



Financial Statements
December 31, 2018

City of Valley City, North Dakota

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City of Valley City, North Dakota
Elected and Appointed Officials (Unaudited)
December 31, 2018

<u>Elected</u>	<u>Position</u>	<u>Term Expires</u>
Dave Carlsrud	President of City Commission	6/30/2022
Jeff Erickson	City Commissioner	6/30/2022
Dewey Magnuson	City Commissioner	6/30/2022
Ross Powell	City Commissioner	6/30/2020
Mike Bishop	City Commissioner	6/30/2020
<u>Administration</u>		
David C. Schelkoph	City Administrator	
Avis Richter	Finance Director	
Gary Jacobson	Accountant/Office Manager	



Independent Auditor's Report

The Board of City Commissioners
City of Valley City, North Dakota

Report on the Financial Statements

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, North Dakota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 as of December 31, 2018 and the respective changes in financial position and, where applicable, cash flows thereof and the General Fund Budgetary Schedule for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The listing of elected and appointed officials and combining and individual fund schedules are presented for purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The combining and individual fund schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 and individual fund schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The listing of elected and appointed officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this listing.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
August 20, 2019

City of Valley City, North Dakota

Statement of Net Position

December 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,546,475	\$ 4,376,794	\$ 11,923,269
Restricted cash	484,846	292,789	777,635
Receivables			
Accounts	1,080,273	1,137,026	2,217,299
Unbilled revenues	13,671	439,390	453,061
Interest	-	901	901
Property taxes	33,365	-	33,365
Special assessments	7,732,057	-	7,732,057
Due from other governmental units	530,594	25,291	555,885
Interfund balances	343,521	(343,521)	-
Prepaid items	26,912	28,810	55,722
Inventory	-	439,130	439,130
Unearned debits	-	4,120	4,120
Capital assets			
Land	173,800	424,693	598,493
Construction in progress	30,416,079	422,928	30,839,007
Infrastructure	39,953,039	-	39,953,039
Buildings and improvements	2,107,806	25,288,370	27,396,176
Machinery and equipment	1,312,337	8,192,969	9,505,306
Vehicles	2,950,111	-	2,950,111
Mains and lines	-	44,288,034	44,288,034
Less accumulated depreciation	(11,453,608)	(37,113,149)	(48,566,757)
Total assets	<u>83,251,278</u>	<u>47,904,575</u>	<u>131,155,853</u>
Liabilities			
Accounts payable	1,535,303	567,665	2,102,968
Accrued interest payable	103,278	7,059	110,337
Other liabilities	106,645	134,984	241,629
Long-term liabilities			
Due within one year	1,492,987	428,898	1,921,885
Due in more than one year	18,285,469	1,415,000	19,700,469
Total liabilities	<u>21,523,682</u>	<u>2,553,606</u>	<u>24,077,288</u>
Net position			
Net investment in capital assets	45,828,806	39,659,947	85,488,753
Restricted	15,195,947	225,750	15,421,697
Unrestricted	702,843	5,465,272	6,168,115
Total net position	<u>\$ 61,727,596</u>	<u>\$ 45,350,969</u>	<u>\$ 107,078,565</u>
	<u>\$ 83,251,278</u>	<u>\$ 47,904,575</u>	<u>\$ 131,155,853</u>

City of Valley City, North Dakota
Statement of Activities
Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 2,200,942	\$ 917,467	\$ -	\$ 9,382,538	\$ 8,099,063	\$ -	\$ 8,099,063
Public safety	1,933,376	275,802	57,126	1,272,933	(327,515)	-	(327,515)
Public works	1,893,430	1,827,555	-	-	(65,875)	-	(65,875)
Culture and recreation	438,741	-	198,843	-	(239,898)	-	(239,898)
Economic development	480,685	-	7,500	-	(473,185)	-	(473,185)
Interest on long-term debt	338,892	-	-	-	(338,892)	-	(338,892)
Total governmental activities	<u>7,286,066</u>	<u>3,020,824</u>	<u>263,469</u>	<u>10,655,471</u>	<u>6,653,698</u>	<u>-</u>	<u>6,653,698</u>
Business-type activities							
Electric	6,287,999	7,742,199	-	-	-	1,454,200	1,454,200
Water	2,401,887	1,416,714	-	369,161	-	(616,012)	(616,012)
Sewer facility	717,007	740,084	-	-	-	23,077	23,077
Garbage	1,075,921	1,249,326	-	-	-	173,405	173,405
Total business-type activities	<u>10,482,814</u>	<u>11,148,323</u>	<u>-</u>	<u>369,161</u>	<u>-</u>	<u>1,034,670</u>	<u>1,034,670</u>
Total Government	<u>\$ 17,768,880</u>	<u>\$ 14,169,147</u>	<u>\$ 263,469</u>	<u>\$ 11,024,632</u>	<u>6,653,698</u>	<u>1,034,670</u>	<u>7,688,368</u>
General revenues							
Sales and use tax					2,253,716	-	2,253,716
Property taxes					1,479,532	-	1,479,532
State aid					945,739	-	945,739
Unrestricted investment earnings					26,769	23,973	50,742
Miscellaneous					107,666	36,088	143,754
Transfers					675,114	(675,114)	-
Total general revenue and transfers					<u>5,488,536</u>	<u>(615,053)</u>	<u>4,873,483</u>
Change in net position					12,142,234	419,617	12,561,851
Net position - beginning					49,585,362	44,931,352	94,516,714
Net position - ending					<u>\$ 61,727,596</u>	<u>\$ 45,350,969</u>	<u>\$ 107,078,565</u>

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

City of Valley City, North Dakota
Governmental Funds
Balance Sheet
December 31, 2018

	General	Permanent Flood Protection	Paving Projects	Infrastructure Renewal & Replacement	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 1,898,119	\$ 1,280,174	\$ -	\$ 475,643	\$ 2,468,774	\$ 1,423,765	\$ 7,546,475
Restricted cash	-	-	-	-	455,733	29,113	484,846
Due from other funds	-	-	-	1,470,684	-	-	1,470,684
Receivables							
Accounts	109,667	946,224	-	20,024	-	4,358	1,080,273
Taxes receivable - delinquent	-	-	-	-	-	4,463	4,463
Unbilled revenues	-	-	-	13,671	-	-	13,671
Property taxes	28,902	-	-	-	-	-	28,902
Special assessments							
Current	125,188	-	-	-	588,258	1,125	714,571
Delinquent	5,773	-	-	-	29,567	-	35,340
Deferred	567,079	-	-	-	6,413,192	1,875	6,982,146
Interfund	600	-	-	-	342,921	-	343,521
Due from other governmental units	149,358	-	-	155,080	-	226,156	530,594
Prepaid items	-	-	-	-	-	28,642	28,642
Total assets	<u>\$ 2,884,686</u>	<u>\$ 2,226,398</u>	<u>\$ -</u>	<u>\$ 2,135,102</u>	<u>\$ 10,298,445</u>	<u>\$ 1,719,497</u>	<u>\$ 19,264,128</u>
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$ 117,935	\$ 1,124,843	\$ 208,706	\$ -	\$ 19,400	\$ 64,419	\$ 1,535,303
Due to other funds	-	-	1,139,038	-	-	331,646	1,470,684
Other liabilities	108,375	-	-	-	-	-	108,375
Total liabilities	<u>226,310</u>	<u>1,124,843</u>	<u>1,347,744</u>	<u>-</u>	<u>19,400</u>	<u>396,065</u>	<u>3,114,362</u>
Deferred Inflows of Resources							
Unavailable revenue-property taxes	28,902	-	-	-	-	4,463	33,365
Unavailable revenue-special assessments	698,639	-	-	-	7,373,937	3,000	8,075,576
Total deferred inflows of resources	<u>727,541</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,373,937</u>	<u>7,463</u>	<u>8,108,941</u>
Fund Balance (Deficit)							
Nonspendable							
Prepaid items	-	-	-	-	-	28,642	28,642
Restricted for							
Debt service	-	-	-	-	2,905,108	-	2,905,108
Emergency services	-	-	-	-	-	130,057	130,057
Community development	-	-	-	-	-	1,532,706	1,532,706
Capital projects	-	1,101,555	-	-	-	17,482	1,119,037
Infrastructure	-	-	-	2,135,102	-	-	2,135,102
Assigned	1,965	-	-	-	-	-	1,965
Unassigned	1,928,870	-	(1,347,744)	-	-	(392,918)	188,208
Total fund balance (deficit)	<u>1,930,835</u>	<u>1,101,555</u>	<u>(1,347,744)</u>	<u>2,135,102</u>	<u>2,905,108</u>	<u>1,315,969</u>	<u>8,040,825</u>
Total liabilities, deferred inflows of resources, and fund balance (deficit)	<u>\$ 2,884,686</u>	<u>\$ 2,226,398</u>	<u>\$ -</u>	<u>\$ 2,135,102</u>	<u>\$ 10,298,445</u>	<u>\$ 1,719,497</u>	<u>\$ 19,264,128</u>

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

City of Valley City, North Dakota
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
December 31, 2018

Total Fund Balances – Governmental Funds	\$ 8,040,825
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	65,459,564
Other assets are not available to pay for current-period expenditures and, therefore, are either not recognized as a receivable or are deferred in the funds.	8,108,941
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. In the current period these amounts are:	
Special assessment bonds	(11,780,128)
Sales tax revenue bonds	(7,469,893)
Capital lease payable	(380,737)
Compensated absences	(147,698)
Accrued interest	<u>(103,278)</u>
Total net position – governmental activities	<u>\$ 61,727,596</u>

City of Valley City, North Dakota

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2018

	General	Permanent Flood Protection	Paving Projects	Infrastructure Renewal & Replacement	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
General property taxes	\$ 1,102,495	\$ -	\$ -	\$ -	\$ 244,986	\$ 170,005	\$ 1,517,486
Special assessments	140,597	-	185,069	-	943,022	746	1,269,434
Franchise fees	61,231	-	-	437,487	-	-	498,718
Licenses and permits	50,857	-	-	-	-	-	50,857
Intergovernmental revenue	1,181,448	9,388,948	1,272,933	-	32,046	37,509	11,912,884
Fines and forfeitures	94,130	-	-	-	-	-	94,130
Sales tax	-	-	-	820,662	-	1,199,885	2,020,547
Miscellaneous revenue	448,739	-	-	-	246,718	34,629	730,086
Total revenues	3,079,497	9,388,948	1,458,002	1,258,149	1,466,772	1,442,774	18,094,142
Expenditures							
Current							
General government	843,711	-	-	-	-	-	843,711
Public safety	2,488,938	-	-	-	-	-	2,488,938
General government - other	250,454	-	-	-	-	312,282	562,736
Culture and recreation	166,682	-	-	-	-	142,628	309,310
Community development	121,317	-	-	-	-	668,234	789,551
Permanent flood protection	-	11,313,585	-	-	-	-	11,313,585
Miscellaneous	1,641	-	-	11	-	149,826	151,478
Capital outlay	92,916	-	3,078,857	-	-	691,346	3,863,119
Debt service							
Principal	23,858	-	-	-	1,177,673	-	1,201,531
Interest and fees	-	-	-	-	385,559	-	385,559
Total expenditures	3,989,517	11,313,585	3,078,857	11	1,563,232	1,964,316	21,909,518
Excess (Deficiency) of Revenues Over (Under) Expenditures	(910,020)	(1,924,637)	(1,620,855)	1,258,138	(96,460)	(521,542)	(3,815,376)
Other Financing Sources (Uses)							
Bond proceeds	-	3,289,400	1,589,911	-	55,363	329,726	5,264,400
Transfers in	1,662,887	-	1,806,806	-	178,921	460,319	4,108,933
Transfers out	(897,241)	-	-	(1,774,598)	(9,989)	(417,105)	(3,098,933)
Total other financing sources and uses	765,646	3,289,400	3,396,717	(1,774,598)	224,295	372,940	6,274,400
Net Change in Fund Balance	(144,374)	1,364,763	1,775,862	(516,460)	127,835	(148,602)	2,459,024
Fund Balance (Deficit), Beginning	2,075,209	(263,208)	(3,123,606)	2,651,562	2,777,273	1,464,571	5,581,801
Fund Balance (Deficit), Ending	\$ 1,930,835	\$ 1,101,555	\$ (1,347,744)	\$ 2,135,102	\$ 2,905,108	\$ 1,315,969	\$ 8,040,825

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

City of Valley City, North Dakota

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ 2,459,024
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:	
Capital outlay	14,865,418
Contribution of capital assets to proprietary fund	(334,886)
Depreciation expense	(1,464,853)
The net effect of the disposal of capital assets is to decrease net position	(28,783)
Revenues in the statement of activities that do not provide current financial resources are deferred and not reported as revenues in the funds	749,224
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used	(24,103)
Interest payable is reported in the government wide statement of net position but is not recorded in the governmental funds	(15,938)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period these amounts are:	
Bonds issued	(5,264,400)
Capital lease retirement	23,858
Bond principal retirement	1,177,673
Change in Net Position of Governmental Activities	<u>\$ 12,142,234</u>

City of Valley City, North Dakota

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
General property taxes	\$ 1,139,600	\$ 1,102,495	\$ (37,105)
Special assessments	-	140,597	140,597
Licenses and permits	45,226	50,857	5,631
Intergovernmental revenue	435,400	1,181,448	746,048
Fines and forfeitures	89,500	94,130	4,630
Franchise fees	-	61,231	61,231
Miscellaneous	175,050	448,739	273,689
Total revenues	1,884,776	3,079,497	1,194,721
Expenditures			
Current			
General government	872,154	843,711	28,443
Public safety	1,686,327	2,488,938	(802,611)
General government - other	91,750	250,454	(158,704)
Culture and recreation	38,750	166,682	(127,932)
Community development	-	121,317	(121,317)
Economic development	500	-	500
Miscellaneous	-	1,641	(1,641)
Capital outlay	68,200	92,916	(24,716)
Debt Service			
Principal	-	23,858	(23,858)
Total expenditures	2,757,681	3,989,517	(1,231,836)
Deficiency of Revenues Under Expenditures	(872,905)	(910,020)	(37,115)
Other Financing Sources (Uses)			
Transfers in	1,118,184	1,662,887	544,703
Transfers out	(402,345)	(897,241)	(494,896)
Total other financing sources and uses	715,839	765,646	49,807
Net Change in Fund Balance	\$ (157,066)	(144,374)	\$ 12,692
Fund Balance, Beginning		2,075,209	
Fund Balance, Ending		\$ 1,930,835	

City of Valley City, North Dakota

Proprietary Funds
Statement of Net Position
December 31, 2018

	Electric	Water	Sewer	Garbage	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 3,610,236	\$ -	\$ 66,875	\$ 699,683	\$ 4,376,794
Due from other funds	-	-	1,177,844	-	1,177,844
Accounts receivable - net					
Accounts	542,415	441,972	44,683	107,956	1,137,026
Accrued interest	-	818	83	-	901
Unbilled revenues	313,726	54,427	34,124	37,113	439,390
Inventories	281,388	157,742	-	-	439,130
Prepaid expenses	28,810	-	-	-	28,810
Due from other governmental units	22,407	2,780	13	91	25,291
Total current assets	<u>4,798,982</u>	<u>657,739</u>	<u>1,323,622</u>	<u>844,843</u>	<u>7,625,186</u>
Capital assets					
Land	114,385	147,572	113,242	49,494	424,693
Construction in progress	12,750	410,178	-	-	422,928
Buildings and improvements	630,913	24,064,081	200,348	393,028	25,288,370
Machinery and equipment	4,892,747	1,329,967	494,168	1,476,087	8,192,969
Mains and lines	12,996,066	15,443,828	15,848,140	-	44,288,034
Less accumulated depreciation	(13,941,624)	(14,839,109)	(6,912,479)	(1,419,937)	(37,113,149)
Net capital assets	<u>4,705,237</u>	<u>26,556,517</u>	<u>9,743,419</u>	<u>498,672</u>	<u>41,503,845</u>
Unearned debits	-	4,120	-	-	4,120
Restricted cash	<u>67,039</u>	<u>204,500</u>	<u>21,250</u>	<u>-</u>	<u>292,789</u>
Total assets	<u>9,571,258</u>	<u>27,422,876</u>	<u>11,088,291</u>	<u>1,343,515</u>	<u>49,425,940</u>
Liabilities					
Current liabilities					
Accounts payable	470,177	49,872	2,135	45,481	567,665
Accrued interest payable	-	6,454	605	-	7,059
Customer deposits	67,039	-	-	-	67,039
Due to other funds	-	1,177,844	-	-	1,177,844
Other liabilities	64,857	2,308	216	564	67,945
Interfund special assessments payable	4,418	42,444	619	750	48,231
Current maturities of long-term debt	228,898	185,000	15,000	-	428,898
Total current liabilities	<u>835,389</u>	<u>1,463,922</u>	<u>18,575</u>	<u>46,795</u>	<u>2,364,681</u>
Long-term debt (net of current portion)					
Bonds payable	-	1,245,000	170,000	-	1,415,000
Capital lease payable	-	-	-	-	-
Interfund special assessments payable	25,847	260,328	5,365	3,750	295,290
Compensated absences payable	-	-	-	-	-
Total long-term debt	<u>25,847</u>	<u>1,505,328</u>	<u>175,365</u>	<u>3,750</u>	<u>1,710,290</u>
Total liabilities	<u>861,236</u>	<u>2,969,250</u>	<u>193,940</u>	<u>50,545</u>	<u>4,074,971</u>
Net Position					
Net investment in capital assets	4,476,339	25,126,517	9,558,419	498,672	39,659,947
Restricted	-	204,500	21,250	-	225,750
Unrestricted	<u>4,233,683</u>	<u>(877,391)</u>	<u>1,314,682</u>	<u>794,298</u>	<u>5,465,272</u>
Total net position	<u>\$ 8,710,022</u>	<u>\$ 24,453,626</u>	<u>\$ 10,894,351</u>	<u>\$ 1,292,970</u>	<u>\$ 45,350,969</u>

City of Valley City, North Dakota
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2018

	Electric	Water	Sewer	Garbage	Total
Operating Revenues					
Utility sales and service charges	\$ 7,738,993	\$ 1,416,118	\$ 739,702	\$ 925,219	\$ 10,820,032
Forfeited discounts and penalties	3,206	596	382	433	4,617
Landfill fees	-	-	-	323,674	323,674
Total operating revenues	7,742,199	1,416,714	740,084	1,249,326	11,148,323
Operating Expenses					
Production and pumping	35,225	405,548	-	-	440,773
Cost of power	4,652,358	-	-	-	4,652,358
Distribution expense	358,731	370,052	233,488	-	962,271
Landfill and collections	-	-	-	801,514	801,514
Customer accounts	44,608	12,537	-	1,546	58,691
Administration and general	625,311	274,508	105,995	190,164	1,195,978
Depreciation	527,594	1,296,130	375,180	82,302	2,281,206
Costs of services contributed to city	42,849	6,595	101	68	49,613
Total operating expenses	6,286,676	2,365,370	714,764	1,075,594	10,442,404
Operating Income (Loss)	1,455,523	(948,656)	25,320	173,732	705,919
Nonoperating Revenues (Expenses)					
Net merchandising revenue					
gross revenue of \$302,176	18,538	7,975	4,356	5,219	36,088
Grant revenue	-	369,161	-	-	369,161
Interest income	21,327	2,646	-	-	23,973
Interest on long-term debt	(1,323)	(36,517)	(2,243)	(327)	(40,410)
Total nonoperating revenues (expenses)	38,542	343,265	2,113	4,892	388,812
Income (Loss) Before Transfers and Capital Contributic	1,494,065	(605,391)	27,433	178,624	1,094,731
Transfers out	(1,010,000)	-	-	-	(1,010,000)
Contribution of capital assets	-	-	334,886	-	334,886
Change in Net Position	484,065	(605,391)	362,319	178,624	419,617
Net Position, Beginning of Year	8,225,957	25,059,017	10,532,032	1,114,346	44,931,352
Net Position, End of Year	\$ 8,710,022	\$ 24,453,626	\$ 10,894,351	\$ 1,292,970	\$ 45,350,969

City of Valley City, North Dakota
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2018

	Electric	Water	Sewer	Garbage	Total
Operating Activities					
Receipts from customers and users	\$ 7,777,196	\$ 1,423,977	\$ 743,681	\$ 1,203,179	\$ 11,148,033
Payments for cost of power	(4,652,358)	-	-	-	(4,652,358)
Payments to other vendors	(1,209,104)	(1,027,289)	(341,409)	(980,006)	(3,557,808)
Net cash from operating activities	1,915,734	396,688	402,272	223,173	2,937,867
Non-Capital Financing Activities					
Transfer (to) from other funds	(1,010,000)	-	-	-	(1,010,000)
Change in interfund balances	-	384,757	(384,757)	-	-
Net cash from (used for) non-capital financing activities	(1,010,000)	384,757	(384,757)	-	(1,010,000)
Capital and Related Financing Activities					
Property and equipment additions	(666,326)	(603,168)	(12,034)	(10,584)	(1,292,112)
Payments on long-term debt					
Principal	-	(185,000)	(15,000)	-	(200,000)
Interfund special assessments payable	(4,419)	(40,491)	(931)	(750)	(46,591)
Interest	(1,323)	(37,700)	(2,293)	(327)	(41,643)
Net cash used for capital and related financing activities	(672,068)	(866,359)	(30,258)	(11,661)	(1,580,346)
Investing Activity					
Interest and dividends from (used for) investments	21,327	2,646	-	-	23,973
Change in Cash and Cash Equivalents	254,993	(82,268)	(12,743)	211,512	371,494
Cash and Cash Equivalents - Beginning of Year (including restricted cash)	3,422,282	286,768	100,868	488,171	4,298,089
Cash and Cash Equivalents - End of Year (including restricted cash)	\$ 3,677,275	\$ 204,500	\$ 88,125	\$ 699,683	\$ 4,669,583
	Electric	Water	Sewer	Garbage	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,455,523	\$ (948,656)	\$ 25,320	\$ 173,732	\$ 705,919
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation	527,594	1,296,130	375,180	82,302	2,281,206
Other income	18,538	377,136	4,356	5,219	405,249
Changes in assets and liabilities					
Accounts receivable	16,459	(369,873)	(759)	(51,366)	(405,539)
Inventories	32,138	13,268	-	-	45,406
Prepaid expenses	15,605	-	-	-	15,605
Unearned debits	-	179	-	-	179
Accounts payable	(157,278)	29,422	(1,878)	13,282	(116,452)
Customer deposits	(32,446)	-	-	-	(32,446)
Other liabilities	10,044	(918)	53	4	9,183
Compensated absences payable	29,557	-	-	-	29,557
Net cash from operating activities	\$ 1,915,734	\$ 396,688	\$ 402,272	\$ 223,173	\$ 2,937,867
Schedule of Non-Cash Capital and Related Financing Activities					
Capital contributions	\$ -	\$ -	\$ 334,886	\$ -	\$ 334,886

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 significant accounting policies are described below:

Reporting Entity

The City's financial statements include all funds for which the City is financially accountable.

The City is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Additionally, the City is not included in any other governmental reporting entity.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. able to impose its will on that organization or
2. there is potential for the organization to provide specific financial benefits to or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

There are no component units reported within these financial statements.

Government-Wide and Fund Financial Statements

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 reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead 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.

Permanent Flood Protection – This fund accounts for the resources accumulated and payments made for permanent flood protection projects.

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.

Debt Service Fund – 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 Cash Equivalents, and Restricted Cash

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, money market funds, and other highly liquid investments with original maturities of three months or less.

Restricted cash consists of amounts that have been restricted to meet bond reserve requirements or set aside as customer deposits.

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, 2018, are recorded as prepaid items in both government-wide and fund financial statements.

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. The carrying amount of the trade receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected.

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

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. Unused sick leave cannot be converted into annual leave hours. 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	5%
10+ years of employment	10%
15+ years of employment	20%
20+ years of employment	40%
25+ years of employment	50%

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.

Accumulated unpaid vested sick leave is accrued when incurred in government-wide proprietary fund financial statements. Such amounts, other than the current portion, are not accrued in governmental funds, but are recorded in the governmental activities in the government-wide statements.

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 assets.

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.

Fund Balance

The following classifications describe the relative strength of spending constraints:

Nonspendable Fund Balance – represents amounts that cannot be spent due to 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). (ie. 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.

Self-Insurance

The City implemented a self-insurance medical plan in March 1985 which includes a stop-loss provision at \$30,000 per year for any one individual. The Aggregate Stop-Loss Attachment Point is \$493,493. Aggregate claims in excess of this amount are paid by the city's insurer. Liabilities are recorded when a determinable claim or loss has been incurred and the amount of the loss can be reasonably estimated.

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.

Deferred Inflows of Resources

This separate financial statement element is reported in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. 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 government has only one type of item, unavailable revenue, reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 2 - Compliance and Stewardship

Deficit Fund Balance

Fund balance deficits existed in certain individual funds at December 31, 2018, as follows:

Paving Projects	1,347,744
Nonmajor Governmental Funds	
Sidewalk Curb & Gutter Projects	24,551
Storm Sewer Projects	175,738
Underground Construction	159,092
NW & West Storm Sewer	4,896

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.

Expenditures in Excess of Appropriations

Expenditures in the general fund exceeded budget appropriations by \$1,231,836. These excess expenditures were funded by revenues in excess of budget and fund balance.

Note 3 - Deposits and Investments

Deposits

In accordance with the North Dakota Century Code, the City maintains deposits at depository banks covered by Federal Depository Insurance. Century Code requires that all City deposits be protected by insurance, collateral or surety bond. The market value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. As of December 31, 2018, the City's deposits include savings accounts, money market funds, and certificates of deposit.

Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury Investments and U.S. agencies, bankers' acceptances, certain repurchase agreements, and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Beyond what is stated in the Century Code, the City does not have a formal policy to further limit exposure to custodial credit risk. As of December 31, 2018, the City's deposits were either fully insured or properly collateralized, and have no custodial credit risk.

Interest Rate Risk – Investments

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

The following table presents the City's deposit and investment balances at December 31, 2018

Type	Fair Value	Maturities (in Years)	
		N/A	< 1
Cash and cash equivalents			
Deposits	\$ 12,495,104	\$ 12,495,104	\$ -
Petty cash	1,300	1,300	-
Certificates of deposit	204,500	-	204,500
	<u>\$ 12,700,904</u>	<u>\$ 12,496,404</u>	<u>\$ 204,500</u>

Cash and investments are included on the basic financial statements as follows:

Cash and cash equivalents - Statement of Net Position	\$ 11,923,269
Restricted cash - Statement of Net Position	<u>777,635</u>
	<u>\$ 12,700,904</u>

Note 4 - Property Taxes and Special Assessments

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 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

Note 5 - Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

Governmental Activities	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 173,800	\$ -	\$ -	\$ 173,800
Construction in progress	18,861,766	14,784,206	3,229,893	30,416,079
Total capital assets not being depreciated	19,035,566	14,784,206	3,229,893	30,589,879
Capital assets, being depreciated				
Infrastructure	37,058,032	2,895,007	-	39,953,039
Buildings and improvements	2,095,536	12,270	-	2,107,806
Machinery and equipment	1,283,877	28,460	-	1,312,337
Vehicles	3,067,686	40,482	158,057	2,950,111
Total capital assets being depreciated	43,505,131	2,976,219	158,057	46,323,293
Less accumulated depreciation for				
Infrastructure	5,742,416	998,823	-	6,741,239
Buildings and improvements	1,647,657	81,251	-	1,728,908
Machinery and equipment	947,052	90,739	-	1,037,791
Vehicles	1,780,904	294,040	129,274	1,945,670
Total accumulated depreciation	10,118,029	1,464,853	129,274	11,453,608
Total capital assets being depreciated, net	33,387,102	1,511,366	28,783	34,869,685
Governmental activities capital assets, net	\$ 52,422,668	\$ 16,295,572	\$ 3,258,676	\$ 65,459,564

City of Valley City, North Dakota

Notes to Financial Statements

December 31, 2018

Business-Type Activities	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 424,693	\$ -	\$ -	\$ 424,693
Construction in progress	-	422,928	-	422,928
Total capital assets not being depreciated	424,693	422,928	-	847,621
Capital assets, being depreciated				
Buildings and improvements	25,210,221	78,149	-	25,288,370
Machinery and equipment	8,044,173	160,458	11,662	8,192,969
Mains and lines	43,322,571	965,463	-	44,288,034
Total capital assets being depreciated	76,576,965	1,204,070	11,662	77,769,373
Less accumulated depreciation for				
Buildings and improvements	5,850,936	-	-	5,850,936
Machinery and equipment	6,862,184	-	11,662	6,850,522
Mains and lines	22,130,485	2,281,206	-	24,411,691
Total accumulated depreciation	34,843,605	2,281,206	11,662	37,113,149
Total capital assets being depreciated, net	41,733,360	(1,077,136)	-	40,656,224
Business-type activities capital assets, net	\$ 42,158,053	\$ (654,208)	\$ -	\$ 41,503,845

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

Governmental Activities	
General government	\$ 95,646
Public safety	129,610
Public works	1,226,613
Culture and recreation	12,984
Total depreciation expense - governmental activities	\$ 1,464,853
Business-Type Activities	
Electric	\$ 527,594
Water	1,296,130
Sewer facility	375,180
Garbage	82,302
Total depreciation expense - business-type activities	\$ 2,281,206

Note 6 - Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Special assessment bonds	\$ 10,735,868	\$ 1,975,000	\$ 930,740	\$ 11,780,128	\$ 974,451
Sales tax revenue bonds	4,427,426	3,289,400	246,933	7,469,893	346,132
Capital lease	404,595	-	23,858	380,737	24,706
Compensated absences	123,595	124,257	100,154	147,698	147,698
	<u>15,691,484</u>	<u>5,388,657</u>	<u>1,301,685</u>	<u>19,778,456</u>	<u>1,492,987</u>
Governmental activity long-term debt	<u>\$ 15,691,484</u>	<u>\$ 5,388,657</u>	<u>\$ 1,301,685</u>	<u>\$ 19,778,456</u>	<u>\$ 1,492,987</u>
Business-type activities					
Revenue bonds	\$ 1,815,000	\$ -	\$ 200,000	\$ 1,615,000	\$ 200,000
Compensated absences	199,341	215,201	185,644	228,898	228,898
	<u>2,014,341</u>	<u>215,201</u>	<u>385,644</u>	<u>1,843,898</u>	<u>428,898</u>
Business-type activity long-term debt	<u>\$ 2,014,341</u>	<u>\$ 215,201</u>	<u>\$ 385,644</u>	<u>\$ 1,843,898</u>	<u>\$ 428,898</u>

General obligation bonds are recorded in the governmental activities in the government-wide statement and are backed by the full faith and credit of the City. These bonds are payable from the debt service funds primarily through property tax levies.

General obligation improvement bonds are also recorded as a liability in the governmental activities in the government-wide statement and are payable from the debt service funds primarily through special assessments levied and collected for local improvements. The City has a commitment relating to a pledge of full faith and credit on the special assessment bonds. The general credit of the City is obligated only to the extent that liens foreclosed against properties involved in the special assessment districts are insufficient to retire outstanding bonds.

General obligation revenue bonds are recorded as a liability in the public utilities fund and are payable from public utility revenues.

The City has pledged future sales tax revenues, net of specified operating expenses, to repay \$2.9 million in sales tax revenue bonds issued in 2013, \$860,614 in sales tax revenue bonds issued in 2016, \$1.39 million in sales tax revenue bonds issued in 2017, and \$3.2894 million in sales tax revenue bonds issued in 2018. Proceeds from the bonds were used for economic development, job creation, and for financing the local share of the Permanent Flood Protection project. Principal and interest paid for the current year was \$330,429. Net sales tax revenue totaled \$2,253,716 for the year.

The \$1.975 million Refunding Improvement Bonds issued in 2018, 2017 Refunding Improvement Bonds, and 2011 Special Assessment Refunding Bonds were special assessment bonds. North Dakota state law requires that these be called refunding bonds because warrants are the first issuance that are refunded with the bond issuance.

The capital lease agreement requires annual lease payments and monthly interest payments, at an interest rate from 3.50%. Payments began June 2014 and will continue through June 2021. Payments are made out of the general fund.

The capital lease consists of a motorgrader for \$509,610 with total accumulated depreciation of \$458,649 as of December 31, 2018. Maturities of principal and interest payments are as follows:

Years Ending December 31,	Capital lease	
	Principal	Interest
2019	24,706	13,106
2020	25,585	12,212
2021	330,446	5,929
Total	<u>\$ 380,737</u>	<u>\$ 31,247</u>

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

The annual requirements to amortize all bonded debt and special assessments outstanding as of December 31, 2018, are as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	1,320,583	430,929	200,000	13,295
2020	1,395,659	412,211	205,000	10,595
2021	1,386,064	382,952	210,000	7,750
2022	1,346,620	352,350	120,000	4,900
2023	1,322,399	321,126	120,000	4,300
2024-2028	5,867,331	1,125,489	620,000	12,000
2029-2033	2,878,634	542,044	140,000	150
2034-2038	1,803,223	253,044	-	-
2039-2043	1,029,128	113,395	-	-
2044-2048	900,188	37,708	-	-
Total	<u>\$ 19,249,829</u>	<u>\$ 3,971,248</u>	<u>\$ 1,615,000</u>	<u>\$ 52,990</u>

City of Valley City, North Dakota

Notes to Financial Statements

December 31, 2018

Bonds Payable	<u>Interest Rate</u>	<u>Final Year of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
Governmental activities				
2003 Bridgeview Estates				
Special Assessment Bonds	5.80	2024	\$ 338,460	\$ 149,076
Tax Increment Financing Bonds of 2008	4.50	2024	825,000	411,052
2011 Special Assessment Refunding Bonds	3.55 - 4.00	2031	4,090,000	2,040,000
2013 Refunding Improvement Bond	0.35 - 2.20	2026	955,000	450,000
2013 Sales Tax Revenue Bond	0.50 - 3.00	2028	2,900,000	2,015,000
2015 Improvement Bond	2.00 - 3.25	2040	4,545,000	3,660,000
2016 Refunding Improvement Bond	0.80 - 1.65	2026	1,295,000	1,015,000
2016 Sales Tax Revenue Bond	1.50	2047	860,614	808,958
2017 Refunding Improvement Bond	2.91	2047	2,150,000	2,085,000
2017 Sales Tax Revenue Bond	1.50	2047	1,392,500	1,351,343
2018 Refunding Improvement Bond	3.00 - 4.00	2038	1,975,000	1,975,000
2018 Sales Tax Revenue Bond	1.50	2048	3,289,400	3,289,400
Total				<u>\$ 19,249,829</u>
Business-type activities				
2002 Drinking Water Revolving Loan Fund	2.5	2021	\$ 1,500,000	\$ 265,000
Wastewater Treatment Revenue Bond, series 2009	0.5	2025	260,000	185,000
Water Treatment Revenue Bond, series 2009	0.5	2030	4,485,031	1,165,000
Total				<u>\$ 1,615,000</u>

Compensated Absences

Compensated absences for governmental funds is recorded as a liability in the governmental activities in the government-wide statement. This liability matures only upon qualified retirements or terminations and is paid out of the general fund.

Conduit Debt

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, 2018, there were series of Industrial Revenue Bonds outstanding; the aggregate principal amount payable is \$2,575,000. 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 - Interfund Receivables, Payables, and Transfers

Interfund receivables/payables are used to record accrued obligations between funds.

	Due From Other Funds	Due To Other Funds
Infrastructure Renewal & Replacement	\$ 1,470,684	\$ -
Paving Projects	-	1,139,038
Other governmental funds	-	331,646
Water	-	1,177,844
Sewer	1,177,844	-
	<u>\$ 2,648,528</u>	<u>\$ 2,648,528</u>

A summary of the City's interfund special assessment balances at December 31, 2018, is as follows:

	Interfund Special Assessments Receivable	Interfund Special Assessments Payable
General	\$ 600	\$ -
Debt Service	342,921	-
Electric	-	30,265
Water	-	302,772
Sewer	-	5,984
Garbage	-	4,500
	<u>\$ 343,521</u>	<u>\$ 343,521</u>

A summary of the City's interfund transfers is as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds		
General	\$ 1,662,887	\$ 897,241
Permanent Flood Protection	-	-
Infrastructure Renewal & Replacement	-	1,774,598
Paving Projects	1,806,806	-
Debt Service	178,921	9,989
Non-major governmental	460,319	417,105
	<u>4,108,933</u>	<u>3,098,933</u>
Proprietary Funds		
Electric	-	1,010,000
	<u>-</u>	<u>1,010,000</u>
Total transfers	<u>\$ 4,108,933</u>	<u>\$ 4,108,933</u>

Transfers are made for funding various projects, operational expenses, and meeting debt service requirements.

Note 8 - Pension Plan

The City contributes to the self-administered trustee money purchase pension plan, a defined contribution profit-sharing plan, for substantially all employees. Benefit terms, including contribution requirements, for the plan are established and may be amended by the City's Board. The City is required to contribute, at a maximum, 10% of the employees' recognized compensation. The contributions by the employer are credited to a separate bookkeeping account for each individual. Pension contributions and expense in 2018 was \$299,960 including Public Works in the amount of \$174,662. The City had a liability to the plan at December 31, 2018, of \$6,531.

Note 9 - Commitments

Litigation and Potential Exposure – In the ordinary course of its business, the City is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at December 31, 2018, but in the opinion of management and legal counsel the ultimate disposition of any or all of these proceedings will not have a material effect on the City's financial position.

Wholesale Firm Power – 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.

Construction Commitments – The City has active construction projects as of December 31, 2018. For the ongoing Permanent Flood Protection project throughout Valley City the following commitments are outstanding: Phase II Permanent Flood Protection Construction commitment of \$3,652,989 with a 20% local share of \$730,598. Phase IV Permanent Flood Protection Buyout outstanding commitment of \$1,308,000 with a 25% local share of \$327,000.

The City entered into a contract with the NDDOT for street scape and pavement concrete repairs project on Central Ave N from Main Street to 12th Street N. for \$2,195,878 with a 19.07% local share of \$418,754.

Note 10 - Self-Insurance

The City implemented a self-insurance medical plan in March 1985 which includes a stop-loss provision at \$30,000 per year for any one individual. All aggregate claims in excess of \$498,030 are paid by the city's insurer. Liabilities are recorded when a determinable claim or loss has been incurred and the amount of the loss can be reasonably estimated.

	2018	2017
Claims incurred but not reported at beginning of year	\$ 28,775	\$ 18,237
Claims incurred	439,811	378,832
Claims paid	(462,612)	(368,294)
Claims incurred but not reported at end of year	<u>\$ 5,974</u>	<u>\$ 28,775</u>

Note 11 - Issued But Non-Effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the City. The first statement issued but not yet implemented that will significantly affect the City is Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. This statement will be implemented at the City in the year ended December 31, 2019.

The second statement issued but not yet implemented that will significantly affect the City is Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. This statement will be implemented at the City in the year ended December 31, 2019.

The final statement issued but not yet implemented that will significantly affect the City is Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at the City in the year ended December 31, 2020.

Management has not yet determined the effect these pronouncements will have on the City's financial statements.



Supplementary Information
December 31, 2018

City of Valley City, North Dakota

City of Valley City, North Dakota
General Fund, By Department
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2018

	General Operations Department	City Financed Special Assessment Projects Department	Building Reserve Department	Renewal and Replacement Department	Street Equipment Renewal and Replacement Department	Financing Reserves (BN) Department	Sewer Renewal & Replacement Department	Streets Department	Total General Fund
Revenues									
General property taxes	\$ 1,102,495	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,102,495
Special assessments	2,568	138,029	-	-	-	-	-	-	140,597
Franchise fees	-	-	-	-	-	-	61,231	-	61,231
Licenses and permits	50,857	-	-	-	-	-	-	-	50,857
Intergovernmental revenue	734,706	-	9,911	8,260	-	-	-	428,571	1,181,448
Fines and forfeitures	94,130	-	-	-	-	-	-	-	94,130
Miscellaneous revenue	250,150	-	-	6,000	-	-	-	192,589	448,739
Total revenues	2,234,906	138,029	9,911	14,260	-	-	61,231	621,160	3,079,497
Expenditures									
Current									
General government	843,711	-	-	-	-	-	-	-	843,711
Public safety	1,621,994	-	-	-	-	-	-	866,944	2,488,938
General government - other	250,454	-	-	-	-	-	-	-	250,454
Culture and recreation	166,682	-	-	-	-	-	-	-	166,682
Community development	-	-	17,377	103,940	-	-	-	-	121,317
Miscellaneous	-	-	-	1,641	-	-	-	-	1,641
Capital outlay	63,217	-	-	-	29,699	-	-	-	92,916
Debt Service Principal	-	-	-	-	23,858	-	-	-	23,858
Total expenditures	2,946,058	-	17,377	105,581	53,557	-	-	866,944	3,989,517
Excess (Deficiency) of Revenues over (Under) Expenditures	(711,152)	138,029	(7,466)	(91,321)	(53,557)	-	61,231	(245,784)	(910,020)
Other Financing Sources (Uses)									
Transfers in	1,118,678	7,205	34,184	172,820	130,000	-	-	200,000	1,662,887
Transfers out	(410,668)	(270,027)	-	-	-	-	(216,546)	-	(897,241)
Total other financing sources and uses	708,010	(262,822)	34,184	172,820	130,000	-	(216,546)	200,000	765,646
Net Change in Fund Balance	(3,142)	(124,793)	26,718	81,499	76,443	-	(155,315)	(45,784)	(144,374)
Fund Balance (Deficit), Beginning	1,328,586	(306,256)	3,282	107,033	124,316	523,480	341,296	(46,528)	2,075,209
Fund Balance (Deficit), Ending	\$ 1,325,444	\$ (431,049)	\$ 30,000	\$ 188,532	\$ 200,759	\$ 523,480	\$ 185,981	\$ (92,312)	\$ 1,930,835

City of Valley City, North Dakota

Nonmajor Governmental Funds

Combined Balance Sheet

December 31, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,406,283	\$ 17,482	\$ 1,423,765
Restricted cash	29,113	-	29,113
Receivables			
Accounts	4,358	-	4,358
Taxes receivable - delinquent	4,463	-	4,463
Special Assessments			
Current	1,125	-	1,125
Deferred	1,875	-	1,875
Prepaid expenses	28,642	-	28,642
Due from other governmental units	226,156	-	226,156
Total assets	\$ 1,702,015	\$ 17,482	\$ 1,719,497
Liabilities			
Accounts payable	\$ 31,788	\$ 32,631	\$ 64,419
Due to other funds	-	331,646	331,646
Total liabilities	31,788	364,277	396,065
Deferred Inflows of Resources			
Unavailable revenue-property taxes	4,463	-	4,463
Unavailable revenue-special assessments	3,000	-	3,000
Total deferred inflows of resources	7,463	-	7,463
Fund balance (deficit)			
Nonspendable			
Prepaid expenses	28,642	-	28,642
Restricted			
Community development	1,532,706	-	1,532,706
Emergency services	130,057	-	130,057
Capital projects	-	17,482	17,482
Unassigned	(28,641)	(364,277)	(392,918)
Total fund balance (deficit)	1,662,764	(346,795)	1,315,969
Total liabilities, deferred inflows and fund balance (deficit)	\$ 1,702,015	\$ 17,482	\$ 1,719,497

City of Valley City, North Dakota
Nonmajor Governmental Funds
Combined Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2018

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
General property taxes	\$ 170,005	\$ -	\$ 170,005
Special assessments	-	746	746
Intergovernmental revenue	15,724	21,785	37,509
Sales tax	1,199,885	-	1,199,885
Miscellaneous revenue	34,629	-	34,629
Total revenues	<u>1,420,243</u>	<u>22,531</u>	<u>1,442,774</u>
Expenditures			
General government - other	312,282	-	312,282
Culture and recreation	142,628	-	142,628
Community development	668,234	-	668,234
Capital outlay	-	691,346	691,346
Other	149,826	-	149,826
Total expenditures	<u>1,272,970</u>	<u>691,346</u>	<u>1,964,316</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	147,273	(668,815)	(521,542)
Other Financing Sources (Uses)			
Bond proceeds	-	329,726	329,726
Transfers in	-	460,319	460,319
Transfers out	(417,105)	-	(417,105)
	<u>(417,105)</u>	<u>790,045</u>	<u>372,940</u>
Net Change in Fund Balance	(269,832)	121,230	(148,602)
Fund Balance (Deficit), Beginning of Year	<u>1,932,596</u>	<u>(468,025)</u>	<u>1,464,571</u>
Fund Balance (Deficit), End of Year	<u>\$ 1,662,764</u>	<u>\$ (346,795)</u>	<u>\$ 1,315,969</u>

City of Valley City, North Dakota

Nonmajor Special Revenue Funds

Combining Balance Sheet

December 31, 2018

	City Share of Special Assessments	Special Assessment Deficiency	Emergency	Library	City Sales Tax Economic	City Sales Tax Property
Assets						
Cash and cash equivalents	\$ 3,384	\$ 14,003	\$ 100,944	\$ 535	\$ 1,091,404	\$ 64,249
Restricted cash	-	-	-	-	-	-
Receivables						
Accounts	-	-	-	-	-	-
Taxes receivable - delinquent	1,078	-	-	3,385	-	-
Special Assessments						
Current	-	1,125	-	-	-	-
Deferred	-	1,875	-	-	-	-
Due from other governmental units	195	-	-	612	96,266	34,381
Prepaid expenses	-	-	-	28,642	-	-
Total assets	\$ 4,657	\$ 17,003	\$ 100,944	\$ 33,174	\$ 1,187,670	\$ 98,630
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 29,788	\$ -	\$ -
Deferred Inflows of Resources						
Unavailable revenue - property taxes	1,078	-	-	3,385	-	-
Unavailable revenue - special assessments	-	3,000	-	-	-	-
Total deferred inflow of resources	1,078	3,000	-	3,385	-	-
Fund balance						
Nonspendable						
Prepaid expenses	-	-	-	28,642	-	-
Restricted for						
Community development	3,579	14,003	-	-	1,187,670	98,630
Emergency services	-	-	100,944	-	-	-
Unassigned	-	-	-	(28,641)	-	-
Total fund balance	3,579	14,003	100,944	1	1,187,670	98,630
Total liabilities, deferred inflows, and fund balance	\$ 4,657	\$ 17,003	\$ 100,944	\$ 33,174	\$ 1,187,670	\$ 98,630

City of Valley City, North Dakota

Nonmajor Special Revenue Funds

Combining Balance Sheet

December 31, 2018

	City Sales Tax Image Enhancement	City Sales Tax School Bond	Counteract Fund	Motel Occupancy	Restaurant Tax	Total Nonmajor Special Revenue Funds
Assets						
Cash and cash equivalents	\$ 53,486	\$ -	\$ -	\$ 28,324	\$ 49,954	\$ 1,406,283
Restricted cash	-	-	29,113	-	-	29,113
Receivables						
Accounts	-	-	-	4,358	-	4,358
Taxes receivable - delinquent	-	-	-	-	-	4,463
Special Assessments						
Current	-	-	-	-	-	1,125
Deferred	-	-	-	-	-	1,875
Due from other governmental units	6,876	68,761	-	-	19,065	226,156
Prepaid expenses	-	-	-	-	-	28,642
Total assets	\$ 60,362	\$ 68,761	\$ 29,113	\$ 32,682	\$ 69,019	\$ 1,702,015
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ 31,788
Deferred Inflows of Resources						
Unavailable revenue - property taxes	-	-	-	-	-	4,463
Unavailable revenue - special assessments	-	-	-	-	-	3,000
Total deferred inflow of resources	-	-	-	-	-	7,463
Fund balance						
Nonspendable						
Prepaid expenses	-	-	-	-	-	28,642
Restricted for:						
Community development	60,362	68,761	-	30,682	69,019	1,532,706
Emergency services	-	-	29,113	-	-	130,057
Unassigned	-	-	-	-	-	(28,641)
Total fund balance	60,362	68,761	29,113	30,682	69,019	1,662,764
Total liabilities, deferred inflows, and fund balance	\$ 60,362	\$ 68,761	\$ 29,113	\$ 32,682	\$ 69,019	\$ 1,702,015

City of Valley City, North Dakota
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2018

	City Share of Special Assessments	Special Assessment Deficiency	Emergency	Library	City Sales Tax Economic	City Sales Tax Property
Revenues						
General property taxes	\$ 40,721	\$ -	\$ -	\$ 129,284	\$ -	\$ -
Intergovernmental revenue	1,379	-	-	13,345	1,000	-
Sales tax	-	-	-	-	341,295	205,166
Miscellaneous revenue	-	8,344	-	-	4,000	-
Total revenues	42,100	8,344	-	142,629	346,295	205,166
Expenditures						
General government - other	-	-	-	-	-	-
Culture and recreation	-	-	-	142,628	-	-
Community development	40,214	-	-	-	628,020	-
Other	-	3,440	-	-	-	-
Total expenditures	40,214	3,440	-	142,628	628,020	-
Excess (deficiency) of revenues over (under) expenditures	1,886	4,904	-	1	(281,725)	205,166
Other financing uses						
Transfers out	-	-	-	-	-	(220,000)
Net change in fund balance	1,886	4,904	-	1	(281,725)	(14,834)
Fund balance, beginning of year	1,693	9,099	100,944	-	1,469,395	113,464
Fund balance, end of year	\$ 3,579	\$ 14,003	\$ 100,944	\$ 1	\$ 1,187,670	\$ 98,630

City of Valley City, North Dakota
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2018

	City Sales Tax Image Enhancement	City Sales Tax School Bond	Counteract Fund	Motel Occupancy	Restaurant Tax	Total Nonmajor Special Revenue Funds
Revenues						
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,005
Intergovernmental revenue	-	-	-	-	-	15,724
Sales tax	41,033	410,331	-	80,622	121,438	1,199,885
Miscellaneous revenue	-	-	22,285	-	-	34,629
Total revenues	<u>41,033</u>	<u>410,331</u>	<u>22,285</u>	<u>80,622</u>	<u>121,438</u>	<u>1,420,243</u>
Expenditures						
General government - other	-	230,000	-	82,282	-	312,282
Culture and recreation	-	-	-	-	-	142,628
Community development	-	-	-	-	-	668,234
Other	<u>12,913</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,473</u>	<u>149,826</u>
Total expenditures	<u>12,913</u>	<u>230,000</u>	<u>-</u>	<u>82,282</u>	<u>133,473</u>	<u>1,272,970</u>
Excess (deficiency) of revenues over (under) expenditures	28,120	180,331	22,285	(1,660)	(12,035)	147,273
Other financing uses						
Transfers out	<u>-</u>	<u>(178,921)</u>	<u>(18,184)</u>	<u>-</u>	<u>-</u>	<u>(417,105)</u>
Net change in fund balance	28,120	1,410	4,101	(1,660)	(12,035)	(269,832)
Fund balance, beginning of year	<u>32,242</u>	<u>67,351</u>	<u>25,012</u>	<u>32,342</u>	<u>81,054</u>	<u>1,932,596</u>
Fund balance, end of year	<u>\$ 60,362</u>	<u>\$ 68,761</u>	<u>\$ 29,113</u>	<u>\$ 30,682</u>	<u>\$ 69,019</u>	<u>\$ 1,662,764</u>

City of Valley City, North Dakota

Nonmajor Capital Projects Funds

Combining Balance Sheet

December 31, 2018

	Sidewalk Curb & Gutter Projects	Storm Sewer Projects	DOT Misc Projects	Underground Construction	NW & West Storm Sewer	Total Nonmajor Capital Projects Funds
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ 17,482	\$ -	\$ -	\$ 17,482
Liabilities and Fund Balance (Deficit)						
Liabilities						
Accounts payable	\$ 1,353	\$ 28,263	\$ -	\$ 2,370	\$ 645	\$ 32,631
Due to other funds	23,198	147,475	-	156,722	4,251	331,646
Total liabilities	24,551	175,738	-	159,092	4,896	364,277
Fund Balance (Deficit)						
Restricted for capital projects	-	-	17,482	-	-	17,482
Unassigned	(24,551)	(175,738)	-	(159,092)	(4,896)	(364,277)
Total fund balance (deficit)	(24,551)	(175,738)	17,482	(159,092)	(4,896)	(346,795)
Total liabilities and fund balance (deficit)	\$ -	\$ -	\$ 17,482	\$ -	\$ -	\$ 17,482

City of Valley City, North Dakota
Nonmajor Capital Projects Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended December 31, 2018

	Sidewalk Curb & Gutter Projects	Storm Sewer Projects	Watermain Projects	Underground Construction	NW & West Storm Sewer	Total Nonmajor Capital Projects Funds
Revenues						
Special assessments	\$ 746	\$ -	\$ -	\$ -	\$ -	\$ 746
Intergovernmental revenue	-	-	-	-	21,785	21,785
	<u>746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,785</u>	<u>22,531</u>
Expenditures						
Capital outlay	<u>92,940</u>	<u>222,450</u>	<u>13,643</u>	<u>334,892</u>	<u>27,421</u>	<u>691,346</u>
Deficiency of revenues under expenditures	(92,194)	(222,450)	(13,643)	(334,892)	(5,636)	(668,815)
Other financing sources						
Bond proceeds	-	120,465	33,461	175,800	-	329,726
Transfers in	<u>67,643</u>	<u>10,453</u>	<u>215,476</u>	<u>166,747</u>	<u>-</u>	<u>460,319</u>
	<u>67,643</u>	<u>130,918</u>	<u>248,937</u>	<u>342,547</u>	<u>-</u>	<u>790,045</u>
Net change in fund balance	(24,551)	(91,532)	235,294	7,655	(5,636)	121,230
Fund balance (deficit), beginning of year	<u>-</u>	<u>(84,206)</u>	<u>(217,812)</u>	<u>(166,747)</u>	<u>740</u>	<u>(468,025)</u>
Fund balance (deficit), end of year	<u>\$ (24,551)</u>	<u>\$ (175,738)</u>	<u>\$ 17,482</u>	<u>\$ (159,092)</u>	<u>\$ (4,896)</u>	<u>\$ (346,795)</u>

City of Valley City, North Dakota
General Operations Department
Schedule of Revenues – Budget to Actual
Year Ended December 31, 2018

	Original and Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
General property taxes	\$ 1,139,600	\$ 1,102,495	\$ (37,105)
Special assessments	-	2,568	2,568
Licenses and permits	45,226	50,857	5,631
Intergovernmental revenue	435,400	734,706	299,306
Fines and forfeitures	89,500	94,130	4,630
Miscellaneous	175,050	250,150	75,100
Total revenues	<u>1,884,776</u>	<u>2,234,906</u>	<u>350,130</u>
Expenditures			
Current			
General government	872,154	843,711	28,443
Public safety	1,686,327	1,621,994	64,333
General government - other	91,750	250,454	(158,704)
Culture and recreation	38,750	166,682	(127,932)
Economic development	500	-	500
Capital outlay	68,200	63,217	4,983
Total expenditures	<u>2,757,681</u>	<u>2,946,058</u>	<u>(188,377)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(872,905)	(711,152)	161,753
Other Financing Sources (Uses)			
Transfers in	1,118,184	1,118,678	494
Transfers out	(402,345)	(410,668)	(8,323)
Total other financing sources and uses	<u>715,839</u>	<u>708,010</u>	<u>(7,829)</u>
Net Change in Fund Balance	<u>\$ (157,066)</u>	(3,142)	<u>\$ 153,924</u>
Fund Balance, Beginning		<u>1,328,586</u>	
Fund Balance, Ending		<u>\$ 1,325,444</u>	

City of Valley City, North Dakota
General Operations Department
Schedule of Expenditures – Budget to Actual
Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance With Final Budget
Expenditures			
General Government			
Council and mayor			
Salaries	\$ 49,323	\$ 48,981	\$ 342
Miscellaneous expenditures	8,600	8,877	(277)
	<u>57,923</u>	<u>57,858</u>	<u>65</u>
Municipal court			
Salaries	100,791	97,377	3,414
Legal	3,500	3,260	240
Miscellaneous expense	16,190	7,633	8,557
	<u>120,481</u>	<u>108,270</u>	<u>12,211</u>
Assessor			
Salaries	136,478	136,391	87
Travel	1,000	490	510
BCBS self funding claims	8,729	9,134	(405)
Miscellaneous expense	21,656	19,815	1,841
	<u>167,863</u>	<u>165,830</u>	<u>2,033</u>
Auditor & City Administrator			
Salaries	289,082	290,143	(1,061)
Travel	2,700	1,766	934
Office supplies	2,500	2,005	495
Operating expenditures	18,010	19,283	(1,273)
	<u>312,292</u>	<u>313,197</u>	<u>(905)</u>
Attorney			
Salaries and legal	54,907	53,039	1,868
Operating expenditures	4,000	3,587	413
	<u>58,907</u>	<u>56,626</u>	<u>2,281</u>

City of Valley City, North Dakota
General Operations Department
Schedule of Expenditures – Budget to Actual
Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance With Final Budget
City Buildings			
Utilities	33,600	27,663	5,937
Operating expense	34,200	31,642	2,558
Repairs and maintenance	15,589	19,724	(4,135)
	<u>83,389</u>	<u>79,029</u>	<u>4,360</u>
Nondepartmental			
Blue Cross self funding	11,130	9,134	1,996
Blue Cross premium	5,523	5,323	200
Insurance	12,331	10,246	2,085
Audit	17,000	15,483	1,517
Miscellaneous	25,315	22,715	2,600
	<u>71,299</u>	<u>62,901</u>	<u>8,398</u>
Total general government	<u>872,154</u>	<u>843,711</u>	<u>28,443</u>
Public safety			
Police department			
Salaries	1,067,916	1,006,406	61,510
Investigation	16,000	16,000	-
Employee pension	78,161	68,408	9,753
Insurance	22,060	15,609	6,451
Operating expenditures	123,640	106,852	16,788
Building upkeep	1,000	1,090	(90)
Capital outlay	5,900	4,427	1,473
	<u>1,314,677</u>	<u>1,218,792</u>	<u>95,885</u>
Fire department			
Salaries	279,175	303,005	(23,830)
Insurance	5,235	5,160	75
Operating expenditures	61,625	67,638	(6,013)
Building upkeep	4,000	5,470	(1,470)
Capital outlay	3,500	1,966	1,534
	<u>353,535</u>	<u>383,239</u>	<u>(29,704)</u>
Civil defense			
Operating expenditures	<u>2,000</u>	<u>841</u>	<u>1,159</u>
Health	<u>25,515</u>	<u>25,515</u>	<u>-</u>
Total public safety	<u>1,695,727</u>	<u>1,628,387</u>	<u>67,340</u>

City of Valley City, North Dakota
General Operations Department
Schedule of Expenditures – Budget to Actual
Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance With Final Budget
General government - Other			
Planning and zoning	5,500	2,204	3,296
Community programs	21,000	21,000	-
Paving operating expenditures	58,800	56,824	1,976
Miscellaneous	65,250	227,250	(162,000)
	<u>150,550</u>	<u>307,278</u>	<u>(156,728)</u>
Total general government - other			
Culture and recreation			
Recreation center			
Operating expenditures	18,750	18,026	724
	<u>18,750</u>	<u>18,026</u>	<u>724</u>
Auditorium/Armory			
Management fee	20,000	20,000	-
	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Park District			
State Aid	-	128,656	(128,656)
	<u>-</u>	<u>128,656</u>	<u>(128,656)</u>
Total culture and recreation	38,750	166,682	(127,932)
	<u>38,750</u>	<u>166,682</u>	<u>(127,932)</u>
Economic development			
Industrial development	500	-	500
	<u>500</u>	<u>-</u>	<u>500</u>
Total expenditures	<u>\$ 2,757,681</u>	<u>\$ 2,946,058</u>	<u>\$ (188,377)</u>

City of Valley City, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Expenditures
Department of Transportation Passed through North Dakota Department of Transportation Highway Safety Cluster			
National Priority Safety Programs	20.616	OP19050516	\$ 1,410
National Priority Safety Programs	20.616	ID18101211	1,926
National Priority Safety Programs	20.616	ID18100215	<u>2,830</u>
Total for Highway Safety Cluster			\$ 6,166
Highway Planning Cluster			
Highway Planning and Construction	20.205	* NHU-2-093(083)929 PCN 16868	8,114
Highway Planning and Construction	20.205	* SU-2-990(056)060	178,283
Highway Planning and Construction	20.205	* SU-2-990(055)059 PCN 21846	392,096
Highway Planning and Construction	20.205	* SU-2-990(054)059 PCN 21845	671,425
Highway Planning and Construction	20.205	* SPR-P034(200)	142,969
Highway Planning and Construction	20.205	* SU-2990(058)	<u>23,439</u>
Total for Highway Planning Cluster			<u>1,416,326</u>
Total Department of Transportation			1,422,492
U.S. Department of Agriculture (USDA) Passed through North Dakota Forest Service			
Cooperative Forestry Assistance	10.664	14-DG-11010000-011	9,798
Department of Justice Passed through North Dakota Department of Justice			
Bulletproof Vest Partnership Program	16.607	Unknown	1,773
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0058	<u>3,127</u>
Total Department of Justice			4,900
Environmental Protection Agency Passed through North Dakota Department of Health			
Nonpoint Source Implementation Grant	66.460	00863315	<u>9,649</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,446,839</u></u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Valley City, North Dakota (the City) under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

Note 2 - Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.



Additional Reports
December 31, 2018

City of Valley City, North Dakota



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

To the Honorable Mayor and City Council
City of Valley City, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valley City, North Dakota (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but are 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's '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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
August 20, 2019



Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Honorable Mayor and City Council
City of Valley City, North Dakota

Report on Compliance for the Major Federal Program

We have audited the City of Valley City, North Dakota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
August 20, 2019

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance:	No

Identification of Major Programs

Name of Federal Program	<u>CFDA Number</u>
Highway Planning and Construction	20.205
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Significant Deficiency

2018-001 Preparation of Financial Statements

Condition – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This included formulating the proposal of necessary adjusting journal entries to convert the fund financial statements in accordance with GASB Statement No. 34.

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Effect – This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Cause – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Recommendation – This circumstance is not unusual in a city of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials – Due to cost constraints, the City will continue to have the auditor's draft the financial statements and accompanying notes to the financial statements.

Section III – Federal Award Findings and Questioned Costs

None reported