assets	47,183,550	40,319,379	9,071,430	16,894,274	56,254,980	57,213,653	1.70%
Restricted	1,959,990	2,384,401	105,508	109,820	2,065,498	2,494,221	20.76%
Unrestricted	(2,767,080)	97,303	1,245,690	654,247	(1,521,390)	751,550	-149.40%
Total Net Position	46,376,460	42,801,083	10,422,628	17,658,341	56,799,088	60,459,424	6.44%
Beginning Net Position	41,857,096	46,376,460	17,147,613	10,422,628	59,004,709	56,799,088	-3.74%
Increase (Decrease) in Net Position	<u>\$ 4,519,364</u>	<u>\$ (3,575,377)</u>	<u>\$ (6,724,985)</u>	<u>\$ 7,235,713</u>	<u>\$ (2,205,621)</u>	<u>\$ 3,660,336</u>	<u>-265.95%</u>
Percentage of Increase (Decrease) in Net Position	10.80%	-7.71%	-39.22%	69.42%	-3.74%	6.44%	

This section explains the differences between the current and prior years' assets, liabilities, and changes in net position.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The long-term liabilities of the City, consisting of compensated absences payable, Intangible Leases, and TIF loans have been reported in this manner on the Statement of Net Position. The difference between the City of North Sioux City's assets and liabilities is its net position.

City of North Sioux City
Management Discussion and Analysis (MD&A)
December 31, 2025

Changes in Net Position

The City of North Sioux City's total revenues (excluding special items) totaled \$17,640,103 (See Table A-4). This was approximately a 36.22% increase from prior year. Approximately 32% of the City's revenue comes from property and other taxes, with another 27% from charges for services. (See Table A-2).

Table A-2
City of North Sioux City
Sources of Revenues
Current Year 2025

Taxes	\$ 5,711,805	32.39%
Charges For Services	4,683,514	26.55%
Operating Grants & Contributions	6,707,209	38.02%
Other General Revenues	261,843	1.48%
Unrestricted Investment Earnings	187,540	1.06%
State Sources	76,430	0.43%
County Sources	11,747	0.07%
Capital Grants and Contributions	15	0.00%
Total Revenue	<u>\$ 17,640,103</u>	<u>100.00%</u>

Total cost of all programs and services decreased by approximately 7.76% The City's expenses totaled \$13,979,767 (See Table A-4). The City's expenses cover a range of services. (See Table A-3).

Table A-3
City of North Sioux City
Statement of Expenditures
Current Year 2025

Sewer	\$ 2,276,428	16.29%
Public works	6,562,070	46.94%
Public safety	1,394,491	9.98%
Water	1,466,714	10.49%
General government	900,053	6.44%
Culture and recreation	419,440	3.00%
Conservation and development	296,559	2.12%
Interest on long-term debt	401,209	2.87%
Garbage	256,518	1.83%
Health and welfare	6,285	0.04%
Total Expenditures	<u>\$ 13,979,767</u>	<u>100.00%</u>

City of North Sioux City
Management Discussion and Analysis (MD&A)
December 31, 2025

Governmental and Business-Type Activities

Table A-4 and the narrative that follows consider the operations of the governmental activities and the business-type activities of the City.

Table A-4
Changes in Net Position

	Government Activities		Business-type Activities		Total		Percentage Change
	2024	2025	2024	2025	2024	2025	
Revenues							
Program Revenues							
Charges for Services	\$ 284,584	\$ 967,970	\$ 3,711,533	\$ 3,715,544	\$ 3,996,117	\$ 4,683,514	17.20%
Operating Grants/Contributions	2,007,806	6,707,209	--	--	2,007,806	6,707,209	234.06%
Capital Grants and Contributions	--	15	--	--	--	15	100.00%
General Revenues							
Taxes	5,903,083	5,711,805	--	--	5,903,083	5,711,805	-3.24%
Revenue State Sources	105,535	76,430	--	--	105,535	76,430	-27.58%
Revenue County Shared Sources	11,993	11,747	--	--	11,993	11,747	100.00%
Other general revenues	242,471	261,843	--	--	242,471	261,843	7.99%
Unrestricted Investment Earnings	561,813	131,189	120,802	56,351	682,615	187,540	-72.53%
	<u>9,117,285</u>	<u>13,868,208</u>	<u>3,832,335</u>	<u>3,771,895</u>	<u>12,949,620</u>	<u>17,640,103</u>	<u>36.22%</u>
Expenses							
General government	975,231	900,053	--	--	975,231	900,053	-7.71%
Public safety	1,321,327	1,394,491	--	--	1,321,327	1,394,491	5.54%
Public works	8,899,542	6,562,070	--	--	8,899,542	6,562,070	-26.27%
Health and welfare	4,762	6,285	--	--	4,762	6,285	31.98%
Culture and recreation	376,481	419,440	--	--	376,481	419,440	11.41%
Conservation and development	405,756	296,559	--	--	405,756	296,559	-26.91%
Interest on long-term debt	215,436	401,209	--	--	215,436	401,209	86.23%
Water	--	--	913,107	1,466,714	913,107	1,466,714	60.63%
Garbage	--	--	211,349	256,518	211,349	256,518	21.37%
Sewer	--	--	1,832,250	2,276,428	1,832,250	2,276,428	24.24%
	<u>12,198,535</u>	<u>9,980,107</u>	<u>2,956,706</u>	<u>3,999,660</u>	<u>15,155,241</u>	<u>13,979,767</u>	<u>-7.76%</u>
Excess (Deficiency)							
Before Transfers	(3,081,250)	3,888,101	875,629	(227,765)	(2,205,621)	3,660,336	-265.95%
Transfers	<u>7,600,614</u>	<u>(7,463,478)</u>	<u>(7,600,614)</u>	<u>7,463,478</u>	<u>--</u>	<u>--</u>	<u>0.00%</u>
Increase (Decrease) in Net Position	4,519,364	(3,575,377)	(6,724,985)	7,235,713	(2,205,621)	3,660,336	-265.95%
Beginning Net Position	<u>41,857,096</u>	<u>46,376,460</u>	<u>17,147,613</u>	<u>10,422,628</u>	<u>59,004,709</u>	<u>56,799,088</u>	<u>-3.74%</u>
Ending Net Position	<u>\$ 46,376,460</u>	<u>\$ 42,801,083</u>	<u>\$ 10,422,628</u>	<u>\$ 17,658,341</u>	<u>\$ 56,799,088</u>	<u>\$ 60,459,424</u>	<u>6.44%</u>

City of North Sioux City
Management Discussion and Analysis (MD&A)
December 31, 2025

Governmental Activities

Governmental expenses decreased by 22.23% mainly due to decreases in public works. Governmental revenues increased by 34.26%, driven by additional charges for services and operating grants and contributions.

Business-Type Activities

Revenues of the City's business type activities decreased by 22.23% and expenses increased by 26.08%.

Financial Analysis of the City's Funds

The financial analysis of the City of North Sioux City funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City's four governmental fund types are General Fund, Special Revenue Fund, Debt Service Fund, and Capital Project Fund, and its only three business-type funds are Water, Sewer, and Garbage Funds.

General Fund Budgetary Highlights

Over the course of the year, the City Commission revised the City budget. This amendment was for contingency transfers and supplemental appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens and to improve the North Sioux City Community.

Capital Asset Administration

By the end of 2025, the City had invested \$60,482,153 (net of depreciation) in a broad range of capital assets, including, land, construction in progress, buildings, improvements, various machinery and equipment, and intangible lease assets. (See Table A-5). This amount represents a net increase (including additions and deductions) of \$2,506,066.

Table A-5
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Dollar Change	Total % Change
	2024	2025	2024	2025		
Land	\$ 1,369,175	\$ 5,249,341	\$ 98,284	\$ 98,284	\$ 3,880,166	154.84%
Construction in progress	27,439,256	11,954,231	--	--	(15,485,025)	-617.90%
Buildings & Improvements	17,743,020	22,506,988	9,809,300	18,877,682	13,832,350	551.95%
Machinery & Equipment	1,023,273	1,014,075	486,369	568,308	72,741	2.90%
Intangible Lease Assets	7,410	213,244	--	--	205,834	8.21%
Total Capital Assets	<u>\$ 47,582,134</u>	<u>\$ 40,937,879</u>	<u>\$ 10,393,953</u>	<u>\$ 19,544,274</u>	<u>\$ 2,506,066</u>	<u>100.00%</u>

City of North Sioux City
Management Discussion and Analysis (MD&A)
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This year's material capital asset purchases of included land, water upgrades, sewer upgrades, road reconstruction, equipment for the police department, an international plow, and leases a wheel loader and copiers.

Long-Term Debt

At the end of the year, the City has \$10,981,780 in general long-term obligations. This is a total dollar change of \$3,817,655. See individual balances as shown on Table A-6 below.

Governmental Activities	2024	2025	Total Dollar Change	Total % Change
TIF Bonds	\$ 387,784	\$ 363,200	\$ (24,584)	-6.34%
Intangible Leases	10,800	255,300	244,500	2263.89%
Accrued Compensated Absences - Governmental Funds	76,717	97,719	21,002	27.38%
Total Outstanding Debt	\$ 475,301	\$ 716,219	\$ 240,918	50.69%
Business-Type Activities	2024	2025	Total Dollar Change	Total % Change
State Revolving Loans	\$ 6,641,688	\$ 10,229,385	\$ 3,587,697	54.02%
Accrued Compensated Absences - Business-Type Funds	47,136	36,176	(10,960)	-23.25%
Total Outstanding Debt	\$ 6,688,824	\$ 10,265,561	\$ 3,576,737	53.47%

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of North Sioux City's finances and to demonstrate the City of North Sioux City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of North Sioux City's Finance Office, 504 River Drive, North Sioux City, SD 57049. City Hall phone number is 605-232-4276.

City of North Sioux City
Statement of Net Position
December 31, 2025

	Primary Government			Unaudited Component Units	
	Governmental	Business-Type		Housing &	Economic
	Activities	Activities	Total	Redevelopment	Development
Assets:					
Cash and cash equivalents	\$ 7,521,659	\$ 3,141,030	\$ 10,662,689	\$ 149,919	\$ 46,717
Investments	--	--	--	--	334,007
Taxes receivable	18,017	--	18,017	--	--
Special assessments receivable	42,155	--	42,155	--	--
Accounts receivable, net	123,182	257,991	381,173	--	--
Inventories	19,028	177,691	196,719	--	--
Other assets	44,835	130,805	175,640	--	--
Internal balances	(5,000,000)	5,000,000	--	--	--
Net pension asset	5,284	--	5,284	--	--
Capital assets:					
Land and construction in process	17,203,572	98,284	17,301,856	--	3,418,624
Other capital assets, net of depreciation	23,734,307	19,445,990	43,180,297	--	--
Total Assets	43,712,039	28,251,791	71,963,830	149,919	3,799,348
Deferred Outflows of Resources:					
Pension related deferred outflows	501,113	--	501,113	--	--
Liabilities:					
Accounts payable	413,367	318,042	731,409	--	--
Other current liabilities	--	1,938	1,938	--	--
Unearned revenue	--	7,909	7,909	--	--
Noncurrent liabilities:					
Due within one year	169,717	223,219	392,936	--	--
Due in more than one year	546,502	10,042,342	10,588,844	--	3,037,760
Total Liabilities	1,129,586	10,593,450	11,723,036	--	3,037,760
Deferred Inflows of Resources:					
Pension related deferred inflows	282,483	--	282,483	--	--
Net Position:					
Net investment in capital assets	40,319,379	16,894,274	57,213,653	--	--
Restricted for:					
Debt services	393,104	--	393,104	--	--
Library	64,800	--	64,800	--	--
Capital improvements	1,629,201	--	1,629,201	--	--
Community services	73,382	--	73,382	--	--
Customer deposits	--	109,820	109,820	--	--
SDRS pension purposes	223,914	--	223,914	--	--
Unrestricted	97,303	654,247	751,550	149,919	761,588
Total Net Position	\$ 42,801,083	\$ 17,658,341	\$ 60,459,424	\$ 149,919	\$ 761,588

The accompanying Notes to Financial Statements are an integral part of this statement.

City of North Sioux City
Statement of Activities
For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Unaudited Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Housing & Redevelopment	Economic Development	
					Governmental Activities	Business-Type Activities	Total			
Primary Government:										
Governmental Activities:										
General government	\$ 900,053	\$ 323,933	\$ --	\$ --	\$ (576,120)	\$ --	\$ (576,120)			
Public safety	1,394,491	9,314	--	--	(1,385,177)	--	(1,385,177)			
Public works	6,562,070	634,723	6,693,402	--	766,055	--	766,055			
Health and welfare	6,285	--	--	--	(6,285)	--	(6,285)			
Culture and recreation	419,440	--	13,807	15	(405,618)	--	(405,618)			
Conservation and development	296,559	--	--	--	(296,559)	--	(296,559)			
Interest on long-term debt	401,209	--	--	--	(401,209)	--	(401,209)			
Total Governmental Activities	9,980,107	967,970	6,707,209	15	(2,304,913)	--	(2,304,913)			
Business-type Activities:										
Water	1,466,714	1,379,964	--	--	--	(86,750)	(86,750)			
Garbage	256,518	221,127	--	--	--	(35,391)	(35,391)			
Sewer	2,276,428	2,114,453	--	--	--	(161,975)	(161,975)			
Total Business-Type Activities	3,999,660	3,715,544	--	--	--	(284,116)	(284,116)			
Total Primary Government	\$ 13,979,767	\$ 4,683,514	\$ 6,707,209	\$ 15	(2,304,913)	(284,116)	(2,589,029)			
Component Units:										
Housing and redevelopment	\$ --	\$ --						\$ --		
Economic development	\$ 154,940	\$ --	\$ 809,411						\$ 654,471	
General Revenues:										
Taxes:										
Property tax					1,187,359	--	1,187,359	--	--	
Sales tax					4,524,446	--	4,524,446	--	--	
State shared revenues					76,430	--	76,430	--	--	
County shared revenues					11,747	--	11,747	--	--	
Unrestricted investment earnings					131,189	56,351	187,540	624	13,484	
Miscellaneous revenue					261,843	--	261,843	--	4,577	
Transfers					(7,463,478)	7,463,478	--	--	--	
Total General Revenues and Transfers					(1,270,464)	7,519,829	6,249,365	624	18,061	
Change in net position					(3,575,377)	7,235,713	3,660,336	624	672,532	
Net Position-Beginning of Year					46,376,460	10,422,628	56,799,088	149,295	89,056	
Net Position-End of Year					\$ 42,801,083	\$ 17,658,341	\$ 60,459,424	\$ 149,919	\$ 761,588	

The accompanying Notes to Financial Statements are an integral part of this statement.

City of North Sioux City
Balance Sheet – Governmental Funds
December 31, 2025

		Capital Project Funds			
		Water			
	General	Upgrades	2024 NSC	Other	Total
	Fund	Project	Flood Event	Governmental	Governmental
		Fund	Fund	Funds	Funds
Assets:					
Cash and cash equivalents	\$ 4,143,607	\$ 253,547	\$ 1,177,690	\$ 1,946,815	\$ 7,521,659
Taxes receivable:					
Delinquent	18,017	--	--	--	18,017
Special assessments receivable					
Current	42,155	--	--	--	42,155
Due from state government	87,348	--	--	35,834	123,182
Supply inventory	19,028	--	--	--	19,028
Prepaid expense	44,835	--	--	--	44,835
Total Assets	\$ 4,354,990	\$ 253,547	\$ 1,177,690	\$ 1,982,649	\$ 7,768,876
Liabilities and Fund Balances:					
Accounts payable	\$ 132,950	\$ --	\$ 112,626	\$ 117,829	\$ 363,405
Accrued wages and benefits payable	49,962	--	--	--	49,962
Advances from other funds	--	--	5,000,000	--	5,000,000
Total Liabilities	182,912	--	5,112,626	117,829	5,413,367
Deferred Inflows of Resources:					
Property taxes	18,017	--	--	--	18,017
Special Assessments	42,155	--	--	--	42,155
Total Deferred Inflows of Resources	60,172	--	--	--	60,172
Fund Balances:					
Nonspendable					
Inventory and prepaid expense	63,863	--	--	--	63,863
Restricted					
Economic development and promotion	--	--	--	64,800	64,800
Debt Service	--	--	--	393,104	393,104
Community services	--	--	--	73,382	73,382
Committed					
Capital improvements	--	253,547	--	1,375,654	1,629,201
Unassigned	4,048,043	--	(3,934,936)	(42,120)	70,987
Total Fund Balances	4,111,906	253,547	(3,934,936)	1,864,820	2,295,337
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,354,990	\$ 253,547	\$ 1,177,690	\$ 1,982,649	\$ 7,768,876

The accompanying Notes to Financial Statements are an integral part of this statement.

City of North Sioux City
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2025

Total Fund Balances - Government Funds	\$ 2,295,337
--	--------------

Amounts reported for governmental activities in the statement of net position are different because:

Net pension asset reported in governmental activities is not an available resource and therefore is not reported in the funds.	5,284
--	-------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	40,937,879
---	------------

Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	501,113
--	---------

Long-term liabilities, including bonds payable and accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.

Accrued Leave	(97,719)	
Intangible leases	(255,300)	
TIF Loans	<u>(363,200)</u>	(716,219)

Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are not deferred in the funds.	18,017
--	--------

Special assessments receivable reported in governmental activities is not an available resource and therefore not reported in the funds.	42,155
--	--------

Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	<u>(282,483)</u>
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Net Position - Governmental Funds	<u><u>\$ 42,801,083</u></u>
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City of North Sioux City
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
For the Year Ended December 31, 2025

			Capital Projects Funds					
			Formerly Major Fund Sewer Upgrades Project Fund	Water Upgrades Project Fund	2024 NSC Flood Event Fund	Other Governmental Funds		
	General Fund	Formerly Major Fund Additional Sales Tax Fund					Total Governmental Funds	
Revenues:								
Taxes								
General property taxes	\$ 692,842	\$ --	\$ --	\$ --	\$ --	\$ 419,352	\$ 1,112,194	
General sales taxes	3,471,938	--	--	--	--	1,052,508	4,524,446	
Penalties and interest	2,318	--	--	--	--	--	2,318	
Other	--	--	--	--	--	72,847	72,847	
Licenses and permits	317,219	--	--	--	--	--	317,219	
Intergovernmental revenue								
Federal grants	--	--	--	--	6,693,402	--	6,693,402	
State shared revenues								
Bank franchise tax	10,430	--	--	--	--	--	10,430	
Motor vehicle commercial prorate	38,963	--	--	--	--	--	38,963	
Liquor tax reversion	21,463	--	--	--	--	--	21,463	
Local government highway and bridge	83,902	--	--	--	493,006	--	576,908	
Other	5,574	--	--	--	--	--	5,574	
County shared revenues	21,531	--	--	--	--	--	21,531	
County wheel tax	11,747	--	--	--	--	--	11,747	
Charges for goods and services								
General government	6,714	--	--	--	--	--	6,714	
Highways and streets	34,713	--	--	--	--	--	34,713	
Other	1,571	--	--	--	--	--	1,571	
Fines and forfeits								
Court fines and costs	9,314	--	--	--	--	--	9,314	
Miscellaneous revenue								
Investment earnings	93,901	--	--	--	--	37,288	131,189	
Library	13,807	--	--	--	--	--	13,807	
Rentals	39,922	--	--	--	--	113,295	153,217	
Contributions	15	--	--	--	--	--	15	
Other	108,626	--	--	--	--	--	108,626	
Total Revenue	<u>\$ 4,986,510</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 7,186,408</u>	<u>\$ 1,695,290</u>	<u>\$ 13,868,208</u>	

The accompanying Notes to Financial Statements are an integral part of this statement.

City of North Sioux City
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
For the Year Ended December 31, 2025 (Continued)

	General Fund	Formerly Major Fund Additional Sales Tax Fund	Formerly Major Fund Sewer Upgrades Project Fund	Water Upgrades Project Fund	2024 NSC Flood Event Fund	Other Governmental Funds	Total Governmental Funds
Expenditures:							
Current:							
General government:							
Legislative	\$ 396,796	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 396,796
Elections	9,675	--	--	--	--	--	9,675
Financial administration	299,538	--	--	--	--	--	299,538
Planning and zoning	80,237	--	--	--	--	--	80,237
Public safety:							
Police	1,188,821	--	--	--	--	85,430	1,274,251
Fire	16,060	--	--	--	--	--	16,060
Public works:							
Highways and streets	637,410	--	--	2,841,766	1,973,240	--	5,452,416
Sanitation	--	--	--	--	--	86,665	86,665
Cemetery	6,748	--	--	--	--	--	6,748
Health and welfare:							
Health	6,285	--	--	--	--	--	6,285
Culture and recreation:							
Recreation	63,184	--	--	--	--	--	63,184
Parks	60,601	--	--	--	--	--	60,601
Library	274,773	--	--	--	--	--	274,773
Conservation and development:							
Economic development and assistance (industrial development)	67,900	--	--	--	--	136,405	204,305
Economic opportunity	92,254	--	--	--	--	--	92,254
Debt service	--	--	--	--	--	387,127	387,127
Capital outlay	497,295	--	--	--	3,947,491	380,622	4,825,408
Total Expenditures	3,697,577	--	--	2,841,766	5,920,731	1,076,249	13,536,323
Excess of Revenues Over (Under)							
Expenditures	1,288,933	--	--	(2,841,766)	1,265,677	619,041	331,885
Other Financing Sources:							
Transfers in	178,783	--	--	2,650,000	300,000	690,109	3,818,892
Transfers out	(380,000)	--	--	--	--	(828,892)	(1,208,892)
Long-term debt issued	258,263	--	--	--	--	--	258,263
Total Other Financing Sources	57,046	--	--	2,650,000	300,000	(138,783)	2,868,263
Net Change in Fund Balance	1,345,979	--	--	(191,766)	1,565,677	480,258	3,200,148
Fund Balances, as previously presented	2,765,927	434,306	(13,444)	445,313	(5,500,613)	963,700	(904,811)
Change within financial reporting entity (major to nonmajor fund)	--	(434,306)	13,444	--	--	420,862	--
Fund Balances - Adjusted Beginning of Year	2,765,927	--	--	445,313	(5,500,613)	1,384,562	(904,811)
Fund Balances - End of Year	\$ 4,111,906	\$ --	\$ --	\$ 253,547	\$ (3,934,936)	\$ 1,864,820	\$ 2,295,337

The accompanying Notes to Financial Statements are an integral part of this statement.

City of North Sioux City
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Year Ended December 31, 2025

Net Change in Fund Balances - Total Government Funds	\$ 3,200,148
--	--------------

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

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government wide statements.	4,825,408
---	-----------

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(1,396,185)
---	-------------

In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or a loss is realized.	(10,073,478)
--	--------------

Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets.	38,347
--	--------

The issuance of long-term debt is an other financing source in the fund statements but an increase in the long-term liabilities on the government wide statements.	(258,263)
--	-----------

Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	109,648
--	---------

Governmental funds do not reflect the change in accrued leave, but the statement of activities reflects the change in accrued leave through expenditures.	<u>(21,002)</u>
---	-----------------

Change in Net Position of Governmental Activities	<u><u>\$ (3,575,377)</u></u>
---	------------------------------

City of North Sioux City
Statement of Net Position – Proprietary Funds
December 31, 2025

	Enterprise Funds		Nonmajor	
	Water Fund	Sewer Fund	Garbage Fund	Totals
Assets:				
Current Assets:				
Cash and cash equivalents	\$ 1,878,657	\$ 1,200,968	\$ 61,405	\$ 3,141,030
Accounts receivable, net	91,303	148,816	17,872	257,991
Supply inventory	79,191	98,500	--	177,691
Prepaid expense	10,242	10,743	--	20,985
Total Current Assets	<u>2,059,393</u>	<u>1,459,027</u>	<u>79,277</u>	<u>3,597,697</u>
Noncurrent Assets:				
Deposits	109,820	--	--	109,820
Advances to other funds	2,000,000	3,000,000	--	5,000,000
Capital assets:				
Land	60,781	37,503	--	98,284
Buildings	2,216,651	--	--	2,216,651
Improvements other than buildings	15,280,261	13,126,789	--	28,407,050
Machinery and equipment	1,600,165	857,974	--	2,458,139
Accumulated depreciation	<u>(7,815,345)</u>	<u>(5,820,505)</u>	<u>--</u>	<u>(13,635,850)</u>
Total Capital Assets:	<u>11,342,513</u>	<u>8,201,761</u>	<u>--</u>	<u>19,544,274</u>
Total Noncurrent Assets	<u>13,452,333</u>	<u>11,201,761</u>	<u>--</u>	<u>24,654,094</u>
Total Assets	<u>15,511,726</u>	<u>12,660,788</u>	<u>79,277</u>	<u>28,251,791</u>
Liabilities:				
Current Liabilities:				
Accounts payable	63,156	97,614	33,115	193,885
Accrued wages	5,732	8,289	316	14,337
Accrued taxes payable	783	1,131	24	1,938
Customer deposits	109,820	--	--	109,820
Unearned revenue	7,909	--	--	7,909
Current portion of long term debt	--	223,219	--	223,219
Total Current Liabilities	<u>187,400</u>	<u>330,253</u>	<u>33,455</u>	<u>551,108</u>
Noncurrent Liabilities:				
Bonds payable:				
Revenue	5,042,791	4,963,375	--	10,006,166
Accrued leave payable	18,088	18,088	--	36,176
Total Noncurrent Liabilities	<u>5,060,879</u>	<u>4,981,463</u>	<u>--</u>	<u>10,042,342</u>
Total Liabilities	<u>5,248,279</u>	<u>5,311,716</u>	<u>33,455</u>	<u>10,593,450</u>
Net Position:				
Net investment in capital assets	8,692,513	8,201,761	--	16,894,274
Restricted net position restricted for:				
Customer deposits	109,820	--	--	109,820
Unrestricted net position	<u>1,461,114</u>	<u>(852,689)</u>	<u>45,822</u>	<u>654,247</u>
Total Net Position	<u>\$ 10,263,447</u>	<u>\$ 7,349,072</u>	<u>\$ 45,822</u>	<u>\$ 17,658,341</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of North Sioux City
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
For the Year Ended December 31, 2025

	Water Fund	Sewer Fund	Non-Major Garbage Fund	Totals
Operating Revenues:				
Charges for goods and services	\$ 1,379,964	\$ 2,114,453	\$ 221,127	\$ 3,715,544
Total Operating Revenues	<u>1,379,964</u>	<u>2,114,453</u>	<u>221,127</u>	<u>3,715,544</u>
Operating Expenses:				
Personal services	288,243	410,843	23,549	722,635
Other current expense	369,910	1,231,320	232,969	1,834,199
Depreciation	808,561	550,360	--	1,358,921
Total Operating Expenses	<u>1,466,714</u>	<u>2,192,523</u>	<u>256,518</u>	<u>3,915,755</u>
Operating Income (Loss)	<u>(86,750)</u>	<u>(78,070)</u>	<u>(35,391)</u>	<u>(200,211)</u>
Nonoperating Revenues/Expenses:				
Investment earnings	36,307	20,044	--	56,351
Interest expense	--	(83,905)	--	(83,905)
Total Nonoperating Revenues/(Expenses)	<u>36,307</u>	<u>(63,861)</u>	<u>--</u>	<u>(27,554)</u>
Net Income (Loss) Before Contributions and Transfers	<u>(50,443)</u>	<u>(141,931)</u>	<u>(35,391)</u>	<u>(227,765)</u>
Other Financing Sources:				
Capital Contributions	4,754,314	5,319,164	--	10,073,478
Transfers in	--	--	40,000	40,000
Transfers out	(2,650,000)	--	--	(2,650,000)
Total Other Financing Sources	<u>2,104,314</u>	<u>--</u>	<u>40,000</u>	<u>7,463,478</u>
Net Change in Net Position	2,053,871	5,177,233	4,609	7,235,713
Net Position - Beginning of Year	<u>8,209,576</u>	<u>2,171,839</u>	<u>41,213</u>	<u>10,422,628</u>
Net Position - End of Year	<u><u>\$ 10,263,447</u></u>	<u><u>\$ 7,349,072</u></u>	<u><u>\$ 45,822</u></u>	<u><u>\$ 17,658,341</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of North Sioux City
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2025

	Water Fund	Sewer Fund	Non-Major Garbage Fund	Totals
Cash Flows from Operating Activities:				
Receipt from customers	\$ 1,274,697	\$ 2,109,860	\$ 219,713	\$ 3,604,270
Payments to suppliers	(329,226)	(1,292,470)	(204,709)	(1,826,405)
Payments to employees	(293,107)	(411,561)	(24,951)	(729,619)
Net Cash Provided (Used) by Operating Activities:	<u>652,364</u>	<u>405,829</u>	<u>(9,947)</u>	<u>1,048,246</u>
Cash Flows from Noncapital Financing Activities:				
Transfers (to) from other funds	(2,650,000)	--	40,000	(2,610,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,650,000)</u>	<u>--</u>	<u>40,000</u>	<u>(2,610,000)</u>
Cash Flows from Capital and Related Financing Activities:				
Purchase of capital assets	(47,202)	(388,561)	--	(435,763)
Proceeds of long term debt	3,752,213	--	--	3,752,213
Payments on long term debt	--	(329,032)	--	(329,032)
Debt interest paid	--	(83,905)	--	(83,905)
Change in restricted cash	(4,312)	--	--	(4,312)
Net Cash Provided (Used) by Capital and Related Financing Activities:	<u>3,700,699</u>	<u>(801,498)</u>	<u>--</u>	<u>2,899,201</u>
Cash Flows from Investing Activities:				
Interest earnings	36,307	20,044	--	56,351
Net Cash Provided by Investing Activities	<u>36,307</u>	<u>20,044</u>	<u>--</u>	<u>56,351</u>
Net Increase in Cash and Cash Equivalents	1,739,370	(375,625)	30,053	1,393,798
Cash and Cash Equivalents - Beginning of Year	139,287	1,576,593	31,352	1,747,232
Cash and Cash Equivalents - End of Year	<u>\$ 1,878,657</u>	<u>\$ 1,200,968</u>	<u>\$ 61,405</u>	<u>\$ 3,141,030</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

City of North Sioux City
Statement of Cash Flows – Proprietary Funds
For the Year Ended December 31, 2025 (Continued)

Reconciliation of Operating (Loss) to Net Cash Flows Provided (Used) by

Operating Activities:

Operating (loss)	\$ (86,750)	\$ (78,070)	\$ (35,391)	\$ (200,211)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:				
Provided (Used) by operating activities:				
Depreciation expense	808,561	550,360	--	1,358,921
(Increase) decrease in:				
Receivables	3,940	(4,593)	(1,414)	(2,067)
Prepaid expenses	(8,767)	(10,718)	--	(19,485)
Inventories	(68,704)	--	--	(68,704)
Increase (decrease) in:				
Accounts and other payables	49,451	(50,432)	28,260	27,279
Accrued wages and leave payable	(4,864)	(718)	(1,402)	(6,984)
Unearned revenue	(42,503)	--	--	(42,503)
Deposits	2,000	--	--	2,000
Cash Flows Provided (Used) by Operating Activities	<u><u>\$ 652,364</u></u>	<u><u>\$ 405,829</u></u>	<u><u>\$ (9,947)</u></u>	<u><u>\$ 1,048,246</u></u>

Noncash Investing, Capital, and Financing Activities

Capital contributions	\$ 4,754,314	\$ 5,319,164	\$ --	\$ 10,073,478
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The accompanying Notes to Financial Statements are an integral part of this statement.

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

1. Summary of Significant Accounting Policies:

a. Financial Reporting Entity:

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

Component units are legally separate organizations for which the elected official of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the city (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Housing and Redevelopment Commission of North Sioux City, South Dakota (Commission) is a proprietary fund-type, discretely presented component unit. The five members of the commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plan to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from the North Sioux City Housing and Redevelopment Commission, located in the City Hall of the City of North Sioux City, 504 River Drive, North Sioux City, SD 57049.

The Economic Development Corporation of North Sioux City, South Dakota is a propriety fund-type discretely presented component unit. The seven members of the Corporation are appointed by Economic Development and it elects its own chairperson and recruits and employs its own management personnel. The city's Governing Board, though, retains the statutory authority to issue and hold debt for the corporation, which gives the Corporation the ability to impose specific financial burdens on the City of North Sioux City. Separately issued financial statement of the Economic Development Corporation may be obtained from the North Sioux City Economic Development Corporation, PO Box 1516, North Sioux City, SD 57049.

The City is a member of the South Dakota Municipal League, the Siouxland Initiative, SECOG, Siouxland Chamber, Dakota Valley Business Council and the Siouxland Interstate Metropolitan Planning Council.

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

1. Summary of Significant Accounting Policies: (Continued)

b. Basis of Presentation:

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity, except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the City's financial reporting entity are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

1. Summary of Significant Accounting Policies: (Continued)

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

The following Special Revenue Funds are not considered major funds: Additional Sales Tax Fund, Liquor, Lodging and Dining Fund, 911 Emergency Fund, and Grant Revolving Loan Fund. These funds are reported on the fund financial statements as “Other Governmental Funds” and are detailed in the combining statement section.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The following Debt Service Funds are not considered a major fund: Wildflower Bend TIF and TIF #4. These funds are reported on the fund financial statements as “Other Governmental Funds” and is detailed in the combining statement section.

Capital Projects Funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

2024 North Sioux City Flood Event Fund – to account for the reconstruction due to flood damages. This is a major fund.

Water Upgrades Project – to account for the construction of Water upgrades. This is a major fund.

The following Capital Projects are not considered to be major funds: Sioux Pt. Road Fund, River Bend Business Park Fund (*formerly known as the Graham Industrial Fund*), Sioux Pt. Bike Trail Project Fund, Military Road Reconstruction Fund, Northshore Bypass Fund, and Sewer Upgrades Project Fund. These funds are reported on the fund financial statements as part of “Other Governmental Funds” and are detailed in the combining statement section.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity’s principal revenue sources:

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

1. Summary of Significant Accounting Policies: (Continued)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the City waterworks system and related facilities (SDCL 9-47-1). This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the City sanitary sewer system and related facilities (SDCL 9-48-2). This is a major fund.

Garbage Fund – financed primarily by user charges, this fund accounts for the operation of the garbage collection service. This is not a major fund.

c. Measurement Focus and Basis of Accounting:

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

Measurement Focus:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the “current financial resources” measurement focus and the modified accrual basis of accounting are applied to governmental fund, while the “economic resources” measurement focus and the accrual basis of accounting are applied to the proprietary fund types.

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

1. Summary of Significant Accounting Policies: (Continued)

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the City of North Sioux City is 45 days. The revenues which are accrued at December 31, 2025 are amounts due from other governments, and other receivables due within 45 days.

Under the modified accrual basis of accounting, receivables may be measured but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

e. Deposits and Investments:

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

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

1. Summary of Significant Accounting Policies: (Continued)

f. Capital Assets:

Capital assets include land, construction in progress, buildings, improvements other than buildings, machinery and equipment, intangible lease assets, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations, and whether they are reported in government-wide or fund financial statements.

Government-Wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their acquisition value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant, and which extend to useful life of a capital asset are also capitalized.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004 are recorded at cost and classified as "Improvements other than Buildings".

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP. Capital assets used in business-type activities/proprietary fund operations, construction-period interest is also not capitalized; this is in accordance with USGAAP.

Depreciation/Amortization of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which reported as Unallocated Depreciation/Amortization, with net capital assets reflected in the Statement of Net Position.

Accumulated depreciation/amortization is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position.

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

1. Summary of Significant Accounting Policies: (Continued)

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/amortization methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
*Land and land rights	All	N/A	N/A
Improvements other than buildings	\$ 50,000	Straight-line	8-30 years
Buildings	50,000	Straight-line	8-75 years
Machinery and equipment	5,000	Straight-line	5-40 years
Intangible assets (Leases & SBITAs)	45,000	Straight-line	> 1 year

*Land, an inexhaustible capital asset, is not depreciated/amortized.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide financial statements.

g. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of TIF loans, intangible lease liabilities, SRF Loans, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide financial statements.

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

1. Summary of Significant Accounting Policies: (Continued)

h. Leases:

The City is a lessee for noncancellable leases of copiers and equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government – wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$45,000 or more.

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.

i. Subscription-Based Information Technology Arrangements:

The City does not have any subscription-based information technology arrangements (SBITAs) with vendors to use vendor-provided information technology. If it did, it would recognize a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$45,000 or more.

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.

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

1. Summary of Significant Accounting Policies: (Continued)

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 Municipality 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 Municipality 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.

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

j. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

k. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

1. Summary of Significant Accounting Policies: (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

l. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

m. Cash and Cash Equivalents:

For the purpose of preparing the Statement of Cash Flows, the City considers all highly liquid investments and deposits with a term to maturity of three months or less when purchased to be cash equivalents.

n. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in three components:

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisitions, construction or improvement of those assets.
2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable," "Restricted," "Committed," "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

1. Summary of Significant Accounting Policies: (Continued)

o. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

p. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

Nonspendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the City Commission.

Unassigned – Includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form, such as inventory and prepaid expenses.

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

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

q. Pensions:

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

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

2. Deposits and Investments Fair Value Measurement, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk:

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

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

Investments – In General, SDCL 4-5-6 permits City funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk – State Law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

As of December 31, 2025, the City has the following investments:

	<u>Credit Rating</u>	<u>Value</u>
External Investment Pools:		
SDFIT - GCR	Unrated	\$ 788,403

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine-member board with representation from municipalities, school districts, and counties. The net asset value of the SDFIT money market account (GCR) 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.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk – The City does not have a formal investment policy that limits investment securities as a means of managing its exposure to fair value losses arising from increasing interest rates.

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

2. Deposits and Investments Fair Value Measurement, Credit Risk, Concentrations of Credit Risk and Interest Rate Risk: (Continued)

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City’s policy is to credit all income from deposits and investments to the fund making the investment.

3. Restricted Cash and Investments:

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
Water Fund	\$ 109,820	Customer deposits

4. Receivables and Payables:

Receivables and payables are not aggregated in these financial statements. The City expects all receivables to be collected within one year.

5. Inventory:

Inventory in the General Fund consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Inventory acquired for resale in the proprietary funds is recorded as an asset when acquired. The consumption of inventories held for resale is charged to expense as it is consumed. Inventories held for resale are recorded at the lower of cost or market, on the first-in, first-out cost flow assumption.

Government-Wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by nonspendable fund balance which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

6. Property Taxes:

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

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

7. Changes in Capital Assets:

A summary of changes in capital assets for the year ended December 31, 2025 is as follows:

	Balance 12/31/2024	Increases	Decreases	Balance 12/31/2025
Governmental Activities:				
Capital assets, not being depreciated/amortized				
Land	\$ 1,369,175	\$ 3,880,166	\$ --	\$ 5,249,341
Construction in progress	27,439,256	460,047	15,945,072	11,954,231
Total, not being depreciated/amortized	<u>28,808,431</u>	<u>4,340,213</u>	<u>15,945,072</u>	<u>17,203,572</u>
Capital assets, being depreciated/amortized				
Buildings	6,245,786	--	--	6,245,786
Improvements	22,927,490	5,925,546	23,156	28,829,880
Machinery & Equipment	3,788,917	172,980	14,883	3,947,014
Intangible Lease Assets	37,050	258,263	--	295,313
Total, being depreciated/amortized	<u>32,999,243</u>	<u>6,356,789</u>	<u>38,039</u>	<u>39,317,993</u>
Less accumulated depreciation/amortization for:				
Buildings	2,107,105	135,081	--	2,242,186
Improvements	9,323,151	1,026,497	23,156	10,326,492
Machinery & Equipment	2,765,644	182,178	14,883	2,932,939
Intangible Lease Assets	29,640	52,429	--	82,069
Total accumulated depreciation/amortization	<u>14,225,540</u>	<u>1,396,185</u>	<u>38,039</u>	<u>15,583,686</u>
Capital Assets Net	<u>\$ 47,582,134</u>	<u>\$ 9,300,817</u>	<u>\$ 15,945,072</u>	<u>\$ 40,937,879</u>

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

7. Changes in Capital Assets: (Continued)

Depreciation/Amortization expense was charged to functions as follows:

General government	\$ 164,891
Public safety	141,742
Public works	1,016,241
Culture and recreation	20,882
Amortization	<u>52,429</u>
Total Depreciation/Amortization Expense - Governmental Activities	<u><u>\$ 1,396,185</u></u>

A summary of changes in capital assets for the year ended December 31, 2025 is as follows: (Continued)

	<u>Balance 12/31/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2025</u>
Business-Type Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 98,284	\$ --	\$ --	\$ 98,284
Total, not being depreciated/amortized	<u>98,284</u>	<u>--</u>	<u>--</u>	<u>98,284</u>
Capital assts, being depreciated/amortized:				
Buildings	2,216,651	--	--	2,216,651
Improvements	18,443,129	10,363,805	399,884	28,407,050
Machinery & Equipment	<u>2,312,702</u>	<u>145,437</u>	<u>--</u>	<u>2,458,139</u>
Total, being depreciated/amortized	<u>22,972,482</u>	<u>10,509,242</u>	<u>399,884</u>	<u>33,081,840</u>
Less accumulated depreciation/amortization for:				
Buildings	734,328	30,776	--	765,104
Improvements	10,116,152	1,264,647	399,884	10,980,915
Machinery & Equipment	<u>1,826,333</u>	<u>63,498</u>	<u>--</u>	<u>1,889,831</u>
Total accumulated depreciation/amortization	<u>12,676,813</u>	<u>1,358,921</u>	<u>399,884</u>	<u>13,635,850</u>
Capital Assets Net	<u><u>\$ 10,393,953</u></u>	<u><u>\$ 9,150,321</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 19,544,274</u></u>

Depreciation/Amortization expense was charged to functions as follows:

Water	\$ 808,561
Sewer	<u>550,360</u>
Total Depreciation/Amortization Expense - Business-Type Activities	<u><u>\$ 1,358,921</u></u>

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

7. Changes in Capital Assets: (Continued)

Construction Work in Progress at December 31, 2025 is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended thru 12/31/2025</u>	<u>Committed</u>
<u>Governmental Activities</u>			
River Bend Business Park	\$ 14,390,984	\$ 11,292,251	\$ 3,098,733
Permanent Flood Repairs	247,502	67,325	180,177
Bike Trail	514,870	56,391	458,479
Military Road Reconstruction	642,060	209,846	432,214
Northshore Bypass	4,688,521	328,418	4,360,103
Total Governmental Activities	<u>\$ 20,483,937</u>	<u>\$ 11,954,231</u>	<u>\$ 8,529,706</u>

8. Long-Term Debt:

A summary of changes in long-term debt follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Government Activities:					
TIF Loans	\$ 387,784	\$ --	\$ 24,584	\$ 363,200	\$ 24,123
Leases	10,800	258,263	13,763	255,300	47,875
Total Debt	398,584	258,263	38,347	618,500	71,998
Accrued Leave	76,717	97,719	76,717	97,719	97,719
Total Governmental Activities	<u>475,301</u>	<u>355,982</u>	<u>115,064</u>	<u>716,219</u>	<u>169,717</u>
Business-Type Activities:					
State Revolving Funds	\$ 6,641,688	\$ 3,752,213	\$ 164,516	\$ 10,229,385	\$ 223,219
Total Debt	<u>6,641,688</u>	<u>3,752,213</u>	<u>164,516</u>	<u>10,229,385</u>	<u>223,219</u>
Accrued Leave	47,136	36,176	47,136	36,176	--
Total Business-Type Activities	<u>6,688,824</u>	<u>3,788,389</u>	<u>211,652</u>	<u>10,265,561</u>	<u>223,219</u>
Total Primary Government	<u>\$ 7,164,125</u>	<u>\$ 4,144,371</u>	<u>\$ 326,716</u>	<u>\$ 10,981,780</u>	<u>\$ 392,936</u>

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

8. Long-Term Debt: (Continued)

Debt payable at December 31, 2025, is comprised of the following:

Governmental Activities:

TIF Bonds:

TIF Bonds, Series 2017A Wildflower Bend Project	During 2017, the city entered into an agreement to receive TIF bonds for \$235,000 with First Financial Bank with an interest rate of 1.0%. The final payment is due July, 2037. This debt is serviced by the TIF Debt Service Fund.	\$ 146,292
TIF Bonds, Series 2017B Wildflower Bend Project	During 2017, the city entered into an agreement to receive TIF bonds for \$315,000 with Liberty National Bank with an interest rate of 5.0%. The final payment is due July, 2037. This debt is serviced by the TIF Debt Service Fund.	<u>216,908</u>
Total TIF Bond Debt		<u>363,200</u>

Intangible Leases Payable:

Access Systems Copier Lease	During July 2025, the city entered into an agreement Access Systems for a copier in the amount of \$37,050 with an imputed rate of 5%. This lease has a final payment due September 2030. This debt is serviced by the General Fund.	<u>56,300</u>
First National Bank for Holly Blvd.	During November 2025, the city entered into an agreement with Titan Machinery to lease a Wheel Loader in the amount of \$199,000 with a rate of 5.39%. This lease has a final payment due January 2031. This debt is serviced by the General Fund.	<u>199,000</u>
Total Intangible Leases Payable		<u>255,300</u>
Accrued Leave Payable	The liability for accrued leave represents leave benefits earned as of December 31, 2025. This debt is serviced by the General Fund.	<u>97,719</u>
Total Governmental Activities Debt		<u>716,219</u>

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

8. Long-Term Debt: (Continued)

Business-type Activities:

State Revolving Fund (SRF) Loans:

Series 2023 State Revolving Fund	2%; matures January 15, 2045. This debt will be repaid by the Sewer Fund.	\$ 5,186,594
Series 2024 State Revolving Fund	During the year, the City did the second drawdown on this note for \$3,752,213, totaling \$5,042,791. This debt will be repaid by the Water Fund.	<u>5,042,791</u>
Total State Revolving Fund Debt		<u>10,229,385</u>
Accrued Leave Payable	The liability for accrued leave represents leave benefits earned as of December 31, 2025. This debt is serviced by the proprietary fund making the payroll payment.	<u>36,176</u>
Total Business Activity Debt		<u>10,265,561</u>
Grand Total		<u><u>\$ 10,981,780</u></u>

The annual requirements to amortize all debt outstanding as of December 31, 2025, except for compensated absences are as follows:

Government Activities:

Years Ending

Dec. 31,	TIF Bonds		Intangible Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 24,123	\$ 13,563	\$ 47,875	\$ 2,027	\$ 71,998	\$ 15,590
2027	24,923	12,755	41,119	8,783	66,042	21,538
2028	25,730	11,909	42,696	7,206	68,426	19,115
2029	26,634	11,055	44,359	5,544	70,993	16,599
2030	27,550	9,053	43,147	3,792	70,697	12,845
2031-2035	153,022	30,547	36,104	1,946	189,126	32,493
2036-2040	81,218	4,271	--	--	81,218	4,271
Total	<u>\$ 363,200</u>	<u>\$ 93,153</u>	<u>\$ 255,300</u>	<u>\$ 29,298</u>	<u>\$ 618,500</u>	<u>\$ 122,451</u>

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

8. Long-Term Debt: (Continued)

Business-Type Activities:

Years Ending

Dec. 31,

SRF Loans

	<u>Principal</u>	<u>Interest</u>
2026	\$ 223,219	\$ 102,065
2027	5,270,508	97,567
2028	232,306	92,978
2029	236,987	88,297
2030	241,762	83,522
2031-2035	1,283,880	342,540
2036-2040	1,418,553	207,867
2041-2045	1,322,170	60,289
Total	<u>\$ 10,229,385</u>	<u>\$ 1,075,125</u>

9. Restricted Net Position:

Restricted Net Position for the year ended December 31, 2025 was as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
Debt service	\$ 393,104	\$ --	\$ 393,104
Library	64,800	--	64,800
Capital projects	1,629,201	--	1,629,201
Customer deposits	--	109,820	109,820
Community services	73,382	--	73,382
SDRS pension purposes	223,914	--	223,914
Total	<u>\$ 2,384,401</u>	<u>\$ 109,820</u>	<u>\$ 2,494,221</u>

These balances are restricted due to federal grant and statutory requirements.

10. Interfund Transfers:

Interfund transfers for the year ended December 31, 2025 were as follows:

Transfer from the Water Fund to the Water Upgrades Project Fund for project funding.	\$ 2,650,000
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City of North Sioux City
Notes to the Financial Statements
December 31, 2025

10. Interfund Transfers: (Continued)

Interfund transfers for the year ended December 31, 2025 were as follows:

Transfer from the Grant Revolving Loan Fund to the General Fund to close the fund.	\$ 154,391
Transfer from Sioux Pt Road Fund to the General Fund to close the fund.	\$ 24,392
Transfer from General Fund to the 911 Emergency Special Revenue Fund to cover cash shortages.	\$ 40,000
Transfer from the Additional Sales Tax Fund to the Sewer Upgrades Project Fund for project funding.	\$ 100,109
Transfer from the Additional Sales Tax Fund to the River Bend Business Park Fund for project funding.	\$ 50,000
Transfer from the General Fund to the Garbage Fund to cover cash shortages.	\$ 40,000
Transfer from the Additional Sales Tax Fund to the Northshore Bypass Fund for project funding.	\$ 500,000
Transfer from the General Fund to the 2024 NSC Flood Event Fund for project funding.	\$ 300,000

11. Pension Plan:

Plan Information:

All employees, working for more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS). SDRS is a hybrid defined benefit pension plan designed with several defined contribution plan type provisions and is administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 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 employees, 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.

11. Pension Plan: (Continued)

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 spouse of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

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

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

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

Legislation enacted in 2021 reduced the minimum COLA from 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.

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

11. Pension Plan: (Continued)

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% of salary; Class B Judicial Members, 9% of salary; and Class B Public Safety Members, 8% of salary. State Statute also requires the employer to contribute an amount equal to the employee's contribution. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2025, 2024, and 2023 equal to the required contributions each year as follows:

2025	\$	114,109
2024		107,709
2023		97,338

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2025, SDRS is 100.1% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the City as of this measurement period ending June 30, 2025, and reported by the City as of December 31, 2025 are as follows:

Proportionate share of pension benefits	\$ 9,481,688
Less proportionate share of total pension restricted for pension benefits	<u>9,486,972</u>
Proportionate share of net pension liability (asset)	<u>\$ (5,284)</u>

At December 31, 2025, the City reported an asset of (\$5,284) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2025 and the total pension asset used to calculate the net pension asset was based on a projection of the City's share of contributions to the plan relative to the contributions of all participating entities. At June 30, 2025, the City's proportion was 0.062122%, which is an increase of 0.001657% from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025 the City recognized a reduction of pension expense of \$109,648. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

11. Pension Plan: (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 180,894	\$ --
Changes in assumption	--	280,457
Net Difference between projected and actual earnings on pension plan investments	257,431	--
Changes in proportion and difference between City contributions and proportionate share of contributions	4,224	2,026
City contributions subsequent to the measurement date	58,564	--
Total Revenues	<u>\$ 501,113</u>	<u>\$ 282,483</u>

\$58,564 reported as deferred outflow of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2026	\$ 122,848
2027	14,591
2028	8,619
2029	14,009
	<u>\$ 160,067</u>

Actuarial Assumptions:

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

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

11. Pension Plan: (Continued)

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% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010; 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table experience study for the period of July 1, 2016, to June 30, 2021.

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

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

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

These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025 (see discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

11. Pension Plan: (Continued)

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

Discount Rate:

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

Sensitivity of Liability to Changes in the Discount Rate:

The following presents the City's proportionate share of net pension asset calculated using the discount rate of 6.50 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 – percentage point lower (5.50%) or 1 – percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset)	\$ 1,294,891	\$ (5,284)	\$ (1,070,437)

Pension Plan Fiduciary Net Position:

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

12. Risk Management:

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

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

12. Risk Management: (Continued)

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance, 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 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 detailed below, under an occurrence-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for torts, thefts, errors and omissions, automobile and general liability.

The City carries a \$1,000 deductible for the automobile collision coverage, \$250 deductible for official's liability and \$5,000 for Law Enforcement liabilities.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liabilities coverage.

Worker's Compensation:

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

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits:

The City has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2025 no claim were filed for unemployment benefits. It is not anticipated that any additional claims for unemployment benefits will be filed in the next fiscal year.

City of North Sioux City
Notes to the Financial Statements
December 31, 2025

13. Violations of Finance-Related Legal and Contractual Provisions:

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations:

General Fund	Year Ended 2025
Highways and streets	\$ 132,786

14. Individual Fund Interfund Receivable and Payable Balances:

As of December 31, 2025, the Water and Sewer Funds have outstanding interfund loans of \$2,000,000 and \$3,000,000, respectively, to the 2024 NSC Flood Event Fund to cover emergency flood recovery expenditures. The City does not expect these to be repaid within one year.

Required Supplementary Information

City of North Sioux City
 Budgetary Comparison Schedules-Budgetary Basis – General Fund
 For the Year Ended December 31, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Revenue from Local Sources:				
Taxes:				
General property tax	\$ 703,457	\$ 703,457	\$ 692,842	\$ (10,615)
General sales and use tax	3,191,852	3,191,852	3,471,938	280,086
Penalties and interest on taxes	5,295	5,295	2,318	(2,977)
Licenses and permits	117,500	117,500	317,219	199,719
Intergovernmental:				
State shared revenues				
Bank franchise tax	15,600	15,600	10,430	(5,170)
Motor vehicle commercial				
prorate	41,800	41,800	38,963	(2,837)
Liquor tax reversion	20,500	20,500	21,463	963
Local government highway				
and bridge fund	95,200	95,200	83,902	(11,298)
Other	4,400	4,400	5,574	1,174
County Shared Revenue:				
County road tax (25%)	17,800	17,800	21,531	3,731
County wheel tax	11,700	11,700	11,747	47
Charges for Goods and Services:				
General government	--	--	6,714	6,714
Public safety	33,170	33,170	34,713	1,543
Other	--	--	1,571	1,571
Fines and Forfeits:				
Court fines and costs	11,497	11,497	9,314	(2,183)
Miscellaneous Revenue:				
Investment earnings	--	--	93,901	93,901
Library	11,044	11,044	13,807	2,763
Rentals	36,575	36,575	39,922	3,347
Contributions and donations	--	--	15	15
Other	37,232	37,232	108,626	71,394
Total Revenues	<u>\$ 4,354,622</u>	<u>\$ 4,354,622</u>	<u>\$ 4,986,510</u>	<u>\$ 631,888</u>

City of North Sioux City
 Budgetary Comparison Schedules-Budgetary Basis – General Fund
 For the Year Ended December 31, 2025 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Expenditures				
General Government:				
Legislative	\$ 398,621	\$ 469,941	\$ 396,796	\$ 73,145
Elections	1,736	12,136	9,675	2,461
Financial administration	331,463	331,463	299,538	31,925
General government building	131,274	131,274	80,237	51,037
Public Safety:				
Police	1,264,786	1,284,786	1,251,918	32,868
Civil Defense	739	18,239	16,060	2,179
Public Works:				
Highways and streets	482,887	762,887	895,673	(132,786)
Cemeteries	7,500	7,500	6,748	752
Health and Welfare:				
Health	5,600	6,600	6,285	315
Culture and Recreation:				
Recreation	53,483	73,483	63,184	10,299
Parks	72,182	72,182	60,601	11,581
Libraries	311,398	311,398	287,566	23,832
Conservation and Development:				
Economic development and assistance	163,792	263,792	231,042	32,750
Economic opportunity	108,500	108,500	92,254	16,246
Total Expenditures	<u>3,333,961</u>	<u>3,854,181</u>	<u>3,697,577</u>	<u>156,604</u>
Excess of Revenues Over				
Expenditures	<u>1,020,661</u>	<u>500,441</u>	<u>1,288,933</u>	<u>788,492</u>
Other Financing Sources:				
Transfers in	--	--	178,783	178,783
Transfers (out)	(1,903,500)	(1,903,500)	(380,000)	1,523,500
Long-term debt issued	--	--	258,263	258,263
Total Other Financing Sources	<u>(1,903,500)</u>	<u>(1,903,500)</u>	<u>57,046</u>	<u>1,960,546</u>
Net Changes in Fund Balance	(882,839)	(1,403,059)	1,345,979	2,749,038
Fund Balance, Beginning of Year	<u>2,765,927</u>	<u>2,765,927</u>	<u>2,765,927</u>	<u>--</u>
Fund Balance, End of Year	<u><u>\$ 1,883,088</u></u>	<u><u>\$ 1,362,868</u></u>	<u><u>\$ 4,111,906</u></u>	<u><u>\$ 2,749,038</u></u>

City of North Sioux City
Notes to the Required Supplementary Information
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget
For the Year Ended December 31, 2025

Note 1. Budgets and Budgetary Accounting:

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

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

Note 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP applied within the context of the modified accrual basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

City of North Sioux City
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Years Ended December 31, 2025

<u>Calendar Year</u>	<u>City's Proportion of the Net Pension Liability/Asset</u>	<u>City's Proportionate Share of the Net Pension Liability/Asset</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
2025	0.621220%	\$ (5,284)	\$ 1,629,594	0.32%	100.10%
2024	0.060465%	\$ (2,447)	\$ 1,482,722	0.17%	100.00%
2023	0.064484%	\$ (6,294)	\$ 1,467,663	0.43%	100.10%
2022	0.063609%	\$ (6,044)	\$ 1,290,022	0.47%	100.10%
2021	0.062197%	\$ (476,323)	\$ 1,248,663	38.15%	105.52%
2020	0.055830%	\$ (2,425)	\$ 1,212,055	0.20%	100.04%
2019	0.057296%	\$ (6,072)	\$ 1,080,119	0.57%	100.09%
2018	0.553649%	\$ (1,291)	\$ 1,033,479	0.12%	100.02%
2017	0.054104%	\$ (4,910)	\$ 992,213	0.49%	100.10%
2016	0.052048%	\$ 175,813	\$ 923,335	19.04%	96.89%

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30.

City of North Sioux City
Schedule of the City's Contributions (SDRS)
As of December 31, 2025

<u>Calendar Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2025	\$ 114,109	\$ 114,109	\$ --	\$ 1,678,891	6.80%
2024	\$ 107,709	\$ 107,709	\$ --	\$ 1,567,803	6.87%
2023	\$ 97,338	\$ 97,338	\$ --	\$ 1,433,396	6.79%
2022	\$ 92,166	\$ 92,166	\$ --	\$ 1,356,102	6.80%
2021	\$ 85,763	\$ 85,763	\$ --	\$ 1,267,187	6.77%
2020	\$ 82,590	\$ 82,590	\$ --	\$ 1,212,055	6.81%
2019	\$ 74,657	\$ 74,657	\$ --	\$ 1,080,119	6.91%
2018	\$ 69,799	\$ 69,799	\$ --	\$ 1,033,479	6.75%
2017	\$ 67,670	\$ 67,670	\$ --	\$ 992,213	6.82%
2016	\$ 62,952	\$ 62,952	\$ --	\$ 923,335	6.82%

City of North Sioux City
Notes to Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and Schedule of Pension Contributions
As of December 31, 2025

Changes from Prior Valuation

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

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

Benefit Provision Changes

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

Actuarial Method Changes

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

Actuarial Assumption Changes

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

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

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

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

Supplementary Information

City of North Sioux City
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2025

	Special Revenue Nonmajor Governmental Funds	Debt Service Nonmajor Governmental Funds	Capital Projects Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,216,240	\$ 393,104	\$ 337,471	\$ 1,946,815
Due from state government	35,834	--	--	35,834
Total Assets	<u>\$ 1,252,074</u>	<u>\$ 393,104</u>	<u>\$ 337,471</u>	<u>\$ 1,982,649</u>
Liabilities and Fund Balances:				
Accounts payable	\$ 39,047	\$ --	\$ 78,782	\$ 117,829
Total Liabilities	<u>39,047</u>	<u>--</u>	<u>78,782</u>	<u>117,829</u>
Fund Balances:				
Restricted				
Economic development and promotion	64,800	--	--	64,800
Debt service	--	393,104	--	393,104
Community services	73,382	--	--	73,382
Committed				
Capital improvement additions	1,074,845	--	300,809	1,375,654
Unassigned	--	--	(42,120)	(42,120)
Total Fund Balances	<u>1,213,027</u>	<u>393,104</u>	<u>258,689</u>	<u>1,864,820</u>
Total Liabilities and Fund Balances	<u>\$ 1,252,074</u>	<u>\$ 393,104</u>	<u>\$ 337,471</u>	<u>\$ 1,982,649</u>

City of North Sioux City
Combining Statement of Revenues, Expenditures
And Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2025

	Special Revenue Nonmajor Governmental Funds	Debt Service Nonmajor Governmental Funds	Capital Projects Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes				
General property taxes	\$ --	\$ 419,352	\$ --	\$ 419,352
General sales taxes	1,052,508	--	--	1,052,508
Other	72,847	--	--	72,847
Miscellaneous revenue				
Investment earnings	37,288	--	--	37,288
Rentals	--	--	113,295	113,295
Total Revenue	<u>\$ 1,162,643</u>	<u>\$ 419,352</u>	<u>\$ 113,295</u>	<u>\$ 1,695,290</u>
Expenditures:				
Current:				
Public safety:				
Police	\$ 85,430	\$ --	\$ --	\$ 85,430
Public works:				
Sanitation	--	--	86,665	86,665
Conservation and development:				
Economic development and assistance (industrial development)	136,405	--	--	136,405
Debt service	--	325,528	61,599	387,127
Capital outlay	--	--	380,622	380,622
Total Expenditures	<u>221,835</u>	<u>325,528</u>	<u>528,886</u>	<u>1,076,249</u>
Excess of Revenues Over (Under)				
Expenditures	<u>940,808</u>	<u>93,824</u>	<u>(415,591)</u>	<u>619,041</u>
Other Financing Sources:				
Transfers in	40,000	--	650,109	690,109
Transfers out	(804,500)	--	(24,392)	(828,892)
Total Other Financing Sources	<u>(764,500)</u>	<u>--</u>	<u>625,717</u>	<u>(138,783)</u>
Net Change in Fund Balance	<u>176,308</u>	<u>93,824</u>	<u>210,126</u>	<u>480,258</u>
Fund Balances, as previously presented	602,413	299,280	62,007	963,700
Change within financial reporting entity (major to nonmajor fund)	<u>434,306</u>	<u>--</u>	<u>(13,444)</u>	<u>420,862</u>
Fund Balances- Beginning of Year	<u>1,036,719</u>	<u>299,280</u>	<u>48,563</u>	<u>1,384,562</u>
Fund Balances - End of Year	<u><u>\$ 1,213,027</u></u>	<u><u>\$ 393,104</u></u>	<u><u>\$ 258,689</u></u>	<u><u>\$ 1,864,820</u></u>

City of North Sioux City
Combining Balance Sheet
Special Revenue Nonmajor Governmental Funds
December 31, 2025

	Special Revenue				
	Liquor Lodging & Dining Sales Tax Fund	911 Emergency Fund	Formerly Major Fund Additional Sales Tax Fund	Grant Revolving Loan Fund	Total Nonmajor Special Revenue Funds
Assets:					
Cash and cash equivalents	\$ 456,030	\$ 99,478	\$ 660,732	\$ --	\$ 1,216,240
Due from state government	6,600	12,902	16,332	--	35,834
Total Assets	<u>\$ 462,630</u>	<u>\$ 112,380</u>	<u>\$ 677,064</u>	<u>\$ --</u>	<u>\$ 1,252,074</u>
Liabilities and Fund Balances:					
Accounts payable	\$ 49	\$ 38,998	\$ --	\$ --	\$ 39,047
Total Liabilities	<u>49</u>	<u>38,998</u>	<u>--</u>	<u>--</u>	<u>39,047</u>
Fund Balances:					
Restricted					
Economic development and promotion	64,800	--	--	--	64,800
Community services	--	73,382	--	--	73,382
Committed					
Capital improvements	<u>397,781</u>	<u>--</u>	<u>677,064</u>	<u>--</u>	<u>1,074,845</u>
Total Fund Balances	<u>462,581</u>	<u>73,382</u>	<u>677,064</u>	<u>--</u>	<u>1,213,027</u>
Total Liabilities and Fund Balances	<u>\$ 462,630</u>	<u>\$ 112,380</u>	<u>\$ 677,064</u>	<u>\$ --</u>	<u>\$ 1,252,074</u>

City of North Sioux City
Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Special Revenue Nonmajor Governmental Funds
For the Year Ended December 31, 2025

	Special Revenue				
	Liquor Lodging & Dining Sales Tax Fund	911 Emergency Fund	Formerly Major Fund Additional Sales Tax Fund	Grant Revolving Loan Fund	Total Nonmajor Special Revenue Funds
Revenues:					
Taxes					
General sales taxes	\$ 184,550	\$ --	\$ 867,958	\$ --	\$ 1,052,508
Other	--	72,847	--	--	72,847
Miscellaneous revenue					
Investment earnings	12,379	--	24,909	--	37,288
Total Revenue	<u>196,929</u>	<u>72,847</u>	<u>892,867</u>	<u>--</u>	<u>1,162,643</u>
Expenditures:					
Current:					
Public safety:					
Police	\$ --	\$ 85,430	\$ --	\$ --	\$ 85,430
Conservation and development:					
Economic development and assistance (industrial development)	136,405	--	--	--	136,405
Total Expenditures	<u>136,405</u>	<u>85,430</u>	<u>--</u>	<u>--</u>	<u>221,835</u>
Excess of Revenues Over (Under) Expenditures	<u>60,524</u>	<u>(12,583)</u>	<u>892,867</u>	<u>--</u>	<u>940,808</u>
Other Financing Sources:					
Transfers in	--	40,000	--	--	40,000
Transfers out	--	--	(650,109)	(154,391)	(804,500)
Total Other Financing Sources	<u>--</u>	<u>40,000</u>	<u>(650,109)</u>	<u>(154,391)</u>	<u>(764,500)</u>
Net Change in Fund Balance	<u>60,524</u>	<u>27,417</u>	<u>242,758</u>	<u>(154,391)</u>	<u>176,308</u>
Fund Balances - Beginning of Year, as previously presented	402,057	45,965	--	154,391	602,413
Change within financial reporting entity (major to nonmajor fund)	<u>--</u>	<u>--</u>	<u>434,306</u>	<u>--</u>	<u>434,306</u>
Fund Balances - Beginning of Year, as adjusted	<u>402,057</u>	<u>45,965</u>	<u>434,306</u>	<u>154,391</u>	<u>1,036,719</u>
Fund Balances - End of Year	<u>\$ 462,581</u>	<u>\$ 73,382</u>	<u>\$ 677,064</u>	<u>\$ --</u>	<u>\$ 1,213,027</u>

City of North Sioux City
Combining Balance Sheet
Debt Service Nonmajor Governmental Funds
December 31, 2025

	Debt Service		Total Nonmajor Debt Service Funds
	TIF #4 Fund	Wildflower Bend TIF Fund	
Assets:			
Cash and cash equivalents	\$ 164,222	\$ 228,882	\$ 393,104
Total Assets	<u>\$ 164,222</u>	<u>\$ 228,882</u>	<u>\$ 393,104</u>
Fund Balances:			
Restricted			
Debt service	\$ 164,222	\$ 228,882	\$ 393,104
Total Fund Balances	<u>\$ 164,222</u>	<u>\$ 228,882</u>	<u>\$ 393,104</u>

City of North Sioux City
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Debt Service Nonmajor Governmental Funds
For the Year Ended December 31, 2025

	Debt Service		Total Nonmajor Debt Service Funds
	#4 TIF Fund	Wildflower Bend TIF Fund	
Revenues:			
Taxes:			
General property taxes	\$ 307,232	\$ 112,120	\$ 419,352
Total Revenue	<u>307,232</u>	<u>112,120</u>	<u>419,352</u>
Expenditures:			
Current:			
Debt service	<u>287,249</u>	<u>38,279</u>	<u>325,528</u>
Total Expenditures	<u>287,249</u>	<u>38,279</u>	<u>325,528</u>
Excess of Revenues Over (Under)			
Expenditures	<u>19,983</u>	<u>73,841</u>	<u>93,824</u>
Net Change in Fund Balance	<u>19,983</u>	<u>73,841</u>	<u>93,824</u>
Fund Balances- Beginning of Year	<u>144,239</u>	<u>155,041</u>	<u>299,280</u>
Fund Balances - End of Year	<u>\$ 164,222</u>	<u>\$ 228,882</u>	<u>\$ 393,104</u>

City of North Sioux City
Combining Balance Sheet
Capital Projects Nonmajor Governmental Funds
December 31, 2025

	Capital Projects						
					<i>Formerly Major Fund</i>		
	Sioux Pt Road Fund	River Bend Business Park Fund	Sioux Pt Bike Trail Project Fund	Military Road Reconstruction Fund	Northshore Bypass Fund	Sewer Upgrades Project Fund	Total Nonmajor Capital Projects Funds
Assets:							
Cash and cash equivalents	\$ --	\$ 36,662	\$ 15,709	\$ 6,138	\$ 278,962	\$ --	\$ 337,471
Total Assets	--	36,662	15,709	6,138	278,962	--	337,471
Liabilities and Fund Balances:							
Accounts payable	\$ --	\$ 78,782	\$ --	\$ --	\$ --	\$ --	\$ 78,782
Total Liabilities	--	78,782	--	--	--	--	78,782
Fund Balances:							
Committed							
Capital improvement additions	--	--	15,709	6,138	278,962	--	300,809
Unassigned	--	(42,120)	--	--	--	--	(42,120)
Total Fund Balances	--	(42,120)	15,709	6,138	278,962	--	258,689
Total Liabilities and Fund Balances	\$ --	\$ 36,662	\$ 15,709	\$ 6,138	\$ 278,962	\$ --	\$ 337,471

City of North Sioux City
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances – Capital Projects Nonmajor Governmental Funds
For the Year Ended December 31, 2025

	Capital Projects						
	Sioux Pt Road Fund	River Bend Business Park Fund	Sioux Pt Bike Trail Project Fund	Military Road Reconstruction Fund	Northshore Bypass Fund	Formerly Major Fund Sewer Upgrades Project Fund	Total Nonmajor Capital Projects Funds
Revenues:							
Miscellaneous revenue							
Rentals	\$ --	\$ 113,295	\$ --	\$ --	\$ --	\$ --	\$ 113,295
Total Revenue	--	113,295	--	--	--	--	113,295
Expenditures:							
Current:							
Public works:							
Sanitation	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 86,665	\$ 86,665
Debt service	--	61,599	--	--	--	--	61,599
Capital outlay	--	141,411	--	--	239,211	--	380,622
Total Expenditures	--	203,010	--	--	239,211	86,665	528,886
Excess of Revenues Over (Under)							
Expenditures	--	(89,715)	--	--	(239,211)	(86,665)	(415,591)
Other Financing Sources:							
Transfers in	--	50,000	--	--	500,000	100,109	650,109
Transfers out	(24,392)	--	--	--	--	--	(24,392)
Total Other Financing Sources	(24,392)	50,000	--	--	500,000	100,109	625,717
Net Change in Fund Balance	(24,392)	(39,715)	--	--	260,789	13,444	210,126
Fund Balances, as previously presented	24,392	(2,405)	15,709	6,138	18,173	--	62,007
Change within financial reporting entity (major to nonmajor fund)	--	--	--	--	--	(13,444)	(13,444)
Fund Balances- Beginning of Year, as adjusted	24,392	(2,405)	15,709	6,138	18,173	(13,444)	48,563
Fund Balances - End of Year	\$ --	\$ (42,120)	\$ 15,709	\$ 6,138	\$ 278,962	\$ --	\$ 258,689

City of North Sioux City
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Highway Planning and Construction Cluster			
Pass through the S.D Department of Transportation			
Highway Planning and Construction	20.205	NA	<u>\$ 3,559,997</u>
Total U.S. Department of Transportation			<u>3,559,997</u>
U.S. Environmental Protection Agency			
US Department of Homeland Security - Direct Programs:			
SD Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4807-SD	<u>\$ 3,133,404</u>
Total U.S. Environmental Protection Agency			<u>3,133,404</u>
Grand Total			<u><u>\$ 6,693,401</u></u>

City of North Sioux City
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025 (Continued)

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected to use the 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Major Federal Financial Assistance Program

This represents a Major Federal Financial Assistance Program.