CITY OF VALLEY CITY
VALLEY CITY, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2025

TABLE OF CONTENTS

	Page
OFFICIAL DIRECTORY (UNAUDITED)	**1**
INDEPENDENT AUDITOR'S REPORT	**2**
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	6
Statement of Activities	8
FUND FINANCIAL STATEMENTS:	
Balance Sheet - Governmental Funds	9
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Position – Proprietary Funds	13
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	14
Statement of Cash Flows – Proprietary Funds	15
Notes to the Financial Statements	16
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	44
Schedule of City Pension Contributions	45
Schedule of City's Share of Net Pension Liability	46
Schedule of Contributions to the OPEB Plan	47
Schedule of City's Share of the OPEB Liability	48
Notes to the Required Supplementary Information	49
SUPPLEMENTARY INFORMATION	
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund by Department	50

Combining Balance Sheet – Nonmajor Governmental Funds 51

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds 52

Combining Balance Sheet - Nonmajor Special Revenue Funds 53

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds 55

Combining Balance Sheet - Nonmajor Capital Projects Fund 57

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Nonmajor Capital Projects Funds 58

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* 59

Schedule of Findings and Responses 61

Summary Schedule of Prior Audit Findings 63

Corrective Action Plan 64

* * * * * * * * * * * * *

CITY OF VALLEY CITY
OFFICIAL DIRECTORY (UNAUDITED)
AS OF DECEMBER 31, 2025

Names	Office	Term
Dave Carlsrud	President	6/30/2026
Mike Bishop	City Commissioner	6/30/2028
Jeff Erickson	City Commissioner	6/30/2026
Dick Gulmon	City Commissioner	6/30/2028
Duane Magnuson	City Commissioner	6/30/2026

Administration	Position
Gwen Crawford	City Administrator
Brenda Klein	Finance Director

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Commission
City of Valley City
Valley City, North Dakota

Report on the Audit of the Financial Statements

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 Valley City, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Valley City's basic financial statements as listed in the table of contents.

In our opinion, the 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 Valley City, 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 accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Valley 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Valley City's ability to continue as a going concern for twelve months beyond the financial

statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, schedule of city pension contributions, schedule of city's share of net pension liability, schedule of contributions to the OPEB plan and schedule of City's share of the OPEB liability as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of

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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information is the responsibility of management and, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Valley City's basic financial statements. The accompanying Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - General Fund, by department and Nonmajor combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund, by department and Nonmajor combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2026, on our consideration of the City of Valley City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Valley 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 City of Valley City's internal control over financial reporting and compliance.

Brady Martz

BRADY MARTZ, PLLC
GRAND FORKS, NORTH DAKOTA

September 8, 2026

Make Every Day Count | www.bradymartz.com

CITY OF VALLEY CITY
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	$ 12,968,101	$ 7,077,041	$ 20,045,142
Restricted Cash and Investments	840,238	133,450	973,688
Receivables:			
Accounts (net)	1,017,466	1,141,439	2,158,905
Unbilled Revenues	16,920	556,061	572,981
Interest	108,571	157,495	266,066
Intergovernmental Receivable	442,409	-	442,409
Property Taxes	27,776	-	27,776
Special Assessments	7,305,945	-	7,305,945
Prepaid Items	6,647	7,330	13,977
Inventories	-	929,363	929,363
Internal Balances	(2,956,756)	2,956,756	-
Total Current Assets	19,777,317	12,958,935	32,736,252
Capital Assets:			
Land	1,383,540	392,498	1,776,038
Construction in Progress	4,606,092	6,834,813	11,440,905
Infrastructure	109,506,153	-	109,506,153
Buildings and improvements	3,261,621	17,420,287	20,681,908
Machinery and Equipment	2,514,042	21,006,602	23,520,644
Vehicles	3,578,649	-	3,578,649
Mains and Lines	-	54,202,397	54,202,397
Leased Assets	226,153	67,863	294,016
Accumulated Depreciation and Amortization	(27,677,670)	(53,515,777)	(81,193,447)
Total Capital Assets (Net of Accumulated Depreciation and Amortization)	97,398,580	46,408,683	143,807,263
Net Pension Asset - Safety Plan	60,715	-	60,715
Total Assets	117,236,612	59,367,618	176,604,230
DEFERRED OUTFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan - Main Plan	730,968	-	730,968
Cost Sharing Defined Benefit Pension Plan - Safety Plan	197,410	-	197,410
Cost Sharing OPEB	34,513	-	34,513
Total Deferred Outflows of Resources	962,891	-	962,891

See Notes to the Financial Statements

CITY OF VALLEY CITY
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts Payable	$ 1,370,341	$ 237,520	$ 1,607,861
Retainage Payable	-	-	-
Accrued Interest Payable	103,865	2,142	106,007
Deposits Payable	30,468	204,472	234,940
Unearned Revenue	3,851,088	-	3,851,088
Salaries and Benefits Payable	66,958	21,098	88,056
Long-Term Liabilities Due Within One Year	1,842,068	826,278	2,668,346
Noncurrent Liabilities:			
Bonds Payable	12,318,109	520,000	12,838,109
Notes Payable	2,367,949	5,231,834	7,599,783
Financed Purchases	524,427	-	524,427
Other Post Employment Benefits - NDPERS	67,815	-	67,815
Net Pension Liability - Main Plan	1,189,610	-	1,189,610
Lease Liability	135,542	44,205	179,747
Compensated Absences Payable	334,681	532,943	867,624
Less Amounts Due within One Year	(1,842,068)	(826,278)	(2,668,346)
Total Liabilities	22,360,853	6,794,214	29,155,067
DEFERRED INFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan - Main Plan	434,591	-	434,591
Cost Sharing Defined Benefit Pension Plan - Safety Plan	273,028	-	273,028
Cost Sharing OPEB	20,937	-	20,937
Total Deferred Inflows of Resources	728,556	-	728,556
NET POSITION			
Net Investment in Capital Assets	82,052,553	40,612,644	122,665,197
Restricted for:			
Community Development	2,177,369	-	2,177,369
Debt Service	10,420,806	133,450	10,554,256
Infrastructure	2,103,223	-	2,103,223
Unrestricted	(1,643,857)	11,827,310	10,183,453
Total Net Position	$ 95,110,094	$ 52,573,404	$ 147,683,498

See Notes to the Financial Statements

CITY OF VALLEY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Primary Government:							
Governmental Activities:							
General Government	$ 1,907,569	$ 180,922	$ 749,065	$ -	$ (977,582)	$ -	$ (977,582)
Public Safety	2,270,820	62,947	233,106	-	(1,974,767)	-	(1,974,767)
Public Works	4,174,221	252,778	1,464,867	2,369,196	(87,380)	-	(87,380)
Culture and Recreation	1,019,598	-	10,500	-	(1,009,098)	-	(1,009,098)
Permanent Flood Protection	712,955	-	-	-	(712,955)	-	(712,955)
Economic Development	727,975	-	-	-	(727,975)	-	(727,975)
Interest and Fees	440,659	-	-	-	(440,659)	-	(440,659)
Total Governmental Activities	11,253,797	496,647	2,457,538	2,369,196	(5,930,416)	-	(5,930,416)
Business-type Activities:							
Electric	6,918,477	9,023,540	141,050	-	-	2,246,113	2,246,113
Water	2,740,828	1,922,133	-	206,761	-	(611,934)	(611,934)
Sewer	952,423	850,274	-	-	-	(102,149)	(102,149)
Garbage	1,479,673	1,415,335	-	17,905	-	(46,433)	(46,433)
Total Business-type Activities	12,091,401	13,211,282	141,050	224,666	-	1,485,597	1,485,597
Total Primary Government	$ 23,345,198	$ 13,707,929	$ 2,598,588	$ 2,593,862			
General Revenues:							
Property Taxes, Levied for General Purposes					1,825,265	-	1,825,265
Property Taxes, Levied for Debt Service					323,511	-	323,511
City Sales Tax					3,125,775	-	3,125,775
Franchise Fees					535,039	-	535,039
Interest					462,941	443,000	905,941
Miscellaneous Revenue					285,417	71,027	356,444
Gain on Sale of Capital Assets					4,317	-	4,317
Transfers					1,386,929	(1,386,929)	-
Total General Revenues and Transfers					7,949,194	(872,902)	7,076,292
Change in Net Position					2,018,778	612,695	2,631,473
Net Position - Beginning					93,091,316	51,960,709	145,052,025
Net Position - Ending					$ 95,110,094	$ 52,573,404	$ 147,683,498

See Notes to the Financial Statements

CITY OF VALLEY CITY
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General	Paving Projects	Infrastructure Renewal & Replacement	Municipal Infrastructure	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ 2,254,804	$ -	$ 1,828,243	$ 4,050,395	3,131,450	$ 1,703,206	$ 12,968,098
Restricted cash	-	-	-	-	840,238	-	840,238
Receivables:							
Accounts receivable, net	540,153	75,262	258,060	-	-	143,994	1,017,469
Unbilled revenues	-	-	16,920	-	-	-	16,920
Interest receivable	108,571	-	-	-	-	-	108,571
Intergovernmental receivable	75,631	-	-	-	-	366,778	442,409
Property taxes	24,419	-	-	-	-	3,358	27,777
Special assessments:							
Current	106,715	-	-	-	738,724	-	845,439
Delinquent	24,560	-	-	-	35,473	-	60,033
Uncertified	621,684	-	-	-	5,778,786	-	6,400,470
Prepaid items	6,647	-	-	-	-	-	6,647
Total Assets	$ 3,763,184	$ 75,262	$ 2,103,223	$ 4,050,395	$ 10,524,671	$ 2,217,336	$ 22,734,071
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	$ 289,683	$ 98,490	$ -	$ -	$ -	$ 982,165	$ 1,370,338
Retainage payable	-	-	-	-	-	-	-
Salaries and benefits payable	66,958	-	-	-	-	-	66,958
Due to other funds	-	2,382,220	-	-	-	574,536	2,956,756
Customer Deposits	30,468	-	-	-	-	-	30,468
Unearned Revenue	-	-	-	3,784,363	-	66,726	3,851,089
Total Liabilities	387,109	2,480,710	-	3,784,363	-	1,623,427	8,275,609
Deferred Inflows of Resources							
Unavailable revenue - property taxes	24,419	-	-	-	-	3,358	27,777
Unavailable revenue - special assessments	752,962	-	-	-	6,552,983	-	7,305,945
Total Deferred Inflows of Resources:	777,381	-	-	-	6,552,983	3,358	7,333,722
FUND BALANCES							
Restricted for:							
Community development	-	-	-	266,032	-	1,907,979	2,174,011
Debt service	-	-	-	-	3,971,688	-	3,971,688
Infrastructure	-	-	2,103,223	-	-	-	2,103,223
Non-spendable	6,647	-	-	-	-	-	6,647
Unassigned	2,592,047	(2,405,448)	-	-	-	(1,317,428)	(1,130,829)
Total Fund Balances	2,598,694	(2,405,448)	2,103,223	266,032	3,971,688	590,551	7,124,740
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,763,184	$ 75,262	$ 2,103,223	$ 4,050,395	$ 10,524,671	$ 2,217,336	$ 22,734,071

See Notes to the Financial Statements

CITY OF VALLEY CITY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total Governmental Funds Balances		$ 7,124,740
Amounts reported for the governmental activities in the statement of net position are different because:		
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Capital Assets	$ 124,850,097	
Leased Assets	226,153	
Accumulated Depreciation and Amortization	(27,677,670)	97,398,580
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.		
Property taxes	27,777	
Special assessments	7,305,945	7,333,722
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit and OPEB plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.		
Deferred outflows	962,891	
Deferred inflows	(728,556)	234,335
Long-term liabilities are not due and payable in the current period and, therefore, are not included in the governmental funds:		
Bonds payable	(12,318,109)	
Notes payable	(2,367,949)	
Lease Liability	(135,542)	
Financed purchase	(524,427)	
Other Post Employment Benefits - NDPERS	(67,815)	
Net pension liability - main plan	(1,189,610)	
Net pension asset - safety plan	60,715	
Interest payable	(103,865)	
Compensated absences payable	(334,681)	(16,981,283)
Net Position of Governmental Activities		$ 95,110,094

See Notes to the Financial Statements

CITY OF VALLEY CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	General	Permanent Flood Protection (formerly major)	Paving Projects	Infrastructure Renewal & Replacement	Emergency (formerly major)	Municipal Infrastructure	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES									
Taxes	$ 1,459,095	$ -	$ -	$ -	$ -	$ -	$ 326,491	$ 358,734	$ 2,144,320
Special assessments	115,281	-	-	-	-	-	1,082,966	608	1,198,855
Franchise Fee	30,960	-	-	504,078	-	-	-	-	535,038
Licenses, permits and fees	304,995	-	-	-	-	-	-	-	304,995
Intergovernmental	1,765,669	-	87,398	-	-	-	30,000	673,528	2,556,595
Charges for services	179,992	-	-	-	-	-	-	-	179,992
Sales Tax	18,068	-	-	1,164,777	-	-	-	1,942,929	3,125,774
Interest	462,941	-	-	-	-	-	-	-	462,941
Miscellaneous	258,161	-	650	-	-	-	-	27,256	286,067
Total Revenues	4,595,162	-	88,048	1,668,855	-	-	1,439,457	3,003,055	10,794,577
EXPENDITURES									
Current:									
General government	1,276,904	-	-	-	-	-	-	-	1,276,904
Public safety	2,313,822	-	-	-	-	-	-	335	2,314,157
Public works	1,447,804	-	-	13	-	-	-	5,584,748	7,032,565
Culture and recreation	319,302	-	-	-	-	-	-	700,946	1,020,248
Economic Development	-	-	-	-	-	-	-	727,975	727,975
Permanent flood protection	-	-	-	-	-	-	-	712,955	712,955
Capital Outlay	625,388	-	1,257,219	-	-	-	-	601,754	2,484,361
Debt Service:									
Principal retirement	90,144	-	-	-	-	-	1,607,338	-	1,697,482
Interest and fees	19,696	-	-	-	-	-	395,393	-	415,089
Total Expenditures	6,093,060	-	1,257,219	13	-	-	2,002,731	8,328,713	17,681,736
Excess (Deficiency) of Revenues over (Under) Expenditures	(1,497,898)	-	(1,169,171)	1,668,842	-	-	(563,274)	(5,325,658)	(6,887,159)
OTHER FINANCING SOURCES (USES)									
Proceeds from sale of assets	7,001	-	-	-	-	-	-	2,316	9,317
Proceeds from issuance of debt	-	-	-	-	-	-	1,276,000	-	1,276,000
Transfers in	3,061,653	-	5,840,823	-	-	-	793,381	5,124,859	14,820,716
Transfers out	(905,473)	-	-	(4,462,155)	-	-	(1,543,030)	(938,381)	(7,849,039)
Total other financing sources and uses	2,163,181	-	5,840,823	(4,462,155)	-	-	526,351	4,188,794	8,256,994
Net Change in Fund Balances	665,283	-	4,671,652	(2,793,313)	-	-	(36,923)	(1,136,864)	1,369,835
Fund Balances - Beginning, As Originally Stated	1,933,411	(222,835)	(7,077,100)	4,896,536	12,013	266,032	4,008,611	1,938,237	5,754,905
Change in financial reporting entity (major to nonmajor fund)	-	222,835	-	-	(12,013)	-	-	(210,822)	-
Fund Balances - Beginning, Restated	1,933,411	-	(7,077,100)	4,896,536	-	266,032	4,008,611	1,727,415	5,754,905
Fund Balances - Ending	$ 2,598,694	$ -	$ (2,405,448)	$ 2,103,223	$ -	$ 266,032	$ 3,971,688	$ 590,551	$ 7,124,740

See Notes to the Financial Statements

CITY OF VALLEY CITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2025

Net Change in Fund Balances - Total Governmental Funds	$	1,369,835
Amounts reported for governmental activities in the statement of activities are different because:		
Capital Outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital Outlays		2,484,361
Depreciation/Amortization Expense		(3,259,295)
Contributions of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources.		447,256
In the statement of activities, only the gain(loss) on the sale of assets is reported, whereas in governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.		(4,999)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Property Taxes		(23,320)
Special Assessments		663,465
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position. Loan proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the Statement of Net Position.		
Principal Debt Payments		1,697,482
Loan Proceeds		(1,276,000)
Changes of the Net Pension Liability and OPEB are expenditures in the governmental funds, but the change reduces long-term liabilities in the statement of net position.		192,437
Changes in deferred outflows and inflows of resources related to the net pension liability.		(169,129)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Compensated Absences		(77,745)
Interest		(25,570)
Changes in Net Position	$	2,018,778

See Notes to the Financial Statements

CITY OF VALLEY CITY
STATEMENT NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2025

	Electric	Water	Sewer	Garbage	Total
ASSETS					
Current assets:					
Cash	$ 1,073,035	$ 84,064	$ 736,465	$ 250,305	$ 2,143,869
Investments	3,933,172	-	1,000,000	-	4,933,172
Accounts receivable (net)					
Accounts	685,170	266,661	57,764	131,844	1,141,439
Unbilled revenues	389,533	77,001	41,548	47,979	556,061
Accrued interest	154,891	2,189	415	-	157,495
Due from other funds	2,956,756	400,000	225,000	100,000	3,681,756
Inventory	789,172	140,191	-	-	929,363
Prepaid items	7,330	-	-	-	7,330
Total Current Assets	9,989,059	970,106	2,061,192	530,128	13,550,485
Non-Current Assets:					
Restricted investments	-	112,200	21,250	-	133,450
Capital assets:					
Land	114,385	147,572	81,047	49,494	392,498
Construction in progress	6,389,334	445,479	-	-	6,834,813
Capital assets (net of accumulated depreciation/amortization):					
Buildings and Improvements	-	7,700,175	550,446	286,365	8,536,986
Machinery and Equipment	657,094	4,677,502	1,323,534	559,965	7,218,095
Mains and Lines	3,133,443	10,504,959	9,744,723	-	23,383,125
Leased Assets	2,565	-	-	40,601	43,166
Total Non-Current Assets	10,296,821	23,587,887	11,721,000	936,425	46,542,133
Total Assets	20,285,880	24,557,993	13,782,192	1,466,553	60,092,618
LIABILITIES					
Current Liabilities:					
Accounts payable	132,506	60,252	9,483	35,279	237,520
Customer deposits	201,722	2,750	-	-	204,472
Salaries and benefits payable	3,563	8,734	3,181	5,620	21,098
Due to other funds	725,000	-	-	-	725,000
Accrued interest payable	-	1,825	317	-	2,142
Revenue bonds payable	-	110,000	15,000	-	125,000
Lease liability	2,678	-	-	9,518	12,196
Notes payable	479,793	-	-	-	479,793
Compensated absences	211,967	-	-	-	211,967
Total Current Liabilities	1,757,229	183,561	27,981	50,417	2,019,188
Non-Current Liabilities:					
Revenue bonds payable	-	330,000	65,000	-	395,000
Lease liability	-	-	-	32,009	32,009
Notes payable	4,752,041	-	-	-	4,752,041
Compensated absences	320,976	-	-	-	320,976
Total Non-Current Liabilities	5,073,017	330,000	65,000	32,009	5,500,026
Total Liabilities	6,830,246	513,561	92,981	82,426	7,519,214
NET POSITION					
Net Investment in Capital Assets	5,062,309	23,035,687	11,619,750	894,898	40,612,644
Restricted for Debt Service	-	112,200	21,250	-	133,450
Unrestricted	8,393,325	896,545	2,048,211	489,229	11,827,310
Total Net Position	$ 13,455,634	$24,044,432	$13,689,211	$ 1,384,127	$ 52,573,404

See Notes to the Financial Statements

CITY OF VALLEY CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Electric	Water	Sewer	Garbage	Total
OPERATING REVENUES:					
Charges for services	$ 9,011,219	$ 1,920,337	$ 849,365	$ 1,248,162	$ 13,029,083
Landfill fees	-	-	-	165,629	165,629
Miscellaneous	12,321	1,796	909	1,544	16,570
Total Operating Revenues	9,023,540	1,922,133	850,274	1,415,335	13,211,282
OPERATING EXPENSES:					
Production and pumping	114,920	791,012	491	-	906,423
Cost of power	4,304,253	-	-	-	4,304,253
Distribution	899,535	232,822	381,674	73	1,514,104
Landfill and collections	-	-	-	1,058,368	1,058,368
Customer accounts	32,100	-	-	-	32,100
Customer service and information	2,833	-	-	-	2,833
Administration and general	1,020,143	342,657	141,363	239,722	1,743,885
Costs of services contributed to City	63,453	213	-	142	63,808
Depreciation/amortization	475,751	1,368,675	427,946	181,203	2,453,575
Total Operating Expenses	6,912,988	2,735,379	951,474	1,479,508	12,079,349
Operating Income (Loss)	2,110,552	(813,246)	(101,200)	(64,173)	1,131,933
NON-OPERATING REVENUES (EXPENSES):					
Interest income	439,118	3,882	-	-	443,000
Net merchandise revenue	38,805	25,360	7,178	(316)	71,027
Grant income	141,050	206,761	-	17,905	365,716
Capital contributions	5,584,748	-	-	-	5,584,748
Interest and service charges	(5,489)	(5,449)	(949)	(165)	(12,052)
Total Non-Operating Revenues (Expenses)	6,198,232	230,554	6,229	17,424	6,452,439
Income (Loss) before contributions and transfers	8,308,784	(582,692)	(94,971)	(46,749)	7,584,372
Transfers in	229,876	-	-	16,666	246,542
Transfers out	(7,218,219)	-	-	-	(7,218,219)
Changes in Net Position	1,320,441	(582,692)	(94,971)	(30,083)	612,695
Total Net Position - Beginning	12,135,193	24,627,124	13,784,182	1,414,210	51,960,709
Total Net Position - Ending	$ 13,455,634	$ 24,044,432	$ 13,689,211	$ 1,384,127	$ 52,573,404

See Notes to the Financial Statements

CITY OF VALLEY CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Electric	Water	Sewer	Garbage	Totals Current Year
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ 8,951,005	$ 1,745,506	$ 837,773	$ 1,395,007	$ 12,929,291
Payments to Suppliers	(5,539,589)	(968,770)	(383,553)	(1,050,659)	(7,942,571)
Payments to Employees	(996,376)	(339,058)	(140,009)	(250,472)	(1,725,915)
Other Operating Receipts	12,321	1,796	909	1,544	16,570
Net Cash Provided (Used) by Operating Activities	2,427,361	439,474	315,120	95,420	3,277,375
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	229,876	-	-	16,666	246,542
Transfers Out	(7,218,219)	-	-	-	(7,218,219)
Due to/from Other Funds	382,177	(200,000)	(175,000)	(50,000)	(42,823)
Other Receipts	38,805	25,360	7,178	(316)	71,027
Grant Proceeds	141,050	206,761	-	17,905	365,716
Net Cash Provided by Noncapital Financing Activities	(6,426,311)	32,121	(167,822)	(15,745)	(6,577,757)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(438,135)	(441,123)	(101,590)	(67,141)	(1,047,989)
Proceeds from Capital Debt	5,527,032	-	-	41,527	5,568,559
Proceeds from Lease Receivables	-	-	-	13,507	13,507
Principal Payments on Long-Term Debt	(295,650)	(105,000)	(15,000)	-	(415,650)
Interest and Fiscal Charges on Debt	(5,489)	(5,450)	(950)	(165)	(12,054)
Net Cash Provided (Used) by Capital and Related Financing Activities	4,787,758	(551,573)	(117,540)	(12,272)	4,106,373
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Receipts	284,227	3,882	-	-	288,109
Net Cash Provided (Used) by Investing Activities	284,227	3,882	-	-	288,109
Net Increase (Decrease) in Cash and Cash Equivalents	1,073,035	(76,096)	29,758	67,403	1,094,100
Cash and Cash Equivalents, January 1	-	160,160	706,707	182,902	1,049,769
Cash and Cash Equivalents, December 31	$ 1,073,035	$ 84,064	$ 736,465	$ 250,305	$ 2,143,869
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	$ 2,110,552	$ (813,246)	$ (101,200)	$ (64,173)	$ 1,131,933
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization Expense	475,751	1,368,675	427,946	181,203	2,453,575
Changes in Assets and Liabilities:					
Accounts Receivable	(62,586)	(170,828)	(7,256)	(19,269)	(259,939)
Unbilled Revenue	(33,984)	(7,645)	(4,336)	485	(45,480)
Inventory	245,469	912	-	-	246,381
Prepaid Items	25,623	-	-	-	25,623
Accounts Payable	(393,587)	54,365	(1,388)	7,924	(332,686)
Unearned debits	-	3,642	-	-	3,642
Deposits Payable	36,356	-	-	-	36,356
Salaries and Benefits Payable	(16,746)	3,599	1,354	2,344	(9,449)
Compensated Absences	40,513	-	-	-	40,513
Deferred Inflows	-	-	-	(13,094)	(13,094)
Net Cash Provided (Used) by Operating Activities	$ 2,427,361	$ 439,474	$ 315,120	$ 95,420	$ 3,277,375
Noncash Investing, Capital, and Financing Activities					
Contribution of Capital Assets from Capital Project Funds	$ 5,584,748	$ -	$ -	$ -	$ 5,584,748

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Valley City was incorporated in 1883 and operates under a commission form of government. In 1991, the City passed a resolution for the City of Valley City to adopt a home rule charter. The accounting policies of the City conform to generally accepted accounting principles applicable to governmental units. The water, sewer, and electrical activities of the Valley City Public Works (VCPW) are nonregulated. The more significant of the government's accounting policies are described below.

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The City's significant accounting policies are described below:

Reporting Entity

The accompanying financial statements present the activities of the City of Valley City. The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the City of Valley City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City of Valley City.

Based on these criteria, there are no component units to be included within the City of Valley City as a reporting entity.

Basis of Presentation

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

The statement of activities presents a comparison between direct expenses and program revenues 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) fees, fines and charges paid by the recipients of goods or 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.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Although agency funds have no measurement focus, they also use the accrual basis of accounting to recognize receivables and payables.

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

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

The City reports the following major governmental funds:

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

Paving Projects – This fund accounts for the resources accumulated and payments made for city paving projects.

Infrastructure Renewal & Replacement – This fund accounts for the resources accumulated and payments made for infrastructure projects.

Municipal Infrastructure - This fund accounts for the resources accumulated and payments made for infrastructure projects.

Debt Service – This fund accounts for the resources accumulated and payments made for principal and interest on all general obligation and special assessment bonds of governmental funds.

The City reports the following major proprietary funds:

Electric – This fund accounts for the provision of electric service to the residents of the City.

Water – This fund accounts for the provision of water utility service to the residents of the City.

Sewer – This fund accounts for the provision of sanitary sewer service to the residents of the City.

Garbage – This fund accounts for the provision of sanitation and garbage removal service to the residents of the City.

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

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

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

Other Significant Accounting Policies

Budgets and Budgetary Accounting

An annual budget is adopted only for the general fund. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons presented in this report are on this budgetary basis.

Appropriations are authorized by the city commission at the fund level, which is the legal level of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budget.

The budget is legally enacted through passage of a budget ordinance no later than October 1.

All unexpended appropriations lapse at year-end.

Any changes in the total budget of each fund must be approved by a majority vote of the city commission.

Cash and Investments

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The City considers cash equivalents to be certificates of deposit, and other highly liquid investments with original maturities of three months or less. The City is not carrying any cash equivalents as of December 31, 2025.

Investments consist of certificates of deposits with original maturities of three months or more.

Restricted cash and investments consist of amounts that have been restricted to meet bond reserve requirements.

Inventories

The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in proprietary funds when used. Proprietary fund inventories are presented on an average cost basis.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2025, are recorded as prepaid items in both government-wide and fund financial statements.

Property Taxes

Property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable and the portion not available within 60 days is fully offset by deferred revenue because it is not available to finance current expenditures. The delinquent taxes receivable represents the past five years of uncollected tax levies.

Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with the state statutes. The Assessments are collectible over a term of years generally consistent with the term of years of the related bond issue. Collection of annual installments (including interest) is handled by the county and remitted to the City at the same time property tax settlements are made. Property owners are allowed to prepay total future installments plus accrued interest without prepayment penalties. Special assessments are generally collected by the county and remitted to the City at the same time the tax settlements are made. Special assessments receivable includes the following components:

Delinquent - amounts billed to property owners but not paid.
Deferred – assessment installments that will be billed to property owners in future years.
Interfund – assessment installments for proprietary fund owned property not yet paid.

Receivable and Credit Policy

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are charged a late fee of ½% of the billing amount after 30 days from the invoice date. Payments on trade receivables are applied to the earliest unpaid invoices. No allowance has been deemed necessary.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), mains and lines, and vehicles are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value.

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

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Infrastructure	10-30 years
Machinery and equipment	5-20 years
Vehicles	5-10 years
Mains and lines	3-50 years

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

Lease Receivables

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

Compensated Absences

All regular employees are entitled to vacation time with pay based upon length of continuous service. Annual vacation leave may be accumulated a maximum of four weeks. Upon termination, employees are compensated for unused vacation leave.

All regular full-time or regular part-time employees shall accumulate sick leave, which is not a benefit earned by the employee such as annual leave. Temporary and part-time employees are not eligible to accumulate sick leave. Sick leave is to be used for any illness, injury or other medical reasons. Employees with more than 350 hours of accrued sick leave at December 31 have the option to convert sick leave into annual vacation leave.

Upon reaching five years of employment, employees voluntarily leaving employment with the City will receive payment for accrued sick leave at the current rate of pay at separation as follows:

5+ years of employment	25%
10+ years of employment	50%
15+ years of employment	75%

Payments received for sick leave balances will have retirement contributions deducted. Employees accrue one day per month and may accumulate up to 124 days. Historically, employees have not used all sick leave earned.

The City accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability.

Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

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

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. The City's pension and OPEB outflows qualify for reporting in this category.

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

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance

The following classifications describe the relative strength of spending constraints:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are not in a spendable form such as inventories, prepaids, long-term loans, and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

Restricted Fund Balance – represents amounts that exist when constraints are placed on the use of resources that are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments (or) restrictions imposed by law through constitutional provisions or enabling legislation (i.e., Emergency fund).

Committed Fund Balance – represents amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the City Commission. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it previously employed to commit those amounts. (Example would be legislation, resolution, or ordinance). (i.e., Sales tax ordinance, budget ordinance).

Assigned Fund Balance – represents amounts constrained by the City's intent to be used for a specific purpose but are not restricted or committed. The Commission has delegated the authority to assign these amounts to the City Administrator and the City Auditor. Assigned amounts or changes to Assigned amounts will later be presented to the Commission for review.

Unassigned Fund Balance – represents the remaining residual balances that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The City Commission establishes fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by City Commission through adoption or amendment of the budget as intended for specific purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use nonspendable resources first, restricted second, committed third, assigned fourth and unassigned last.

Net Position

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

Risk Management

The City is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City currently participates in the North Dakota insurance reserve fund, North Dakota fire and tornado fund, state bonding fund and North Dakota Workforce Safety Insurance to cover claims. There have been no settled claims exceeding insurance coverage in any of the past three years.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Financial Reporting Entity

The current year activity resulted in the reclassification of the Emergency and Permanent Flood Protection funds from major programs in December 31, 2024 to nonmajor programs for the year ended December 31, 2025.

NOTE 2 COMPLIANCE AND STEWARDSHIP

Fund Deficits

The following funds were in a deficit position at December 31, 2025:

Permanent Flood Protection	$ 341,141
Paving Projects	2,405,448
NW & West Storm	534,026
Underground Construction	453,156
City Share of Special Assessments	810
Special Assessment Deficiency	308

No formal action is required or anticipated regarding the deficits. These deficits are expected to be eliminated in future years through future special assessment tax collections, transfers, and sale of bonds.

Excess of Expenditures over Appropriations at the Legal Level of Control

The budget is prepared by fund. The legal level of budgetary control is at the fund level. The management of the City of Valley City has the authority to exceed line items or department budgets as long as the fund appropriations are not exceeded. City Commission is required for (a) the transfer of appropriations from one fund to another fund or the addition of line items within the fund or both and (b) an increase in the aggregate total of appropriations in order to reflect changes in financial circumstances.

Total expenditures in the general fund were in excess of budgeted by $ 22,170 . There was additional revenue to cover the expenditures that were in excess of budget. In addition, there was also reserves in excess to cover the additional expenses.

NOTE 3 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the City maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than deposits within the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

At December 31, 2025, the City's carrying amount of deposits was $21,018,830 and the bank balance was $21,650,033. The City's balances were fully insured and collateralized as of December 31, 2025.

Credit Risk

The City may invest idle funds as authorized in North Dakota Statutes, as follows:

(a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
(b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
(c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
(d) Obligations of the state.

As of December 31, 2025, the City's investments included certificates of deposit.

NOTE 4 CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended December 31, 2025:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Governmental Activities					
Capital Assets, Non-Depreciable/Amortizable:					
Land	$ 1,383,540	$ -	$ -	$ -	$ 1,383,540
Construction in progress	3,493,870	2,462,420	-	(1,350,198)	4,606,092
Total Non-Depreciable/Amortizable:	4,877,410	2,462,420	-	(1,350,198)	5,989,632
Capital Assets, Depreciable/Amortizable					
Infrastructure	108,155,955	-	-	1,350,198	109,506,153
Buildings and improvements	3,108,220	153,401	-	-	3,261,621
Machinery and equipment	2,254,244	259,798	-	-	2,514,042
Vehicles	3,546,757	55,998	24,106	-	3,578,649
Leased Equipment	285,525	-	59,372	-	226,153
Total Capital Assets, being depreciated/amortized	117,350,701	469,197	83,478	1,350,198	119,086,618
Less Accumulated Depreciation/Amortization for:					
Infrastructure	18,028,721	2,726,403	-	-	20,755,124
Buildings and improvements	2,159,255	52,061	-	-	2,211,316
Machinery and equipment	2,037,091	71,643	-	-	2,108,734
Vehicles	2,213,491	359,111	19,106	-	2,553,496
Leased Equipment	58,296	50,077	59,373	-	49,000
Total Accumulated Depreciation/Amortization	24,496,854	3,259,295	78,479	-	27,677,670
Total capital assets being depreciated/amortized, net	92,853,847	(2,790,098)	4,999	1,350,198	91,408,948
Total Governmental Activities Capital Assets, Net	$ 97,731,257	$ (327,678)	$ 4,999	$ -	$ 97,398,580

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type Activities					
Capital Assets, Non-Depreciable/Amortizable:					
Land	$ 392,498	$ -	$ -	$ -	$ 392,498
Construction in Progress	911,544	5,923,269	-	-	6,834,813
Total Non-Depreciable/Amortizable:	1,304,042	5,923,269	-	-	7,227,311
Capital Assets, Depreciable/Amortizable					
Buildings and Improvements	17,420,287	-	-	-	17,420,287
Machinery and Equipment	20,351,835	654,767	-	-	21,006,602
Mains and Lines	54,202,397	-	-	-	54,202,397
Leased Assets -Equipment	23,399	54,701	10,237	-	67,863
Total Capital Assets, being depreciated/amortized	91,997,918	709,468	10,237	-	92,697,149
Less Accumulated Depreciation/Amortization for:					
Buildings and Improvements	8,516,805	366,496	-	-	8,883,301
Machinery and Equipment	12,770,112	1,018,395	-	-	13,788,507
Mains and Lines	29,764,978	1,054,294	-	-	30,819,272
Leased Assets -Equipment	20,544	14,390	10,237	-	24,697
Total Accumulated Depreciation/Amortization	51,072,439	2,453,575	10,237	-	53,515,777
Total capital assets being depreciated/amortized, net	40,925,479	(1,744,107)	-	-	39,181,372
Total Business-type Activities Capital Assets, Net	$ 42,229,521	$ 4,179,162	$ -	$ -	$ 46,408,683

Depreciation/Amortization expense was charged to Governmental functions as follows:	
General Government	$ 482,814
Public Services	2,776,481
Total Depreciation Expense	$ 3,259,295
Depreciation/Amortization expense was charged to Business Type functions as follows:	
Electric	$ 475,751
Water	1,368,675
Sewer	427,946
Garbage	181,203
Total Depreciation Expense	$ 2,453,575

Commitments

As of December 31, 2025, the City had outstanding commitments of approximately $14.5 million related to construction projects.

NOTE 5 LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2025, was as follows:

Governmental Activities:	Balance 1/1/25	Debt Issued	Retirements	Balance 12/31/25	Due Within One Year
Bonds Payable	$ 12,594,499	$ 1,200,000	$ 1,476,390	$ 12,318,109	$ 1,455,631
Notes Payable	2,422,127	76,000	130,178	2,367,949	131,756
Lease Liability	177,165	-	41,623	135,542	43,353
Financed Purchases	573,718	-	49,291	524,427	50,917
Compensated Absences	256,936	77,745	-	334,681	160,411
Governmental Activities Long-Term Liabilities	$ 16,024,445	$ 1,353,745	$ 1,697,482	$ 15,680,708	$ 1,842,068
Business-Type Activities:					
Revenue Bonds	$ 640,000	$ -	$ 120,000	$ 520,000	$ 125,000
Direct Borrowing	-	5,518,653	286,819	5,231,834	479,793
Lease Liability	3,130	49,906	8,831	44,205	9,518
Compensated Absences	492,430	40,513	-	532,943	211,967
Business-Type Activity Long-Term Liabilities	$ 1,135,560	$ 5,609,072	$ 415,650	$ 6,328,982	$ 826,278

The change in compensated absences is presented as net change.

Bonds Payable

At December 31, 2025, the City had the following bond issuance outstanding:

	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/25
Governmental Activities:					
Special Assessment Bonds:					
2013 Refunding Improvement Bond	0.35 - 2.20%	2026	$ 955,000	$ 45,000	$ 45,000
2015 Improvement Bond	2.00 - 3.25%	2040	4,545,000	275,000	1,670,000
2016 Refunding Improvement Bond	0.80 - 1.65%	2026	1,295,000	120,000	115,000
2017 Refunding Improvement Bond	2.91%	2047	2,150,000	100,000	1,430,000
2018 Refunding Improvement Bond	3.00 - 4.00%	2038	1,975,000	135,000	1,195,000
2021 Refunding Improvement Bond	0.25 - 1.50%	2031	1,315,000	210,000	450,000
Tax Increment Financing Revolving Loan	2.00%	2032	500,000	47,562	331,882
2024 Refunding Improvement Bond	4.2-4.8%	2044	556,525	25,000	531,525
2025 Refunding Improvement Bond	4.00-5.00%	2045	1,200,000	-	1,200,000
				$ 957,562	$ 6,968,407
Sales Tax Revenue Bonds:					
2013 Sales Tax Revenue Bond	0.50 - 3.00%	2028	$ 2,900,000	$ 210,000	$ 660,000
2016 Sales Tax Revenue Bond	1.50%	2047	860,614	27,185	622,602
2017 Sales Tax Revenue Bond	1.50%	2047	1,392,500	43,460	1,053,281
2018 Sales Tax Revenue Bond	1.50%	2048	3,289,400	102,337	2,586,979
2021 Sales Tax Revenue Bond	2.00%	2050	1,100,000	135,846	426,840
				$ 518,828	$ 5,349,702

	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/25
Business-Type Activities:					
Revenue Bond					
2009 Wastewater Treatment Revenue Bond	0.50%	2025	$ 260,000	$ 15,000	$ 80,000
2009 Water Treatment Revenue Bond	5.00%	2030	4,485,031	105,000	440,000
				$ 120,000	$ 520,000

During 2025, The City was also approved for loans totaling $1,500,000 under the North Dakota Drinking Water State Revolving Fund Program and $600,000 under the North Dakota Clean Water State Revolving Fund Program. As of December 31, 2025, there were no amounts outstanding on these loans.

Debt service requirements to maturity on the Bond issues are summarized below:

Year Ending	Special Assessment		Sales Tax Revenue	
December 31,	Principal	Interest	Principal	Interest
2026	$ 928,321	$ 204,804	$ 527,309	$ 83,377
2027	709,306	189,831	534,921	74,623
2028	720,298	171,186	542,544	65,378
2029	636,336	151,945	190,148	55,963
2030	637,382	133,125	180,364	53,278
2031-2035	1,780,582	454,958	922,315	225,399
2036-2040	1,005,000	203,401	957,424	155,177
2041-2045	551,182	65,028	993,871	82,286
2046-2048	-	-	500,806	13,716
Total	$ 6,968,407	$ 1,574,278	$ 5,349,702	$ 809,197

Year Ending	Revenue Bonds	
December 31,	Principal	Interest
2026	$ 125,000	$ 2,600
2027	125,000	1,975
2028	130,000	1,350
2029	140,000	700
Total	$ 520,000	$ 6,625

Notes Payable: PFA Loans

Governmental Activities:	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/25
2019 Clean Water State Revolving Fund Program	1.50%	2039	$ 395,851	$ 15,000	$ 285,000
2020 Drinking Water Assessment Warrant	1.50%	2040	217,741	10,000	155,001
2020 Wastewater Treatment Assessment Warrant	1.50%	2040	457,151	20,000	324,999
2022 Clean Water Wastewater Treatment Assessment Warrant	1.50%	2041	816,050	35,000	675,000
2022 Drinking Water Wastewater Treatment Assessment Warrant	1.50%	2042	171,000	7,000	150,000
2024 Watermain improvement District No. 105	2.00%	2054	300,000	20,952	355,048
				$ 107,952	$ 1,945,048

Debt service requirements to maturity on the PFA loan issues are summarized below:

Year Ending December 31,	PFA Loans Principal	PFA Loans Interest
2026	$ 109,085	$ 23,850
2027	110,230	22,470
2028	115,402	21,075
2029	115,576	19,605
2030	115,752	18,135
2031-2035	599,460	68,355
2036-2040	634,124	28,695
2041-2045	145,419	1,125
Total	$ 1,945,048	$ 203,310

Notes Payable: Direct Borrowing

Governmental Activities:	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/25
2021 Certificate of Indebtedness - Fire Hall	2.00%	2041	$ 500,000	$ 22,226	$ 422,901

Business-Type Activities:	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/25	Amounts Due in 2026 Principal	Amounts Due in 2026 Interest
PW Service Center BND Loan	2.00%	2054	5,518,653	$ 286,819	$ 5,231,834	$ 479,793	$ 104,636

Debt service requirements to maturity on the Direct Borrowing issue is summarized below:

Year Ending December 31,	Direct Borrowing Principal	Direct Borrowing Interest
2026	$ 22,671	$ 8,345
2027	23,127	7,890
2028	23,592	7,425
2029	24,066	6,951
2030	24,550	6,467
2031-2035	130,351	24,731
2036-2040	143,988	11,093
2041-2045	30,556	459
Total	$ 422,901	$ 73,361

Year Ending December 31,	Direct Borrowing Principal	Direct Borrowing Interest
2026	$ 479,793	$ 104,636
2027	489,389	95,041
2028	499,177	85,253
2029	509,161	75,269
2030	519,344	65,087
2031-2035	2,734,970	165,410
Total	$ 5,231,834	$ 590,696

Lease Liability

Leases:	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/25	Amounts Due in 2026 Principal	Amounts Due in 2026 Interest
Governmental Funds							
Equipment Lease	4.08%	2028	$ 226,153	$ 41,623	$ 135,542	43,353	5,635
				$ 41,623	$ 135,542	$ 43,353	$ 5,635
Business-Type Funds							
Equipment Lease	2.12%	2026	$ 32,942	$ 452	$ 2,678	$ -	$ -
Equipment Lease	4.23%	2030	49,906	8,379	41,527	9,518	1,573
				$ 8,831	$ 44,205	$ 9,518	$ 1,573

Debt service requirements to maturity on the lease liabilities are summarized below:

Year Ending December 31,	Governmental Lease Principal	Governmental Lease Interest	Business-Type Lease Principal	Business-Type Lease Interest
2026	$ 43,353	$ 5,635	$ 12,196	$ 1,595
2027	45,156	3,832	9,928	1,163
2028	47,033	1,955	10,357	735
2029	-	-	10,803	288
2030	-	-	921	3
	$ 135,542	$ 11,422	$ 44,205	$ 3,784

Financed Purchases

Governmental Activities:	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/25
Motor Graters	3.25%	2028	$ 780,000	$ 49,291	$ 524,427

Debt service requirements to maturity on the finance purchases are summarized below:

Year Ending December 31,	Financed Purchases Principal	Financed Purchases Interest
2026	$ 50,917	$ 18,926
2027	52,597	17,300
2028	420,913	29,505
Total	$ 524,427	$ 65,731

NOTE 6 CONDUIT DEBT

Municipal Industrial Development Bonds

From time to time, the City has approved issuance of Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property

financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2025, there were series of Industrial Revenue bonds outstanding; the aggregate principal amount payable is $1,094,578. Neither the State of North Dakota nor the City of Valley City has a central repository. The only requirement for this type of issue is to request the amount needed for City approval, most times this amount is in excess of the actual amount issued. When completely paid or called they must notify the City of this event.

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the City are required by state law to belong to pension plans administered by the North Dakota Public Employees Retirement System (NDPERS), which is administered on a statewide basis. Disclosures relating to this plan follow:

North Dakota Public Employees' Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was to be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members first enrolled in the plan after December

31, 2019, the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System or Law Enforcement System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member is not vested (is not 65 for the Main System or 55 for the Law Enforcement system or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive

this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates for main plan members are 7% and employer contribution rates are 8.12% of covered compensation. For main plan members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 9.26% of covered compensation. Law enforcement member rates are as follow:

Plan	Member contribution rate	Employer contribution rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	11.40%
State	6.00%	14.34%
National Guard	5.50%	11.40%
Law Enforcement without previous service	5.50%	9.16%

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 24 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2025, the City reported a liability of $1,189,610 for its proportionate share of the net pension liability to the Main system pension plan and an asset of $60,715 for its proportionate share of the net pension liability to the Law Enforcement pension plan. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of covered payroll in the Main System and Law Enforcement pension plan relative to the covered payroll of all participating Main System and Law Enforcement employers. At June 30, 2025, the City's proportion was 0.07% which was an increase of 0.01% for the Main System and 5.09% which was an increase of 0.30% for the Law Enforcement plan.

For the year ended December 31, 2025, the City recognized pension expense of $213,272 for the Main System plan and $27,720 for the Law Enforcement plan for a total pension expense of $240,992. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the Main System Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 64,274	$ -
Changes in actuarial assumptions	123,561	329,474
Difference between projected and actual investment earnings	-	105,117
Changes in proportion	453,894	-
Contributions paid to NDPERS subsequent to the measurement date	43,524	-
Total	$ 685,253	$ 434,591

For the Main System plan, $43,524 reported as deferred outflows 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 will be recognized in pension expense as follows:

Year ending December 31	Pension Expense Amount
2026	$ 232,888
2027	(5,274)
2028	5,471
2029	(25,947)

For the Law Enforcement Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 36,766	$ 10,540
Changes in actuarial assumptions	95,163	205,554
Difference between projected and actual investment earnings	-	50,421
Changes in proportion	19,172	6,513
Contributions paid to NDPERS subsequent to the measurement date	46,309	-
Total	$ 197,410	$ 273,028

For the Law Enforcement plan, $46,309 reported as deferred outflows 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 will be recognized in pension expense as follows:

Year ending December 31	Pension Expense Amount
2026	$ (29,932)
2027	(37,925)
2028	(34,847)
2029	(19,223)

Actuarial Assumptions

The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions for the Main System Plan and Law Enforcement Plan, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2021 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.90%	5.03%
International Equity	19.10%	6.10%
Private Equity	7.00%	8.30%
Domestic Fixed Income	23.00%	2.32%
Global Real Assets	19.00%	5.47%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In

years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 5.20 %; and the resulting Single Discount Rate is 6.50%.

Sensitivity of the City's Proportionate Share of the Net Pension to Changes in the Discount Rate

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

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the Main System NDPERS net pension liability:	$ 1,774,463	$ 1,189,610	$ 703,790

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the Law Enforcement NDPERS net pension liability:	$ 190,202	$ (60,715)	$ (261,608)

Pension Plan Fiduciary Net Position

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

NOTE 8 OTHER POSTEMPLOYMENT BENEFITS

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to $5.00 for each of the employee’s, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At December 31, 2025, the City reported a liability of $67,815 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2025, the City's proportion was 10.31 %, which was an increase of 1.73% from its proportion measured as of June 30, 2024.

For the year ended December 31, 2025, the City recognized OPEB expense of $23,487. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 347	$ 986
Changes of assumptions	5,879	5,838
Net difference between projected and actual earnings on OPEB plan investments	-	13,060
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,425	1,053
Employer contributions subsequent to the measurement date	6,862	-
Total	$ 34,513	$ 20,937

$6,862 reported as deferred outflows of resources related to OPEB 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 OPEBs will be recognized in OPEB expense as follows:

Year ending December 31:	OPEB Expense Amount
2026	$ 16,777
2027	(4,597)
2028	(2,682)
2029	(2,784)

Actuarial Assumptions

The total OPEB liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Mortality Pub-2010 Healthy Retiree Mortality Table (for General Employees), sex-distinct, with rates multiplied by 107% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 113% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 87% for males and 88% for females. Mortality rates are projected from 2010 using the MP-2021 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37.00%	4.00%
Small Cap Domestic Equities	7.00%	6.00%
Domestic Fixed Income	27.00%	3.29%
International Equities	29.00%	7.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2025, calculated using the discount rate of 5.75%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	4.75%	5.75%	6.75%
Employer's proportionate share of the net OPEB liability	$ 100,214	$ 67,815	$ 40,499

NOTE 9 COMMITMENTS AND CONTINGENCIES

Risk Management

The City of Valley City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, the state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of $7,000,000 per occurrence for general liability, $7,000,000 per occurrence for automobile liability coverage and approximately $4.9 million for inland marine coverage.

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The Fund currently provides the City with an aggregate coverage limit of approximately $58.59 million.

Grant Programs

The City participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds and any money received by be required and the collectability of any related receivable at December 31, 2025, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for contingencies.

NOTE 10 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following interfund receivables and payables are used to cover large capital project reserves and cash deficit balances that existed at year end:

Receivable	Payable	Amount
Electric	Paving Projects	$ 2,382,220
Electric	Nonmajor Governmental	574,536
Water	Electric	400,000
Sewer	Electric	225,000
Garbage	Electric	100,000
		$ 3,681,756

The interfund balance between the Paving Projects fund and the Electric fund are for Paving Projects and will be paid by special assessments and R&R funds or Prairie Dog Funds.

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2025:

	Transfer In	Transfer Out
General Fund	$ 3,061,653	$ 905,473
Paving Projects	5,840,823	-
Infrastructure Renewal & Replacement	-	4,462,155
Debt Service	793,381	1,543,030
Nonmajor Funds	5,124,859	938,381
Garbage	16,666	-
Electric	229,876	7,218,219
	$ 15,067,258	$ 15,067,258

Transfers are used to: move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11 COMMITMENTS

Under its wholesale power agreement, the electric utility is committed to purchase its electric power and energy requirements from the Western Area Power Administration (WAPA) until December 31, 2050. The rates paid therefore are reviewed on an as-required basis as determined by WAPA.

Under a supplemental power agreement, the electric utility is committed to purchase its electric power and energy needs that are over and above that available from WAPA from the Missouri River Energy Services until January 1, 2030. This base term may be extended for successive 10-year periods. The rates paid therefore are subject to review annually.

NOTE 12 TAX EXEMPTION AND ABATEMENTS

The City provides tax exemption and abatements through various programs. The following is information relevant to the disclosure of this program for the fiscal year ended December 31, 2025:

The City has various two-to-five-year property tax incentives for New Residential Properties, Renaissance Zone Properties, Commercial Remodels, and Payment in Lieu of Taxes (PILOT). The total tax abatements for 2025 was $15,684.

NOTE 13 NEW PRONOUNCEMENTS

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for

proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

GASB Statement No. 105, *Subsequent Events*, defines subsequent events as transactions or other events occurring after the financial statement date but before the statements are available for issuance. Financial statements are considered available for issuance when they are complete in accordance with generally accepted accounting principles and have received all required approvals. The Statement also requires disclosure of the date through which subsequent events were evaluated and clarifies the distinction between recognized and nonrecognized subsequent events, including related note disclosure requirements. This statement is effective for fiscal years beginning after June 15, 2026. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on its financial statements.

NOTE 14 SUBSEQUENT EVENTS

On March 23, 2026, the City was approved for a loan totaling $1,446,000 to provide funding for a mill and overlay project for paving district 133. Interest only payments will be made on this loan for the first 18 months followed by annual and interest payments based on a 15-year amortization.

The City also requested bids for a Permanent Flood Protection project, all of those that were received exceeded the engineer's estimate. As a result, the lowest responsible bid of $23,480,706 was accepted on condition that the City obtained funding from the North Dakota Department of Water Resources for the additional cost share that would be required to fund the project. Subsequent events were evaluated through September 8, 2026, which is the date these financial statements were available to be issued.

CITY OF VALLEY CITY
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	$ 1,688,795	$ 1,459,095	$ (229,700)
Special assessments	83,000	115,281	32,281
Franchise Fee	26,000	30,960	4,960
Licenses, permits and fees	272,185	304,995	32,810
Intergovernmental	1,123,498	1,765,669	642,171
Charges for services	179,120	179,992	872
Sales Tax	18,830	18,068	(762)
Interest	275,000	462,941	187,941
Miscellaneous	123,295	258,161	134,866
Total Revenues	3,789,723	4,595,162	805,439
EXPENDITURES			
Current:			
General government	1,461,525	1,276,904	184,621
Public safety	2,252,047	2,313,822	(61,775)
Public works	1,249,259	1,447,804	(198,545)
Culture and recreation	191,772	319,302	(127,530)
Capital Outlay	832,758	625,388	207,370
Debt Service:			
Principal Retirement	83,529	90,144	(6,615)
Interest and fees	-	19,696	(19,696)
Total Expenditures	6,070,890	6,093,060	(22,170)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,281,167)	(1,497,898)	783,269
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	1,500	7,001	5,501
Transfers in	2,414,468	3,061,653	647,185
Transfers out	(943,868)	(905,473)	38,395
Total Other Financing Sources and Uses	1,472,100	2,163,181	691,081
Net Change in Fund Balances	(809,067)	665,283	1,474,350
Fund Balances - Beginning	1,933,411	1,933,411	-
Fund Balances - Ending	$ 1,124,344	$ 2,598,694	$ 1,474,350

CITY OF VALLEY CITY
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN YEARS*

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
Main System:					
2025	$ 89,239	$ 89,239	$ -	$ 1,000,857	8.92%
2024	81,867	81,867	-	933,378	8.77%
2023	58,024	58,024	-	723,082	8.02%
2022	49,735	49,735	-	592,789	8.39%
Law Enforcement:					
2025	$ 90,281	$ 90,281	$ -	$ 985,601	9.16%
2024	74,403	74,403	-	812,265	9.16%
2023	71,800	71,800	-	791,623	9.07%
2022	67,303	67,303	-	822,777	8.18%

The amounts presented for each fiscal year were determined as of the City's year end which is December 31.

*The City implemented GASB Statement No. 68 for its year ended December 31, 2022.

See Notes to the Required Supplementary Information

CITY OF VALLEY CITY
SCHEDULE OF CITY'S SHARE OF NET PENSION LIABILITY
LAST TEN YEARS*

Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Main System:					
2025	0.0748%	$ 1,189,610	$ 546,396	217.72%	73.63%
2024	0.0672%	1,257,459	881,934	142.58%	68.02%
2023	0.0553%	1,065,533	675,750	157.68%	65.31%
2022	0.0435%	1,248,394	503,176	248.10%	55.03%
Law Enforcement:					
2025	5.0979%	$ (60,715)	$ 933,688	-6.50%	73.63%
2024	4.7948%	57,581	760,841	7.57%	68.02%
2023	5.0929%	94,929	758,620	12.51%	65.31%
2022	5.0698%	320,052	709,543	45.11%	55.03%

The amounts presented for each fiscal year were determined as of the measurement date of the City's net pension liability which is June 30 of the previous year for NDPERS.

*The City implemented GASB Statement No. 68 for the year ended December 31, 2022.

See Notes to the Required Supplementary Information

CITY OF VALLEY CITY
SCHEDULE OF CONTRIBUTIONS TO OPEB PLAN
LAST TEN YEARS*

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	$ 13,145	$ 13,145	$ -	$ 1,153,044	1.14%
2024	10,773	10,773	-	945,001	1.14%
2023	10,725	10,725	-	940,760	1.14%
2022	9,231	3,300	5,931	809,634	1.14%

The amounts presented for each fiscal year were determined as of the City's year end which is December 31.

*The City implemented GASB Statement No. 75 for its year ended December 31, 2022.

See Notes to the Required Supplementary Information

CITY OF VALLEY CITY
SCHEDULE OF CITY'S SHARE OF THE OPEB LIABILITY
LAST TEN YEARS*

Year Ended June 30	City's Proportion of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	City's Covered Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2025	0.103102%	$ (67,815)	$ 1,071,135	-6.33%	75.94%
2024	0.085767%	74,107	889,152	8.33%	68.35%
2023	0.086495%	86,473	869,430	9.95%	62.74%
2022	0.073460%	88,175	758,403	11.63%	56.28%

The amounts presented for each fiscal year were determined as of the measurement date of the City's other postemployment benefit liability which is June 30 of the previous year.

*The City implemented GASB Statement No. 75 for the year ended December 31, 2022.

See Notes to the Required Supplementary Information

NOTE 1 DEFINED BENEFIT PLANS

Changes of benefit terms – main plan
In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

Changes of benefit terms - law enforcement plan
Legislation was passed relating to the Public Safety with Prior Service System. The Public Safety with Prior Service System was expanded to allow peace officers employed by the State to participate. The provisions are similar to the Public Safety with Prior Service System, but with a 6.00 percent employee contribution rate. The benefit multiplier and the vesting requirements for the Bureau of Criminal Investigation group were changed.

Changes of assumptions
The actuarial assumptions used in the actuarial valuation as of July 1, 2025 were based on an experience review for the period from July 1, 2019 to July 1, 2024, and were adopted for first use commencing with the actuarial valuation as of July 1, 2025.

NOTE 2 OTHER POST EMPLOYMENT BENEFITS

Changes of benefit terms
Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2024.

Changes of assumptions
The actuarial assumptions used in the actuarial valuation as of July 1, 2025 were based on an experience review for the period from July 1, 2019 to July 1, 2024, and were adopted for first use commencing with the July 1, 2025 actuarial valuation. The following assumptions were changed: price inflation, salary increase rates, retirement rates, turnover rates, disability rates, RHIC participation rates, and mortality rates.

NOTE 3 EXPENDITURES IN EXCESS OF BUDGET

General Fund	Final Budget	Actual	Excess
Public safety	$ 2,252,047	$ 2,313,822	$ 61,775
Public works	1,249,259	1,447,804	198,545
Culture and recreation	191,772	319,302	127,530
Principal retirement	83,529	90,144	6,615

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and the excess has no impact on the financial results of the City.

CITY OF VALLEY CITY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GENERAL FUND, BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Operations Department	City Financed Special Assessment Projects Department	Building Reserve Department	Renewal and Replacement Department	Street Equipment Renewal and Replacement Department	Financing Reserves (BM) Department	Sewer Renewal & Replacement Department	Streets Department	Total General Funds
REVENUES									
Taxes	$ 1,459,095	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,459,095
Special assessments	-	115,281	-	-	-	-	-	-	115,281
Franchise Fee	30,960	-	-	-	-	-	-	-	30,960
Licenses, permits and fees	247,265	-	-	-	-	-	57,730	-	304,995
Intergovernmental	732,843	-	46,885	184,102	-	-	-	801,839	1,765,669
Charges for services	75,583	-	-	-	-	-	-	104,409	179,992
Sales Tax	18,068	-	-	-	-	-	-	-	18,068
Interest	462,941	-	-	-	-	-	-	-	462,941
Miscellaneous	229,985	-	2,615	-	-	-	-	25,561	258,161
Total Revenues	3,256,740	115,281	49,500	184,102	-	-	57,730	931,809	4,595,162
EXPENDITURES									
Current:									
General government	1,276,904	-	-	-	-	-	-	-	1,276,904
Public safety	2,308,496	-	-	5,326	-	-	-	-	2,313,822
Public works	-	-	-	-	-	-	-	1,447,804	1,447,804
Culture and recreation	319,302	-	-	-	-	-	-	-	319,302
Capital Outlay	13,388	-	158,278	309,422	144,300	-	-	-	625,388
Debt Service:									
Principal retirement	-	-	-	41,623	48,521	-	-	-	90,144
Interest and fees	-	-	-	-	19,696	-	-	-	19,696
Total Expenditures	3,918,090	-	158,278	356,371	212,517	-	-	1,447,804	6,093,060
Excess (Deficiency) of Revenues over (Under) Expenditures	(661,350)	115,281	(108,778)	(172,269)	(212,517)	-	57,730	(515,995)	(1,497,898)
OTHER FINANCING SOURCES (USES)									
Sale of assets	4,000	-	-	3,001	-	-	-	-	7,001
Transfers in	1,471,233	-	101,980	246,086	210,000	-	-	1,032,354	3,061,653
Transfers out	(843,066)	(11,907)	-	-	-	-	(50,500)	-	(905,473)
Total other financing sources and uses	632,167	(11,907)	101,980	249,087	210,000	-	(50,500)	1,032,354	2,163,181
Net Change in Fund Balances	(29,183)	103,374	(6,798)	76,818	(2,517)	-	7,230	516,359	665,283
Fund Balances - Beginning	2,093,296	(502,794)	50,000	(23,286)	72,928	518,055	272,290	(547,078)	1,933,411
Fund Balances - Ending	$ 2,064,113	$ (399,420)	$ 43,202	$ 53,532	$ 70,411	$ 518,055	$ 279,520	$ (30,719)	$ 2,598,694

CITY OF VALLEY CITY
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,703,206	$ -	$ 1,703,206
Receivables:			
Accounts receivable, net	143,386	608	143,994
Intergovernmental receivable	366,778	-	366,778
Property taxes	3,358	-	3,358
Total Assets	$ 2,216,728	$ 608	$ 2,217,336
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 166,612	$ 815,553	$ 982,165
Retainage payable	-	-	-
Due to other funds	402,299	172,237	574,536
Unearned Revenue	66,726	-	66,726
Total Liabilities	635,637	987,790	1,623,427
Deferred Inflows of Resources			
Unavailable revenue - property taxes	3,358	-	3,358
Total Deferred Inflows of Resources:	3,358	-	3,358
FUND BALANCES			
Restricted for Economic Development	1,907,979	-	1,907,979
Unassigned	(330,246)	(987,182)	(1,317,428)
Total Fund Balances	1,577,733	(987,182)	590,551
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,216,728	$ 608	$ 2,217,336

CITY OF VALLEY CITY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	$ 358,734	$ -	$ 358,734
Special assessments	-	608	608
Intergovernmental	673,528	-	673,528
Sales Tax	1,942,929	-	1,942,929
Miscellaneous	27,256	-	27,256
Total Revenues	3,002,447	608	3,003,055
EXPENDITURES			
Current:			
Public safety	335	-	335
Public works	-	5,584,748	5,584,748
Culture and recreation	699,666	1,280	700,946
Community development	727,975	-	727,975
Permanent flood protection	712,955	-	712,955
Capital Outlay	97,206	504,548	601,754
Total Expenditures	2,238,137	6,090,576	8,328,713
Excess (Deficiency) of Revenues over (Under) Expenditures	764,310	(6,089,968)	(5,325,658)
OTHER FINANCING SOURCES (USES)			
Sale of assets	2,316	-	2,316
Transfers in	-	74,137	74,137
Transfers out	(938,381)	5,050,722	4,112,341
Total other financing sources and uses	(936,065)	5,124,859	4,188,794
Net Change in Fund Balances	(171,755)	(965,109)	(1,136,864)
Fund Balances - Beginning, As Originally Stated	1,960,310	(22,073)	1,938,237
Change in financial reporting entity (major to non	(210,822)	-	(210,822)
Fund Balances - Beginning, Restated	1,749,488	(22,073)	1,727,415
Fund Balances - Ending	$ 1,577,733	$ (987,182)	$ 590,551

CITY OF VALLEY CITY
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2025

	City Share of Special Assessments	Special Assessment Deficiency	Emergency	Permanent Flood Protection	Library	City Sales Tax Economic
ASSETS						
Cash and cash equivalents	$ -	$ -	$ 78,739	$ -	$ 395	$ 1,254,538
Receivables:						
Accounts receivable, net	-	-	-	136,231	-	-
Intergovernmental receivable	201	-	-	-	11,092	150,205
Property taxes	391	-	-	-	2,967	-
Total Assets	$ 592	$ -	$ 78,739	$ 136,231	$ 14,454	$ 1,404,743
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	$ -	$ -	$ -	$ 76,392	$ 11,487	$ 66,000
Due to other funds	1,011	308	-	400,980	-	-
Unearned Revenue	-	-	66,726	-	-	-
Total Liabilities	1,011	308	66,726	477,372	11,487	66,000
Deferred Inflows of Resources						
Unavailable revenue - property taxes	391	-	-	-	2,967	-
Total Deferred Inflows of Resources:	391	-	-	-	2,967	-
FUND BALANCES						
Restricted for Economic Development	-	-	-	-	-	1,338,743
Unassigned	(810)	(308)	12,013	(341,141)	-	-
Total Fund Balances	(810)	(308)	12,013	(341,141)	-	1,338,743
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 592	$ -	$ 78,739	$ 136,231	$ 14,454	$ 1,404,743

CITY OF VALLEY CITY
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS –- CONTINUED
DECEMBER 31, 2025

	City Sales Tax Property	City Sales Tax Image Enhancement	City Sales Tax School Bond	Occupancy Tax 1%	Motel Occupancy	Restaurant Tax	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and cash equivalents	$ 41,091	$ 161,569	$ -	$ 4,483	$ 8,476	$ 153,915	$ 1,703,206
Receivables:							
Accounts receivable, net	-	-	-	2,385	4,770	-	143,386
Intergovernmental receivable	53,645	10,729	107,289	-	-	33,617	366,778
Property taxes	-	-	-	-	-	-	3,358
Total Assets	$ 94,736	$ 172,298	$ 107,289	$ 6,868	$ 13,246	$ 187,532	$ 2,216,728
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	$ -	$ -	$ -	$ 4,241	$ 8,492	$ -	$ 166,612
Due to other funds	-	-	-	-	-	-	402,299
Unearned Revenue	-	-	-	-	-	-	66,726
Total Liabilities	-	-	-	4,241	8,492	-	635,637
Deferred Inflows of Resources							
Unavailable revenue - property taxes	-	-	-	-	-	-	3,358
Total Deferred Inflows of Resources:	-	-	-	-	-	-	3,358
FUND BALANCES							
Restricted for Economic Development	94,736	172,298	107,289	2,627	4,754	187,532	1,907,979
Unassigned	-	-	-	-	-	-	(330,246)
Total Fund Balances	94,736	172,298	107,289	2,627	4,754	187,532	1,577,733
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 94,736	$ 172,298	$ 107,289	$ 6,868	$ 13,246	$ 187,532	$ 2,216,728

CITY OF VALLEY CITY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	City Share of Special Assessments	Special Assessment Deficiency	Emergency	Permanent Flood Protection	Library	City Sales Tax Economic
REVENUES						
Taxes	$ 23,107	$ -	$ -	$ -	$ 187,500	$ -
Intergovernmental	-	-	-	663,028	-	-
Sales Tax	-	-	-	-	-	815,344
Miscellaneous	-	-	-	-	-	22,256
Total Revenues	23,107	-	-	663,028	187,500	837,600
EXPENDITURES						
Current:						
Public safety	-	-	-	335	-	-
General government						
Culture and recreation	-	-	-	-	188,129	-
Community development	-	-	-	-	-	727,975
Permanent flood protection	-	-	-	712,955	-	-
Capital Outlay	22,507	4,339	-	70,360	-	-
Total Expenditures	22,507	4,339	-	783,650	188,129	727,975
Excess (Deficiency) of Revenues over (Under) Expenditures	600	(4,339)	-	(120,622)	(629)	109,625
OTHER FINANCING SOURCES (USES)						
Sale of assets	-	-	-	2,316	-	-
Transfers out	-	-	-	-	-	(236,600)
Total other financing sources and uses	-	-	-	2,316	-	(236,600)
Net Change in Fund Balances	600	(4,339)	-	(118,306)	(629)	(126,975)
Fund Balances - Beginning, As Originally Stated	(1,410)	4,031	-	-	629	1,465,718
Change in financial reporting entity - see note 1	-	-	12,013	(222,835)	-	-
Fund Balances - Beginning, Restated	(1,410)	4,031	12,013	(222,835)	629	1,465,718
Fund Balances - Ending	$ (810)	$ (308)	$ 12,013	$ (341,141)	$ -	$ 1,338,743

CITY OF VALLEY CITY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2025

	City Sales Tax Property	City Sales Tax Image Enhancement	City Sales Tax School Bond	Occupancy Tax 1%	Motel Occupancy	Restaurant Tax	Total Nonmajor Special Revenue Funds
REVENUES							
Taxes	$ -	$ -	$ -	$ 51,096	$ 97,031	$ -	$ 358,734
Intergovernmental	-	10,500	-	-	-	-	673,528
Sales Tax	291,193	58,239	582,388	-	-	195,765	1,942,929
Miscellaneous	-	5,000	-	-	-	-	27,256
Total Revenues	291,193	73,739	582,388	51,096	97,031	195,765	3,002,447
EXPENDITURES							
Current:							
Public safety	-	-	-	-	-	-	335
General government							
Culture and recreation	-	26,792	230,000	48,303	91,442	115,000	699,666
Community development	-	-	-	-	-	-	727,975
Permanent flood protection	-	-	-	-	-	-	712,955
Capital Outlay	-	-	-	-	-	-	97,206
Total Expenditures	-	26,792	230,000	48,303	91,442	115,000	2,238,137
Excess (Deficiency) of Revenues over (Under) Expenditures	291,193	46,947	352,388	2,793	5,589	80,765	764,310
OTHER FINANCING SOURCES (USES)							
Sale of assets	-	-	-	-	-	-	2,316
Transfers out	(295,000)	-	(356,781)	-	-	(50,000)	(938,381)
Total other financing sources and uses	(295,000)	-	(356,781)	-	-	(50,000)	(936,065)
Net Change in Fund Balances	(3,807)	46,947	(4,393)	2,793	5,589	30,765	(171,755)
Fund Balances - Beginning, As Originally Stated	98,543	125,351	111,682	(166)	(835)	156,767	1,960,310
Change in financial reporting entity - see note 1	-	-	-	-	-	-	(210,822)
F Fund Balances - Beginning as Restated	98,543	125,351	111,682	(166)	(835)	156,767	1,749,488
Fund Balances - Ending	$ 94,736	$ 172,298	$ 107,289	$ 2,627	$ 4,754	$ 187,532	$ 1,577,733

CITY OF VALLEY CITY
COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2025

	Sidewalk Curb & Gutter Projects	Underground Construction	Public Works Capital Projects	Total Nonmajor Capital Projects Funds
ASSETS				
Receivables:				
Accounts receivable, net	$ 608	$ -	$ -	$ 608
Total Assets	$ 608	$ -	$ -	$ 608
LIABILITIES				
Liabilities				
Accounts payable	$ -	$ 281,527	$ 534,026	$ 815,553
Retainage payable	-	-		-
Due to other funds	608	171,629	-	172,237
Total Liabilities	608	453,156	534,026	987,790
FUND BALANCES				
Unassigned	-	(453,156)	(534,026)	(987,182)
Total Fund Balances	-	(453,156)	(534,026)	(987,182)
Total Liabilities and Fund Balances	$ 608	$ -	$ -	$ 608

CITY OF VALLEY CITY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR DECEMBER 31, 2025

	Sidewalk Curb & Gutter Projects	DOT Misc Projects	Underground Construction	Public Works Capital Projects	Total Nonmajor Capital Projects Funds
REVENUES					
Special assessments	$ 608	$ -	$ -	$ -	$ 608
Total Revenues	608	-	-	-	608
EXPENDITURES					
Current:					
Public works	-	-	-	5,584,748	5,584,748
Culture and recreation	-	650	630	-	1,280
Capital Outlay	9,883	-	494,665	-	504,548
Total Expenditures	9,883	650	495,295	5,584,748	6,090,576
Excess (Deficiency) of Revenues over (Under) Expenditures	(9,275)	(650)	(495,295)	(5,584,748)	(6,089,968)
OTHER FINANCING SOURCES (USES)					
Transfers in	9,275	14,362	50,500	-	74,137
Total other financing sources and uses	9,275	14,362	50,500	5,050,722	5,124,859
Net Change in Fund Balances	-	13,712	(444,795)	(534,026)	(965,109)
Fund Balances - Beginning	-	(13,712)	(8,361)	-	(22,073)
Fund Balances - Ending	$ -	$ -	$ (453,156)	$ (534,026)	$ (987,182)

BradyMartz

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 Honorable Mayor and
Members of the City Commission
City of Valley City
Valley City, North 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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Valley City as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City of Valley City's basic financial statements and have issued our report thereon dated September 8, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Valley 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002 to be material weaknesses.

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.

Report on Compliance and Other Matters

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

City of Valley City's Response to Findings

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

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

BRADY MARTZ, PLLC
GRAND FORKS, NORTH DAKOTA

September 8, 2026

Make Every Day Count | www.bradymartz.com

2025-001 ADJUSTING JOURNAL ENTRIES

Criteria
The City is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Condition
During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

Cause
The City's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP.

Effect
The City's financial statements were materially misstated prior to adjustments detected as a result of audit procedures

Repeat Finding
Yes

Recommendation
Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit

Views of Responsible Officials
Management will make a greater effort to reconcile and record these transactions. Internal control reviews are taking place in an effort to establish a better process.

2025-002 FINANCIAL STATEMENT PREPARATION

Criteria
An appropriate system of internal controls requires the City to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition
The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Commission. However, the City currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause
The City elected to not allocate resources for the preparation of the financial statements.

Effect
There is an increased risk of material misstatement to the City's financial statements.

Repeat Finding
Yes

Recommendation
We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control, the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials
The City agrees with the recommendation and will review on an annual basis.

CITY OF VALLEY CITY
SCHEDULE OF PRIOR YEAR FINDINGS
AS OF DECEMBER 31, 2025

2024-001 ADJUSTING JOURNAL ENTRIES INCLUDING RESTATEMENT

Condition
We identified misstatements in the City's financial statements causing us to propose material audit adjustments including a restatement, which would not have been identified as a result of the City's internal controls.

Recommendation
We recommend that all general ledger accounts are reconciled in a timely manner and adjustments made for any differences noted. We also recommend the City review the recording of transactions and generally accepted accounting principles applicable to the transactions to ensure transactions are recorded correctly.

Current Status
Finding was repeated during the current fiscal year as 2025-001.

2024-002 FINANCIAL STATEMENT PREPARATION

Condition
The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Commission. However, the City currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

Recommendation
We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control, the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Current Status
Finding was repeated during the current fiscal year as 2025-002.

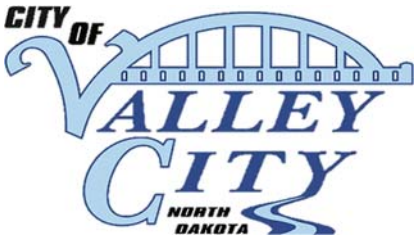
2024-003 ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES- 21.027 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

Condition
It was noted employee timecards were not properly approved.

Recommendation
Recommended the City to implement policies and procedures whereby all hourly employee timecards are approved.

Current Status
All full-time employees are now using the online time entry portal, which has approval steps in place for the department heads to approve all time. Payroll detail registers are reviewed by the Finance Director after every payroll to ensure accuracy.

City Hall
254 2nd Ave NE
Valley City, ND 58072



Phone: 701-845-1700
www.valleycity.us

CORRECTIVE ACTION PLAN
AS OF DECEMBER 31, 2025

2025-001 FINDING

Contact Person – Brenda Klein, Finance Director

Corrective Action Plan – Management will make a greater effort to reconcile and record these transactions. Internal control reviews are taking place in an effort to establish a better process.

Completion Date – Ongoing.

2025-002 FINDING

Contact Person – Brenda Klein, Finance Director

Corrective Action Plan – Management will consider establishing a policy to document review of financial statements and notes.

Completion Date – Ongoing.