



Financial Statements  
December 31, 2020

City of Valley City, North Dakota

---

Elected and Appointed Officials (Unaudited) .....	1
Independent Auditor’s Report .....	2
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position .....	5
Statement of Activities .....	6
Fund Financial Statements	
Governmental Funds	
Balance Sheet .....	7
Reconciliation of the Balance Sheet to the Statement of Net Position .....	8
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities .....	10
General Fund	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual .....	11
Proprietary Funds	
Statement of Net Position .....	12
Statement of Revenues, Expenses, and Changes in Net Position .....	13
Statement of Cash Flows .....	14
Notes to Financial Statements .....	15
Supplementary Information	
General Fund, By Department	
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances .....	33
Nonmajor Governmental Funds	
Combined Balance Sheet .....	34
Combined Schedule of Revenues, Expenditures and Changes in Fund Balances .....	35
Nonmajor Special Revenue Funds	
Combining Balance Sheet .....	36
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances .....	38
Nonmajor Capital Project Funds	
Combining Balance Sheet .....	40
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances .....	41
General Operations Department	
Schedule of Revenues – Budget to Actual .....	42
Schedule of Expenditures – Budget to Actual .....	43
Schedule of Expenditures of Federal Awards .....	46
Notes to Schedule of Expenditures of Federal Awards .....	47

Additional Reports

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*..... 48

Independent Auditor’s Report on Compliance for the Major Federal Program and Report on  
Internal Control Over Compliance Required by the Uniform Guidance ..... 50

Schedule of Findings and Questioned Costs ..... 52

City of Valley City, North Dakota  
Elected and Appointed Officials (Unaudited)  
December 31, 2020

---

<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	6/30/2024
Mike Bishop	City Commissioner	6/30/2024
<u>Administration</u>		
Gwen Crawford	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, 2020, 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 involves 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, 2020 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 basic 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 June 25, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota  
June 25, 2021

City of Valley City, North Dakota

Statement of Net Position

December 31, 2020

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 8,064,278	\$ 4,789,935	\$ 12,854,213
Restricted cash	540,633	275,608	816,241
Receivables			
Accounts	175,309	725,110	900,419
Unbilled revenues	13,804	450,075	463,879
Interest	-	958	958
Property taxes	30,657	-	30,657
Special assessments	7,384,703	-	7,384,703
Due from other governmental units	979,977	-	979,977
Interfund balances	248,160	(248,160)	-
Prepaid items	27,163	118,058	145,221
Inventory	-	526,169	526,169
Unearned debits	-	3,761	3,761
Capital assets			
Land	173,800	424,693	598,493
Construction in progress	42,134,972	66,138	42,201,110
Infrastructure	45,401,655	-	45,401,655
Buildings and improvements	2,179,827	25,590,583	27,770,410
Machinery and equipment	1,502,558	10,586,013	12,088,571
Vehicles	3,387,318	-	3,387,318
Mains and lines	-	44,955,677	44,955,677
Less accumulated depreciation	(14,279,052)	(41,741,753)	(56,020,805)
Total assets	<u>97,965,762</u>	<u>46,522,865</u>	<u>144,488,627</u>
<b>Liabilities</b>			
Accounts payable	598,538	533,176	1,131,714
Accrued interest payable	100,551	4,541	105,092
Other liabilities	34,078	63,034	97,112
Deposits	153,200	-	153,200
Long-term liabilities			
Due within one year	1,989,578	560,686	2,550,264
Due in more than one year	15,483,476	1,000,000	16,483,476
Total liabilities	<u>18,359,421</u>	<u>2,161,437</u>	<u>20,520,858</u>
<b>Net position</b>			
Net investment in capital assets	63,271,970	38,320,665	101,592,635
Restricted	16,565,136	228,200	16,793,336
Unrestricted	(230,765)	5,812,563	5,581,798
Total net position	<u>\$ 79,606,341</u>	<u>\$ 44,361,428</u>	<u>\$ 123,967,769</u>



City of Valley City, North Dakota  
Statement of Activities  
Year Ended December 31, 2020

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
<b>Primary Government</b>							
Governmental activities							
General government	\$ 1,313,087	\$ 828,660	\$ -	\$ 286,943	\$ (197,484)	\$ -	\$ (197,484)
Public safety	117,612	1,069,311	166,843	-	1,118,542	-	1,118,542
Public works	4,666,113	663,645	-	4,637,850	635,382	-	635,382
Culture and recreation	330,962	-	-	-	(330,962)	-	(330,962)
Economic development	296,290	-	-	-	(296,290)	-	(296,290)
Interest on long-term debt	330,194	-	-	-	(330,194)	-	(330,194)
Total governmental activities	<u>7,054,258</u>	<u>2,561,616</u>	<u>166,843</u>	<u>4,924,793</u>	<u>598,994</u>	<u>-</u>	<u>598,994</u>
Business-type activities							
Electric	6,044,827	7,596,641	-	-	-	1,551,814	1,551,814
Water	2,580,373	1,527,400	-	867,607	-	(185,366)	(185,366)
Sewer facility	664,183	777,212	-	-	-	113,029	113,029
Garbage	1,219,547	1,189,169	-	-	-	(30,378)	(30,378)
Total business-type activities	<u>10,508,930</u>	<u>11,090,422</u>	<u>-</u>	<u>867,607</u>	<u>-</u>	<u>1,449,099</u>	<u>1,449,099</u>
Total Government	<u>\$ 17,563,188</u>	<u>\$ 13,652,038</u>	<u>\$ 166,843</u>	<u>\$ 5,792,400</u>	<u>598,994</u>	<u>1,449,099</u>	<u>2,048,093</u>
General revenues							
Sales and use tax					2,428,375	-	2,428,375
Property taxes					1,538,495	-	1,538,495
State aid					3,352,097	-	3,352,097
Unrestricted investment earnings					24,831	22,229	47,060
Miscellaneous					113,967	(24,996)	88,971
Transfers					1,582,932	(1,582,932)	-
Total general revenue and transfers					<u>9,040,697</u>	<u>(1,585,699)</u>	<u>7,454,998</u>
Change in net position					9,639,691	(136,600)	9,503,091
Net position - beginning					69,966,650	44,498,028	114,464,678
Net position - ending					<u>\$ 79,606,341</u>	<u>\$ 44,361,428</u>	<u>\$ 123,967,769</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, 2020

	General	Permanent Flood Protection	Paving Projects	Infrastructure Renewal & Replacement	Municipal Infrastructure Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>								
Cash and cash equivalents	\$ 1,890,501	\$ -	\$ -	\$ -	\$ 2,500,000	\$ 2,489,338	\$ 1,184,439	\$ 8,064,278
Restricted cash	-	-	-	-	-	540,633	-	540,633
Due from other funds	790,528	-	-	2,346,078	-	-	44,464	3,181,070
Receivables								
Accounts	150,956	-	-	19,131	-	-	5,222	175,309
Taxes receivable - delinquent	-	-	-	-	-	-	4,026	4,026
Unbilled revenues	-	-	-	13,804	-	-	-	13,804
Property taxes	26,631	-	-	-	-	-	-	26,631
Special assessments								
Current	111,910	-	-	-	-	645,436	5,625	762,971
Delinquent	4,038	-	-	-	-	29,239	7,875	41,152
Deferred	440,553	-	-	-	-	6,096,902	43,125	6,580,580
Interfund	200	-	-	-	-	247,960	-	248,160
Due from other governmental units	225,572	-	261,943	173,960	-	78,367	240,135	979,977
Prepaid items	27,163	-	-	-	-	-	-	27,163
Total assets	<u>\$ 3,668,052</u>	<u>\$ -</u>	<u>\$ 261,943</u>	<u>\$ 2,552,973</u>	<u>\$ 2,500,000</u>	<u>\$ 10,127,875</u>	<u>\$ 1,534,911</u>	<u>\$ 20,645,754</u>
<b>Liabilities and Fund Balance</b>								
<b>Liabilities</b>								
Accounts payable	\$ 127,592	\$ 163,227	\$ 282,486	\$ -	\$ -	\$ -	\$ 25,233	\$ 598,538
Due to other funds	-	1,050,337	2,040,631	-	-	-	90,102	3,181,070
Deposits	153,200	-	-	-	-	-	-	153,200
Other liabilities	34,078	-	-	-	-	-	-	34,078
Total liabilities	<u>314,870</u>	<u>1,213,564</u>	<u>2,323,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,335</u>	<u>3,966,886</u>
<b>Deferred Inflows of Resources</b>								
Unavailable revenue-property taxes	26,631	-	-	-	-	-	4,026	30,657
Unavailable revenue-special assessments	556,701	-	-	-	-	7,019,536	56,625	7,632,862
Total deferred inflows of resources	<u>583,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,019,536</u>	<u>60,651</u>	<u>7,663,519</u>
<b>Fund Balance (Deficit)</b>								
<b>Nonspendable</b>								
Prepaid items	27,163	-	-	-	-	-	-	27,163
<b>Restricted for</b>								
Debt service	-	-	-	-	-	3,108,339	-	3,108,339
Emergency services	-	-	-	-	-	-	68,076	68,076
Community development	-	-	-	-	-	-	1,316,212	1,316,212
Infrastructure	-	-	-	2,552,973	2,500,000	-	-	5,052,973
Unassigned	2,742,687	(1,213,564)	(2,061,174)	-	-	-	(25,363)	(557,414)
Total fund balance (deficit)	<u>2,769,850</u>	<u>(1,213,564)</u>	<u>(2,061,174)</u>	<u>2,552,973</u>	<u>2,500,000</u>	<u>3,108,339</u>	<u>1,358,925</u>	<u>9,015,349</u>
Total liabilities, deferred inflows of resources, and fund balance (deficit)	<u>\$ 3,668,052</u>	<u>\$ -</u>	<u>\$ 261,943</u>	<u>\$ 2,552,973</u>	<u>\$ 2,500,000</u>	<u>\$ 10,127,875</u>	<u>\$ 1,534,911</u>	<u>\$ 20,645,754</u>

City of Valley City, North Dakota  
 Governmental Funds  
 Reconciliation of the Balance Sheet to the Statement of Net Position  
 December 31, 2020

---

Total Fund Balances – Governmental Funds	\$ 9,015,349
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>	80,501,078
<p>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.</p>	7,663,519
<p>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:</p>	
Special assessment bonds	(9,762,396)
Sales tax revenue bonds	(6,772,293)
PFA loan	(364,851)
Capital lease payable	(329,568)
Compensated absences	(243,946)
Accrued interest	(100,551)
	(18,573,614)
Total net position – governmental activities	\$ 79,606,341

City of Valley City, North Dakota

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2020

	General	Permanent Flood Protection	Paving Projects	Infrastructure Renewal & Replacement	Municipal Infrastructure Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
General property taxes	\$ 1,137,266	\$ -	\$ -	\$ -	\$ -	\$ 264,211	\$ 172,490	\$ 1,573,967
Special assessments	154,767	-	-	-	-	1,163,283	-	1,318,050
Franchise fees	54,095	-	-	434,367	-	-	-	488,462
Licenses and permits	46,275	-	-	-	-	-	-	46,275
Intergovernmental revenue	1,967,030	2,358,901	261,943	-	2,500,000	34,528	149,977	7,272,379
Fines and forfeitures	70,921	-	-	-	-	-	-	70,921
Sales tax	-	-	-	894,614	-	-	1,301,167	2,195,781
Miscellaneous revenue	349,584	-	-	2,473	-	245,730	19,137	616,924
<b>Total revenues</b>	<b>3,779,938</b>	<b>2,358,901</b>	<b>261,943</b>	<b>1,331,454</b>	<b>2,500,000</b>	<b>1,707,752</b>	<b>1,642,771</b>	<b>12,582,759</b>
<b>Expenditures</b>								
<b>Current</b>								
General government	1,176,362	-	-	-	-	-	-	1,176,362
Public safety	1,614,549	-	-	-	-	-	2,717	1,617,266
Public works	935,311	-	-	-	-	-	-	935,311
General government - other	42,860	-	-	-	-	-	304,142	347,002
Culture and recreation	153,793	-	-	-	-	-	152,511	306,304
Community development	-	-	-	-	-	-	383,232	383,232
Miscellaneous	22,665	-	-	1,120	-	-	164,381	188,166
Capital outlay	439,782	3,141,443	1,839,836	-	-	-	20,606	5,441,667
<b>Debt service</b>								
Principal	26,463	-	-	-	-	1,426,433	-	1,452,896
Interest and fees	-	-	-	-	-	428,333	-	428,333
<b>Total expenditures</b>	<b>4,411,785</b>	<b>3,141,443</b>	<b>1,839,836</b>	<b>1,120</b>	<b>-</b>	<b>1,854,766</b>	<b>1,027,589</b>	<b>12,276,539</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(631,847)</b>	<b>(782,542)</b>	<b>(1,577,893)</b>	<b>1,330,334</b>	<b>2,500,000</b>	<b>(147,014)</b>	<b>615,182</b>	<b>1,306,220</b>
<b>Other Financing Sources (Uses)</b>								
Transfers in	1,825,778	-	649,217	-	-	402,359	1,022,027	3,899,381
Transfers out	(340,790)	-	(59,954)	(1,235,236)	-	(40,884)	(639,585)	(2,316,449)
<b>Total other financing sources and uses</b>	<b>1,484,988</b>	<b>-</b>	<b>589,263</b>	<b>(1,235,236)</b>	<b>-</b>	<b>361,475</b>	<b>382,442</b>	<b>1,582,932</b>
<b>Net Change in Fund Balance</b>	<b>853,141</b>	<b>(782,542)</b>	<b>(988,630)</b>	<b>95,098</b>	<b>2,500,000</b>	<b>214,461</b>	<b>997,624</b>	<b>2,889,152</b>
<b>Fund Balance (Deficit), Beginning</b>	<b>1,916,709</b>	<b>(431,022)</b>	<b>(1,072,544)</b>	<b>2,457,875</b>	<b>-</b>	<b>2,893,878</b>	<b>361,301</b>	<b>6,126,197</b>
<b>Fund Balance (Deficit), Ending</b>	<b>\$ 2,769,850</b>	<b>\$ (1,213,564)</b>	<b>\$ (2,061,174)</b>	<b>\$ 2,552,973</b>	<b>\$ 2,500,000</b>	<b>\$ 3,108,339</b>	<b>\$ 1,358,925</b>	<b>\$ 9,015,349</b>

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, 2020

Net Change in Fund Balances - Total Governmental Funds	\$ 2,889,152
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	5,311,508
Depreciation expense	(1,454,205)
The contribution of capital assets by other governments is not a current financial resource and is therefore not reported within the governmental funds	2,017,790
Revenues in the statement of activities that do not provide current financial resources are deferred and not reported as revenues in the funds	(470,932)
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	(115,540)
Interest payable is reported in the government wide statement of net position but is not recorded in the governmental funds	9,022
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:	
Capital lease retirement	26,463
Loan principal retirement	31,000
Bond principal retirement	<u>1,395,433</u>
Change in Net Position of Governmental Activities	<u>\$ 9,639,691</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, 2020

	Original and Final Budget	Actual Amounts	Variance With Final Budget
<b>Revenues</b>			
General property taxes	\$ 1,175,600	\$ 1,137,266	\$ (38,334)
Special assessments	130,000	154,767	24,767
Licenses and permits	47,900	46,275	(1,625)
Intergovernmental revenue	882,635	1,967,030	1,084,395
Fines and forfeitures	95,000	70,921	(24,079)
Franchise fees	-	54,095	54,095
Miscellaneous	306,850	349,584	42,734
<b>Total revenues</b>	<b>2,637,985</b>	<b>3,779,938</b>	<b>1,141,953</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	1,181,437	1,176,362	5,075
Public safety	1,661,587	1,614,549	47,038
Public works	945,641	935,311	10,330
General government - other	53,380	42,860	10,520
Culture and recreation	38,300	153,793	(115,493)
Economic development	1,000	-	1,000
Miscellaneous	8,010	22,665	(14,655)
Capital outlay	493,177	439,782	53,395
Debt Service			
Principal	-	26,463	(26,463)
<b>Total expenditures</b>	<b>4,382,532</b>	<b>4,411,785</b>	<b>(29,253)</b>
Deficiency of Revenues Under Expenditures	(1,744,547)	(631,847)	1,112,700
<b>Other Financing Sources (Uses)</b>			
Transfers in	1,751,807	1,825,778	73,971
Transfers out	(901,895)	(340,790)	561,105
<b>Total other financing sources and uses</b>	<b>849,912</b>	<b>1,484,988</b>	<b>635,076</b>
<b>Net Change in Fund Balance</b>	<b>\$ (894,635)</b>	<b>853,141</b>	<b>\$ 1,747,776</b>
Fund Balance, Beginning		1,916,709	
Fund Balance, Ending		<b>\$ 2,769,850</b>	

City of Valley City, North Dakota  
Proprietary Funds  
Statement of Net Position  
December 31, 2020

	Electric	Water	Sewer	Garbage	Total
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 3,621,362	\$ -	\$ 1,157,129	\$ 11,444	\$ 4,789,935
Due from other funds	-	-	195,600	-	195,600
Accounts receivable - net					
Accounts	509,449	71,203	43,445	101,013	725,110
Accrued interest	-	869	89	-	958
Unbilled revenues	311,959	61,844	37,543	38,729	450,075
Inventories	375,574	150,595	-	-	526,169
Prepaid expenses	118,058	-	-	-	118,058
<b>Total current assets</b>	<b>4,936,402</b>	<b>284,511</b>	<b>1,433,806</b>	<b>151,186</b>	<b>6,805,905</b>
<b>Capital assets</b>					
Land	114,385	147,572	113,242	49,494	424,693
Construction in progress	49,926	3,194	13,018	-	66,138
Buildings and improvements	630,913	24,075,993	208,988	674,689	25,590,583
Machinery and equipment	5,151,676	2,943,908	512,463	1,977,966	10,586,013
Mains and lines	13,654,109	15,453,427	15,848,141	-	44,955,677
Less accumulated depreciation	(15,108,833)	(17,470,895)	(7,649,367)	(1,512,658)	(41,741,753)
<b>Net capital assets</b>	<b>4,492,176</b>	<b>25,153,199</b>	<b>9,046,485</b>	<b>1,189,491</b>	<b>39,881,351</b>
Unearned debits	-	3,761	-	-	3,761
Restricted cash	47,408	206,950	21,250	-	275,608
<b>Total assets</b>	<b>9,475,986</b>	<b>25,648,421</b>	<b>10,501,541</b>	<b>1,340,677</b>	<b>46,966,625</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	453,389	40,776	5,960	33,051	533,176
Accrued interest payable	-	3,112	1,429	-	4,541
Customer deposits	47,408	-	-	-	47,408
Due to other funds	-	195,600	-	-	195,600
Other liabilities	11,053	3,667	256	650	15,626
Interfund special assessments payable	4,418	41,474	619	880	47,391
Current maturities of long-term debt	350,686	195,000	15,000	-	560,686
<b>Total current liabilities</b>	<b>866,954</b>	<b>479,629</b>	<b>23,264</b>	<b>34,581</b>	<b>1,404,428</b>
<b>Long-term debt (net of current portion)</b>					
Bonds payable	-	860,000	140,000	-	1,000,000
Interfund special assessments payable	17,011	177,381	4,127	2,250	200,769
<b>Total long-term debt</b>	<b>17,011</b>	<b>1,037,381</b>	<b>144,127</b>	<b>2,250</b>	<b>1,200,769</b>
<b>Total liabilities</b>	<b>883,965</b>	<b>1,517,010</b>	<b>167,391</b>	<b>36,831</b>	<b>2,605,197</b>
<b>Net Position</b>					
Net investment in capital assets	4,141,490	24,098,199	8,891,485	1,189,491	38,320,665
Restricted	-	206,950	21,250	-	228,200
Unrestricted	4,450,531	(173,738)	1,421,415	114,355	5,812,563
<b>Total net position</b>	<b>\$ 8,592,021</b>	<b>\$ 24,131,411</b>	<b>\$ 10,334,150</b>	<b>\$ 1,303,846</b>	<b>\$ 44,361,428</b>

City of Valley City, North Dakota

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position

Year Ended December 31, 2020

	Electric	Water	Sewer	Garbage	Total
<b>Operating Revenues</b>					
Utility sales and service charges	\$ 7,593,016	\$ 1,526,890	\$ 776,913	\$ 994,593	\$ 10,891,412
Forfeited discounts and penalties	3,625	510	299	371	4,805
Landfill fees	-	-	-	194,205	194,205
<b>Total operating revenues</b>	<b>7,596,641</b>	<b>1,527,400</b>	<b>777,212</b>	<b>1,189,169</b>	<b>11,090,422</b>
<b>Operating Expenses</b>					
Production and pumping	41,514	396,293	-	-	437,807
Cost of power	4,012,394	-	-	-	4,012,394
Distribution expense	500,893	472,818	179,373	-	1,153,084
Landfill and collections	-	-	-	905,484	905,484
Customer accounts	62,613	19,254	3,057	6,493	91,417
Customer service and information	2,640	-	-	-	2,640
Administration and general	775,389	325,137	125,253	190,233	1,415,012
Depreciation	614,620	1,329,086	354,341	117,139	2,415,186
Costs of services contributed to city	33,781	12,007	272	-	46,060
<b>Total operating expenses</b>	<b>6,043,844</b>	<b>2,554,595</b>	<b>662,296</b>	<b>1,219,349</b>	<b>10,480,084</b>
<b>Operating Income (Loss)</b>	<b>1,552,797</b>	<b>(1,027,195)</b>	<b>114,916</b>	<b>(30,180)</b>	<b>610,338</b>
<b>Nonoperating Revenues (Expenses)</b>					
Net merchandising revenue					
gross revenue of \$128,400	(36,102)	7,342	2,613	1,151	(24,996)
Grant revenue	-	867,607	-	-	867,607
Interest income	19,381	2,562	286	-	22,229
Interest on long-term debt	(983)	(25,778)	(1,887)	(198)	(28,846)
<b>Total nonoperating revenues (expenses)</b>	<b>(17,704)</b>	<b>851,733</b>	<b>1,012</b>	<b>953</b>	<b>835,994</b>
<b>Income (Loss) Before Transfers</b>	<b>1,535,093</b>	<b>(175,462)</b>	<b>115,928</b>	<b>(29,227)</b>	<b>1,446,332</b>
<b>Transfers in (out)</b>	<b>(1,582,932)</b>	<b>95,748</b>	<b>(95,748)</b>	<b>-</b>	<b>(1,582,932)</b>
<b>Change in Net Position</b>	<b>(47,839)</b>	<b>(79,714)</b>	<b>20,180</b>	<b>(29,227)</b>	<b>(136,600)</b>
<b>Net Position, Beginning of Year</b>	<b>8,639,860</b>	<b>24,211,125</b>	<b>10,313,970</b>	<b>1,333,073</b>	<b>44,498,028</b>
<b>Net Position, End of Year</b>	<b>\$ 8,592,021</b>	<b>\$ 24,131,411</b>	<b>\$ 10,334,150</b>	<b>\$ 1,303,846</b>	<b>\$ 44,361,428</b>



City of Valley City, North Dakota  
Proprietary Funds  
Statement of Cash Flows  
Year Ended December 31, 2020

	Electric	Water	Sewer	Garbage	Total
<b>Operating Activities</b>					
Receipts from customers and users	\$ 7,636,571	\$ 2,395,790	\$ 777,166	\$ 1,098,749	\$ 11,908,276
Payments for cost of power	(4,012,394)	-	-	-	(4,012,394)
Payments to employees and other vendors	(1,214,768)	(1,202,821)	(308,274)	(1,110,993)	(3,836,856)
Net cash from operating activities	<u>2,409,409</u>	<u>1,192,969</u>	<u>468,892</u>	<u>(12,244)</u>	<u>4,059,026</u>
<b>Non-Capital Financing Activities</b>					
Transfer (to) from other funds	(1,582,932)	95,748	(95,748)	-	(1,582,932)
Change in interfund balances	-	(15,535)	15,535	-	-
Net cash from (used for) non-capital financing activities	<u>(1,582,932)</u>	<u>80,213</u>	<u>(80,213)</u>	<u>-</u>	<u>(1,582,932)</u>
<b>Capital and Related Financing Activities</b>					
Property and equipment additions	(882,108)	(1,013,839)	(25,607)	(439,958)	(2,361,512)
Payments on long-term debt					
Principal	-	(190,000)	(15,000)	-	(205,000)
Interfund special assessments payable	(4,418)	(42,444)	(619)	(620)	(48,101)
Interest	(983)	(27,011)	(1,938)	(198)	(30,130)
Net cash used for capital and related financing activities	<u>(887,509)</u>	<u>(1,273,294)</u>	<u>(43,164)</u>	<u>(440,776)</u>	<u>(2,644,743)</u>
<b>Investing Activity</b>					
Interest and dividends from investments	19,381	2,562	286	-	22,229
Change in Cash and Cash Equivalents	(41,651)	2,450	345,801	(453,020)	(146,420)
Cash and Cash Equivalents - Beginning of Year (including restricted cash)	<u>3,710,421</u>	<u>204,500</u>	<u>832,578</u>	<u>354,624</u>	<u>5,102,123</u>
Cash and Cash Equivalents - End of Year (including restricted cash)	<u>\$ 3,668,770</u>	<u>\$ 206,950</u>	<u>\$ 1,178,379</u>	<u>\$ (98,396)</u>	<u>\$ 4,955,703</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>					
Operating income (loss)	\$ 1,552,797	\$ (1,027,195)	\$ 114,916	\$ (30,180)	\$ 610,338
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation	614,620	1,329,086	354,341	117,139	2,415,186
Other income	(36,102)	874,949	2,613	1,151	842,611
Changes in assets and liabilities					
Accounts receivable	76,032	(6,559)	(2,659)	(91,571)	(24,757)
Inventories	275,690	16,556	-	-	292,246
Prepaid expenses	(72,497)	-	-	-	(72,497)
Due from other governmental units	-	2,780	13	91	2,884
Unearned debits	-	179	-	-	179
Accounts payable	(55,813)	3,232	274	(7,127)	(59,434)
Customer deposits	(7,562)	-	-	-	(7,562)
Other liabilities	(63,840)	(59)	(606)	(1,747)	(66,252)
Compensated absences payable	126,084	-	-	-	126,084
Net cash from operating activities	<u>\$ 2,409,409</u>	<u>\$ 1,192,969</u>	<u>\$ 468,892</u>	<u>\$ (12,244)</u>	<u>\$ 4,059,026</u>

## **Note 1 - Summary of Significant Accounting Policies**

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

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

### **Reporting Entity**

The 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.

*Municipal Infrastructure Fund* – This fund accounts for essential 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, 2020, 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. Employees with more than 350 hours of accrued sick leave at December 31 have the option to convert sick leave into annual vacation leave. Upon reaching five years of employment, employees voluntarily leaving employment with the City will receive payment for accrued sick leave at the current rate of pay at separation as follows:

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

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

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.

### 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.

### 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 and terminated the plan during 2020, implementing a fully-insured fund at that time.

**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.

**Note 2 - Compliance and Stewardship**

**Deficit Fund Balance**

Fund balance deficits existed in certain individual funds at December 31, 2020, as follows:

Permanent Flood Protection	\$ 1,213,564
Paving Projects	2,061,174
Nonmajor Governmental Funds	
DOT Misc Projects	9,262
Underground Construction	300
NW & West Storm Sewer	15,801

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

**Excess of Expenditures over Budget**

Budget control for the funds is established by its total appropriations. The General Fund had expenditures exceeding appropriations of \$29,253 for the year ended December 31, 2020. These over expenditures were funded by existing fund balance and greater than expected revenues.



**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, 2020, 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, 2020, 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, 2020.

Type	Fair Value	Maturities (in Years)	
		N/A	< 1
Cash and cash equivalents			
Deposits	\$ 13,668,554	\$ 13,668,554	\$ -
Petty cash	1,900	1,900	-
	\$ 13,670,454	\$ 13,670,454	\$ -

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

Cash and cash equivalents - Statement of Net Position	\$ 12,854,213
Restricted cash - Statement of Net Position	<u>816,241</u>
	<u><u>\$ 13,670,454</u></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, 2020 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	39,783,380	7,035,567	4,683,975	42,134,972
Total capital assets not being depreciated	<u>39,957,180</u>	<u>7,035,567</u>	<u>4,683,975</u>	<u>42,308,772</u>
Capital assets, being depreciated				
Infrastructure	40,717,680	4,683,975	-	45,401,655
Buildings and improvements	2,130,807	49,020	-	2,179,827
Machinery and equipment	1,462,212	40,346	-	1,502,558
Vehicles	3,182,953	204,365	-	3,387,318
Total capital assets being depreciated	<u>47,493,652</u>	<u>4,977,706</u>	<u>-</u>	<u>52,471,358</u>
Less accumulated depreciation for				
Infrastructure	7,759,182	1,087,696	-	8,846,878
Buildings and improvements	1,811,308	86,230	-	1,897,538
Machinery and equipment	1,119,007	107,609	-	1,226,616
Vehicles	2,135,350	172,670	-	2,308,020
Total accumulated depreciation	<u>12,824,847</u>	<u>1,454,205</u>	<u>-</u>	<u>14,279,052</u>
Total capital assets being depreciated, net	<u>34,668,805</u>	<u>3,523,501</u>	<u>-</u>	<u>38,192,306</u>
Governmental activities capital assets, net	<u>\$ 74,625,985</u>	<u>\$ 10,559,068</u>	<u>\$ 4,683,975</u>	<u>\$ 80,501,078</u>

City of Valley City, North Dakota

Notes to Financial Statements

December 31, 2020

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	-	66,138	-	66,138
Total capital assets not being depreciated	424,693	66,138	-	490,831
Capital assets, being depreciated				
Buildings and improvements	25,577,456	13,127	-	25,590,583
Machinery and equipment	9,062,124	1,677,277	153,388	10,586,013
Mains and lines	44,411,543	604,970	60,836	44,955,677
Total capital assets being depreciated	79,051,123	2,295,374	214,224	81,132,273
Less accumulated depreciation for				
Buildings and improvements	6,296,963	446,027	-	6,742,990
Machinery and equipment	7,574,182	723,660	96,176	8,201,666
Mains and lines	25,556,182	1,245,499	-	26,801,681
Total accumulated depreciation	39,427,327	2,415,186	96,176	41,746,337
Total capital assets being depreciated, net	39,623,796	(119,812)	118,048	39,385,936
Business-type activities capital assets, net	\$ 40,048,489	\$ (53,674)	\$ 118,048	\$ 39,876,767

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

Governmental Activities	
General government	\$ 117,494
Public safety	157,758
Public works	1,165,969
Culture and recreation	12,984
Total depreciation expense - governmental activities	\$ 1,454,205
Business-Type Activities	
Electric	\$ 614,620
Water	1,329,086
Sewer facility	354,341
Garbage	117,139
Total depreciation expense - business-type activities	\$ 2,415,186

**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, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Special assessment bonds	\$ 10,805,677	\$ -	\$ 1,043,281	\$ 9,762,396	\$ 1,027,430
Sales tax revenue bonds	7,124,445	-	352,152	6,772,293	358,634
PFA loan	395,851	-	31,000	364,851	30,000
Capital lease	356,031	-	26,463	329,568	329,568
Compensated absences	128,406	241,279	125,739	243,946	243,946
	<u>\$ 18,810,410</u>	<u>\$ 241,279</u>	<u>\$ 1,578,635</u>	<u>\$ 17,473,054</u>	<u>\$ 1,989,578</u>
<b>Business-type activities</b>					
Revenue bonds	\$1,415,000	\$ -	\$ 205,000	\$ 1,210,000	\$ 210,000
Compensated absences	224,602	346,297	220,213	350,686	350,686
	<u>\$ 1,639,602</u>	<u>\$ 346,297</u>	<u>\$ 425,213</u>	<u>\$ 1,560,686</u>	<u>\$ 560,686</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 \$3.29 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 \$477,890. Net sales tax revenue totaled \$2,236,534 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 \$509,610 as of December 31, 2020. Maturities of principal and interest payments are as follows:

<u>Years Ending December 31,</u>	<u>Capital lease</u>	
	<u>Principal</u>	<u>Interest</u>
2021	<u>329,568</u>	<u>5,929</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, 2020, are as follows:

<u>Years Ending December 31,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,416,064	\$ 382,952	\$ 210,000	\$ 7,750
2022	1,381,620	352,350	120,000	4,900
2023	1,357,399	321,126	120,000	4,300
2024	1,404,474	288,678	120,000	3,700
2025	1,293,750	254,698	120,000	3,100
2026-2030	4,823,493	844,535	520,000	5,350
2031-2035	2,272,166	407,995	-	-
2036-2040	1,457,424	179,771	-	-
2041-2045	993,870	82,286	-	-
2046-2048	499,280	15,138	-	-
Total	<u>\$ 16,899,540</u>	<u>\$ 3,129,529</u>	<u>\$ 1,210,000</u>	<u>\$ 29,100</u>

City of Valley City, North Dakota

Notes to Financial Statements

December 31, 2020

Bonds Payable	<u>Interest Rate</u>	<u>Final Year of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
<b>Governmental activities</b>				
2003 Bridgeview Estates				
Special Assessment Bonds	5.80	2024	\$ 338,460	\$ 103,092
Tax Increment Financing Bonds of 2008	4.50	2024	825,000	294,304
2011 Special Assessment Refunding Bonds	3.55 - 4.00	2031	4,090,000	1,525,000
2013 Refunding Improvement Bond	0.35 - 2.20	2026	955,000	310,000
2013 Sales Tax Revenue Bond	0.50 - 3.00	2028	2,900,000	1,655,000
2015 Improvement Bond	2.00 - 3.25	2040	4,545,000	3,070,000
2016 Refunding Improvement Bond	0.80 - 1.65	2026	1,295,000	735,000
2016 Sales Tax Revenue Bond	1.50	2047	860,614	756,874
2017 Refunding Improvement Bond	2.91	2047	2,150,000	1,910,000
2017 Sales Tax Revenue Bond	1.50	2047	1,392,500	1,267,844
2018 Refunding Improvement Bond	3.00 - 4.00	2038	1,975,000	1,815,000
2018 Sales Tax Revenue Bond	1.50	2048	3,289,400	3,092,575
2019 Clean Water State Revolving Fund Program	1.50	2039	395,851	364,851
Total				<u>\$ 16,899,540</u>
<b>Business-type activities</b>				
2002 Drinking Water Revolving Loan Fund	2.5	2021	\$ 1,500,000	\$ 90,000
Wastewater Treatment Revenue				
Bond, series 2009	0.5	2025	260,000	155,000
Water Treatment Revenue Bond, series 2009	0.5	2030	4,485,031	965,000
Total				<u>\$ 1,210,000</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, 2020, there were series of Industrial Revenue Bonds outstanding; the aggregate principal amount payable is \$2,110,000. 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
General	\$ 790,528	\$ -
Infrastructure Renewal & Replacement	2,346,078	-
Permanent Flood Protection	-	1,050,337
Paving Projects	-	2,040,631
Other governmental funds	44,464	90,102
Water	-	195,600
Sewer	195,600	-
	<u>\$ 3,376,670</u>	<u>\$ 3,376,670</u>

A summary of the City's interfund special assessment balances at December 31, 2020, is as follows:

	Interfund Special Assessments Receivable	Interfund Special Assessments Payable
General	\$ 200	\$ -
Debt Service	247,960	-
Electric	-	21,429
Water	-	218,855
Sewer	-	4,746
Garbage	-	3,130
	<u>\$ 248,160</u>	<u>\$ 248,160</u>



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

	Transfer In	Transfer Out
<b>Governmental Funds</b>		
General	\$ 1,825,778	\$ 340,790
Infrastructure Renewal & Replacement	-	1,235,236
Paving Projects	649,217	59,954
Debt Service	402,359	40,884
Non-major governmental	1,022,027	639,585
Total governmental funds	3,899,381	2,316,449
<b>Proprietary Funds</b>		
Electric	-	1,582,932
Water	95,748	-
Sewer	-	95,748
Total proprietary funds	95,748	1,678,680
Total transfers	\$ 3,995,129	\$ 3,995,129

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 2020 was \$339,212 including Public Works in the amount of \$202,872. The City had a liability to the plan at December 31, 2020, of \$906.

**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, 2020, 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, 2020. For the ongoing Permanent Flood Protection project throughout Valley City the following commitments are outstanding: Phase VI Permanent Flood Protection Construction commitment of \$1,189,361.

The City entered into a contract with the NDDOT for 5<sup>th</sup> Ave NW reconstruction project for \$3,852,699 of which \$1,850,000 is funded by NDDOT, \$290,200 funded by SWC with a local share of \$1,712,499. As of December 31, 2020, the remaining commitment is approximately \$372,600.

**Note 10 - Tax Exemption and Abatements**

The City provides tax exemption and abatements through various programs. The following is information relevant to the disclosure of this program for the fiscal year ended December 31, 2020:

<b>Tax Abatement Program</b>	
Five Year Property Tax Incentives for New Residential Properties	\$6,202
Two Year Property Tax Incentives for New Residential Property	1,556
Five Year Property Tax Incentives for Renaissance Zone – Residential	26,866
Five Year Property Tax Incentives for Commercial Remodel	1,091
Payment in Lieu of Taxes (PILOT)	37,482
Five Year Property Tax Incentives Renaissance Zone – Commercial	<u>31,171</u>
Total	<u>\$104,368</u>

**Note 11 - Subsequent Events**

The City has evaluated subsequent events through June 25, 2021, the date which the financial statements were available to be issued. On April 15, 2021, the city issued Refunding Improvement Bonds of 2021 totaling \$1,535,000. Interest rate on the bonds ranges from 0.25% to 1.50% and will mature in May 2031.

In addition, during June 2021, the City approved the Issuance of City Sales Tax Revenue Bond, Series 2021, for the local share of Permanent Flood Protection with an approved balance of \$3,676,600 to draw down on.



Supplementary Information  
December 31, 2020

# 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, 2020

	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
<b>Revenues</b>									
General property taxes	\$ 1,137,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,137,266
Special assessments	4,034	150,733	-	-	-	-	-	-	154,767
Franchise fees	-	-	-	-	-	-	54,095	-	54,095
Licenses and permits	46,275	-	-	-	-	-	-	-	46,275
Intergovernmental revenue	1,501,595	-	25,155	14,500	-	-	25,000	400,780	1,967,030
Fines and forfeitures	70,921	-	-	-	-	-	-	-	70,921
Miscellaneous revenue	276,056	-	-	864	-	-	19,614	53,050	349,584
<b>Total revenues</b>	<b>3,036,147</b>	<b>150,733</b>	<b>25,155</b>	<b>15,364</b>	<b>-</b>	<b>-</b>	<b>98,709</b>	<b>453,830</b>	<b>3,779,938</b>
<b>Expenditures</b>									
<b>Current</b>									
General government	1,176,362	-	-	-	-	-	-	-	1,176,362
Public safety	1,614,549	-	-	-	-	-	-	-	1,614,549
Public works	-	-	-	-	-	-	-	935,311	935,311
General government - other	42,860	-	-	-	-	-	-	-	42,860
Culture and recreation	153,793	-	-	-	-	-	-	-	153,793
Miscellaneous	-	-	-	10,165	-	-	12,500	-	22,665
Capital outlay	5,919	-	83,730	107,300	242,833	-	-	-	439,782
Debt Service Principal	-	-	-	-	26,463	-	-	-	26,463
<b>Total expenditures</b>	<b>2,993,483</b>	<b>-</b>	<b>83,730</b>	<b>117,465</b>	<b>269,296</b>	<b>-</b>	<b>12,500</b>	<b>935,311</b>	<b>4,411,785</b>
Excess (Deficiency) of Revenues over (Under) Expenditures	42,664	150,733	(58,575)	(102,101)	(269,296)	-	86,209	(481,481)	(631,847)
<b>Other Financing Sources (Uses)</b>									
Bond proceeds	-	-	-	-	-	-	-	-	-
Transfers in	1,313,561	-	88,575	137,002	130,000	-	-	506,175	2,175,313
Transfers out	(634,149)	(53,759)	-	-	-	-	(2,417)	-	(690,325)
<b>Total other financing sources and uses</b>	<b>679,412</b>	<b>(53,759)</b>	<b>88,575</b>	<b>137,002</b>	<b>130,000</b>	<b>-</b>	<b>(2,417)</b>	<b>506,175</b>	<b>1,484,988</b>
Net Change in Fund Balance	722,076	96,974	30,000	34,901	(139,296)	-	83,792	24,694	853,141
Fund Balance (Deficit), Beginning	1,333,663	(341,262)	60,000	93,519	240,392	523,480	(13,682)	20,599	1,916,709
Fund Balance (Deficit), Ending	\$ 2,055,739	\$ (244,288)	\$ 90,000	\$ 128,420	\$ 101,096	\$ 523,480	\$ 70,110	\$ 45,293	\$ 2,769,850

City of Valley City, North Dakota  
 Nonmajor Governmental Funds  
 Combined Balance Sheet  
 December 31, 2020

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,184,439	\$ -	\$ 1,184,439
Due from other funds	44,464	-	44,464
Receivables			
Accounts	5,222	-	5,222
Taxes receivable - delinquent	4,026	-	4,026
Special Assessments			
Current	5,625	-	5,625
Delinquent	7,875	-	7,875
Deferred	43,125	-	43,125
Due from other governmental units	219,860	20,275	240,135
	<u>\$ 1,514,636</u>	<u>\$ 20,275</u>	<u>\$ 1,534,911</u>
<b>Liabilities</b>			
Accounts payable	\$ 25,233	\$ -	\$ 25,233
Due to other funds	44,464	45,638	90,102
	<u>69,697</u>	<u>45,638</u>	<u>115,335</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue-property taxes	4,026	-	4,026
Unavailable revenue-special assessments	56,625	-	56,625
	<u>60,651</u>	<u>-</u>	<u>60,651</u>
<b>Fund balance (deficit)</b>			
Restricted			
Community development	1,316,212	-	1,316,212
Emergency services	68,076	-	68,076
Unassigned	-	(25,363)	(25,363)
	<u>1,384,288</u>	<u>(25,363)</u>	<u>1,358,925</u>
<b>Total liabilities, deferred inflows and fund balance (deficit)</b>	<u>\$ 1,514,636</u>	<u>\$ 20,275</u>	<u>\$ 1,534,911</u>

City of Valley City, North Dakota  
 Nonmajor Governmental Funds  
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended December 31, 2020

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>			
General property taxes	\$ 172,490	\$ -	\$ 172,490
Intergovernmental revenue	126,766	23,211	149,977
Sales tax	1,301,167	-	1,301,167
Miscellaneous revenue	11,548	7,589	19,137
<b>Total revenues</b>	<b>1,611,971</b>	<b>30,800</b>	<b>1,642,771</b>
<b>Expenditures</b>			
General government - other	304,142	-	304,142
Public safety	2,717	-	2,717
Culture and recreation	152,511	-	152,511
Community development	383,232	-	383,232
Capital outlay	-	20,606	20,606
Other	164,381	-	164,381
<b>Total expenditures</b>	<b>1,006,983</b>	<b>20,606</b>	<b>1,027,589</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	604,988	10,194	615,182
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	1,022,027	1,022,027
Transfers out	(639,585)	-	(639,585)
<b>Total other financing sources (uses)</b>	<b>(639,585)</b>	<b>1,022,027</b>	<b>382,442</b>
Net Change in Fund Balance	(34,597)	1,032,221	997,624
Fund Balance (Deficit), Beginning of Year	1,418,885	(1,057,584)	361,301
Fund Balance (Deficit), End of Year	\$ 1,384,288	\$ (25,363)	\$ 1,358,925

City of Valley City, North Dakota  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 December 31, 2020

	City Share of Special Assessments	Special Assessment Deficiency	Emergency	Library	City Sales Tax Economic
<b>Assets</b>					
Cash and cash equivalents	\$ 2,193	\$ 10,233	\$ 68,076	\$ -	\$ 913,205
Due from other funds	-	-	-	-	44,464
<b>Receivables</b>					
Accounts	-	-	-	-	-
Taxes receivable - delinquent	845	-	-	3,181	-
<b>Special Assessments</b>					
Current	-	5,625	-	-	-
Delinquent	-	7,875	-	-	-
Deferred	-	43,125	-	-	-
Due from other governmental units	328	-	-	45,697	109,714
<b>Total assets</b>	<b>\$ 3,366</b>	<b>\$ 66,858</b>	<b>\$ 68,076</b>	<b>\$ 48,878</b>	<b>\$ 1,067,383</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ 1,233	\$ 24,000
Due to other funds	-	-	-	44,464	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,697</b>	<b>24,000</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	845	-	-	3,181	-
Unavailable revenue - special assessments	-	56,625	-	-	-
<b>Total deferred inflow of resources</b>	<b>845</b>	<b>56,625</b>	<b>-</b>	<b>3,181</b>	<b>-</b>
<b>Fund balance</b>					
<b>Restricted for</b>					
Community development	2,521	10,233	-	-	1,043,383
Emergency services	-	-	68,076	-	-
<b>Total fund balance</b>	<b>2,521</b>	<b>10,233</b>	<b>68,076</b>	<b>-</b>	<b>1,043,383</b>
<b>Total liabilities, deferred inflows,     and fund balance</b>	<b>\$ 3,366</b>	<b>\$ 66,858</b>	<b>\$ 68,076</b>	<b>\$ 48,878</b>	<b>\$ 1,067,383</b>



City of Valley City, North Dakota  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 December 31, 2020

	City Sales Tax Property	City Sales Tax Image Enhancement	Motel Occupancy	Restaurant Tax	Total Nonmajor Special Revenue Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 70,620	\$ 44,731	\$ 32,004	\$ 43,377	\$ 1,184,439
Due from other funds	-	-	-	-	44,464
<b>Receivables</b>					
Accounts	-	-	5,222	-	5,222
Taxes receivable - delinquent	-	-	-	-	4,026
<b>Special Assessments</b>					
Current	-	-	-	-	5,625
Delinquent	-	-	-	-	7,875
Deferred	-	-	-	-	43,125
Due from other governmental units	39,184	7,837	-	17,100	219,860
<b>Total assets</b>	<b>\$ 109,804</b>	<b>\$ 52,568</b>	<b>\$ 37,226</b>	<b>\$ 60,477</b>	<b>\$ 1,514,636</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 25,233
Due to other funds	-	-	-	-	44,464
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,697</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	-	-	-	-	4,026
Unavailable revenue - special assessments	-	-	-	-	56,625
<b>Total deferred inflow of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,651</b>
<b>Fund balance</b>					
Restricted for:					
Community development	109,804	52,568	37,226	60,477	1,316,212
Emergency services	-	-	-	-	68,076
<b>Total fund balance</b>	<b>109,804</b>	<b>52,568</b>	<b>37,226</b>	<b>60,477</b>	<b>1,384,288</b>
<b>Total liabilities, deferred inflows,     and fund balance</b>	<b>\$ 109,804</b>	<b>\$ 52,568</b>	<b>\$ 37,226</b>	<b>\$ 60,477</b>	<b>\$ 1,514,636</b>

City of Valley City, North Dakota  
 Nonmajor Special Revenue Funds  
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended December 31, 2020

	City Share of Special Assessments	Special Assessment Deficiency	Emergency	Library	City Sales Tax Economic	City Sales Tax Property
<b>Revenues</b>						
General property taxes	\$ 36,151	\$ -	\$ -	\$ 136,339	\$ -	\$ -
Intergovernmental revenue	1,217	-	110,451	15,098	-	-
Sales tax	-	-	-	-	393,634	223,654
Miscellaneous revenue	-	469	-	-	2,461	-
<b>Total revenues</b>	<b>37,368</b>	<b>469</b>	<b>110,451</b>	<b>151,437</b>	<b>396,095</b>	<b>223,654</b>
<b>Expenditures</b>						
General government - other	-	-	-	-	-	-
Public safety	-	-	2,717	-	-	-
Culture and recreation	-	-	-	152,511	-	-
Community development	36,942	-	-	-	346,290	-
Other	-	2,731	-	-	-	-
<b>Total expenditures</b>	<b>36,942</b>	<b>2,731</b>	<b>2,717</b>	<b>152,511</b>	<b>346,290</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures	426	(2,262)	107,734	(1,074)	49,805	223,654
<b>Other financing uses</b>						
Transfers out	-	-	-	-	(35,000)	(200,000)
<b>Net change in fund balance</b>	<b>426</b>	<b>(2,262)</b>	<b>107,734</b>	<b>(1,074)</b>	<b>14,805</b>	<b>23,654</b>
Fund balance, beginning of year	2,095	12,495	(39,658)	1,074	1,028,578	86,150
Fund balance, end of year	<u>\$ 2,521</u>	<u>\$ 10,233</u>	<u>\$ 68,076</u>	<u>\$ -</u>	<u>\$ 1,043,383</u>	<u>\$ 109,804</u>

City of Valley City, North Dakota  
 Nonmajor Special Revenue Funds  
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended December 31, 2020

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172,490
Intergovernmental revenue	-	-	-	-	-	126,766
Sales tax	44,731	447,307	-	75,708	116,133	1,301,167
Miscellaneous revenue	8,618	-	-	-	-	11,548
Total revenues	<u>53,349</u>	<u>447,307</u>	<u>-</u>	<u>75,708</u>	<u>116,133</u>	<u>1,611,971</u>
Expenditures						
General government - other	-	230,000	-	74,142	-	304,142
Public safety	-	-	-	-	-	2,717
Culture and recreation	-	-	-	-	-	152,511
Community development	-	-	-	-	-	383,232
Other	25,683	-	-	-	135,967	164,381
Total expenditures	<u>25,683</u>	<u>230,000</u>	<u>-</u>	<u>74,142</u>	<u>135,967</u>	<u>1,006,983</u>
Excess (deficiency) of revenues over (under) expenditures	27,666	217,307	-	1,566	(19,834)	604,988
Other financing uses						
Transfers out	<u>(29,825)</u>	<u>(365,708)</u>	<u>(9,052)</u>	<u>-</u>	<u>-</u>	<u>(639,585)</u>
Net change in fund balance	(2,159)	(148,401)	(9,052)	1,566	(19,834)	(34,597)
Fund balance, beginning of year	<u>54,727</u>	<u>148,401</u>	<u>9,052</u>	<u>35,660</u>	<u>80,311</u>	<u>1,418,885</u>
Fund balance, end of year	<u>\$ 52,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,226</u>	<u>\$ 60,477</u>	<u>\$ 1,384,288</u>

City of Valley City, North Dakota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 December 31, 2020

	<u>Storm Sewer Projects</u>	<u>Water Main Projects</u>	<u>Underground Construction</u>	<u>NW &amp; West Storm Sewer</u>	<u>Total Nonmajor Capital Projects Funds</u>
Assets					
Due from other governmental units	<u>\$ 20,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,275</u>
Liabilities and Fund Balance (Deficit)					
Liabilities					
Due to other funds	<u>20,275</u>	<u>9,262</u>	<u>300</u>	<u>15,801</u>	<u>45,638</u>
Total liabilities	<u>20,275</u>	<u>9,262</u>	<u>300</u>	<u>15,801</u>	<u>45,638</u>
Fund Balance (Deficit)					
Unassigned	<u>-</u>	<u>(9,262)</u>	<u>(300)</u>	<u>(15,801)</u>	<u>(25,363)</u>
Total fund balance (deficit)	<u>-</u>	<u>(9,262)</u>	<u>(300)</u>	<u>(15,801)</u>	<u>(25,363)</u>
Total liabilities and fund balance (deficit)	<u>\$ 20,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,275</u>

City of Valley City, North Dakota  
 Nonmajor Capital Projects Funds  
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended December 31, 2020

	410 Sidewalk Curb & Gutter Projects	415 Storm Sewer Projects	427 Watermain Projects	490 Underground Construction	460 NW & West Storm Sewer	Total Nonmajor Capital Projects Funds
Revenues						
Intergovernmental revenue	\$ -	\$ 20,274	\$ -	\$ -	\$ 2,937	\$ 23,211
Miscellaneous revenues	-	4,028	-	3,561	-	7,589
Total revenues	<u>-</u>	<u>24,302</u>	<u>-</u>	<u>3,561</u>	<u>2,937</u>	<u>30,800</u>
Expenditures						
Capital outlay	<u>11,705</u>	<u>-</u>	<u>8,901</u>	<u>-</u>	<u>-</u>	<u>20,606</u>
Deficiency of revenues under expenditures	(11,705)	24,302	(8,901)	3,561	2,937	10,194
Other financing sources (uses)						
Transfers in (out)	<u>11,705</u>	<u>1,010,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,022,027</u>
Net change in fund balance	-	1,034,624	(8,901)	3,561	2,937	1,032,221
Fund balance (deficit), beginning of year	<u>-</u>	<u>(1,034,624)</u>	<u>(361)</u>	<u>(3,861)</u>	<u>(18,738)</u>	<u>(1,057,584)</u>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,262)</u>	<u>\$ (300)</u>	<u>\$ (15,801)</u>	<u>\$ (25,363)</u>

City of Valley City, North Dakota  
 General Operations Department  
 Schedule of Revenues – Budget to Actual  
 Year Ended December 31, 2020

	Original and Final Budget	Actual Amounts	Variance With Final Budget
<b>Revenues</b>			
General property taxes	\$ 1,175,600	\$ 1,137,266	\$ (38,334)
Special assessments	-	4,034	4,034
Licenses and permits	47,900	46,275	(1,625)
Intergovernmental revenue	464,400	1,501,595	1,037,195
Fines and forfeitures	95,000	70,921	(24,079)
Miscellaneous	194,150	276,056	81,906
Total revenues	<u>1,977,050</u>	<u>3,036,147</u>	<u>1,059,097</u>
<b>Expenditures</b>			
Current			
General government	1,181,437	1,176,362	5,075
Public safety	1,661,587	1,614,549	47,038
General government - other	53,380	42,860	10,520
Culture and recreation	38,300	153,793	(115,493)
Economic development	1,000	-	1,000
Capital outlay	50,500	5,919	44,581
Total expenditures	<u>2,986,204</u>	<u>2,993,483</u>	<u>(7,279)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,009,154)	42,664	1,051,818
<b>Other Financing Sources (Uses)</b>			
Transfers in	1,303,552	1,313,561	10,009
Transfers out	(451,895)	(634,149)	(182,254)
Total other financing sources and uses	<u>851,657</u>	<u>679,412</u>	<u>(172,245)</u>
Net Change in Fund Balance	<u>\$ (157,497)</u>	722,076	<u>\$ 879,573</u>
Fund Balance, Beginning		<u>1,333,663</u>	
Fund Balance, Ending		<u>\$ 2,055,739</u>	

City of Valley City, North Dakota  
 General Operations Department  
 Schedule of Expenditures – Budget to Actual  
 Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures			
General Government			
Council and mayor			
Salaries	\$ 57,400	\$ 56,968	\$ 432
Miscellaneous expenditures	<u>9,530</u>	<u>5,832</u>	<u>3,698</u>
	<u>66,930</u>	<u>62,800</u>	<u>4,130</u>
Municipal court			
Salaries	92,097	82,334	9,763
Legal	4,000	653	3,347
Miscellaneous expense	<u>18,140</u>	<u>4,559</u>	<u>13,581</u>
	<u>114,237</u>	<u>87,546</u>	<u>26,691</u>
Assessor			
Salaries	147,815	188,847	(41,032)
Travel	1,000	-	1,000
Miscellaneous expense	<u>23,546</u>	<u>19,570</u>	<u>3,976</u>
	<u>172,361</u>	<u>208,417</u>	<u>(36,056)</u>
Auditor & City Administrator			
Salaries	274,536	284,205	(9,669)
Travel	2,700	800	1,900
Office supplies	2,500	2,428	72
Operating expenditures	<u>19,060</u>	<u>13,583</u>	<u>5,477</u>
	<u>298,796</u>	<u>301,016</u>	<u>(2,220)</u>
Attorney			
Salaries and legal	52,315	54,175	(1,860)
Operating expenditures	<u>5,550</u>	<u>2,716</u>	<u>2,834</u>
	<u>57,865</u>	<u>56,891</u>	<u>974</u>

City of Valley City, North Dakota  
 General Operations Department  
 Schedule of Expenditures – Budget to Actual  
 Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
City Buildings			
Utilities	33,600	27,115	6,485
Operating expense	37,500	13,090	24,410
Repairs and maintenance	15,400	28,838	(13,438)
	<u>86,500</u>	<u>69,043</u>	<u>17,457</u>
Nondepartmental			
Blue Cross premium	353,834	266,784	87,050
Insurance	(11,421)	(11,371)	(50)
Audit	17,000	16,310	690
Miscellaneous	25,335	118,926	(93,591)
	<u>384,748</u>	<u>390,649</u>	<u>(5,901)</u>
Total general government	<u>1,181,437</u>	<u>1,176,362</u>	<u>5,075</u>
Public safety			
Police department			
Salaries	1,017,881	962,840	55,041
Investigation	16,000	16,000	-
Employee pension	90,621	78,634	11,987
Insurance	22,060	19,194	2,866
Operating expenditures	125,660	117,518	8,142
Building upkeep	1,000	2,348	(1,348)
Capital outlay	4,000	893	3,107
	<u>1,277,222</u>	<u>1,197,427</u>	<u>79,795</u>
Fire department			
Salaries	274,704	301,485	(26,781)
Insurance	5,620	8,038	(2,418)
Operating expenditures	73,160	70,645	2,515
Building upkeep	4,750	8,796	(4,046)
Capital outlay	6,500	3,651	2,849
	<u>364,734</u>	<u>392,615</u>	<u>(27,881)</u>
Civil defense			
Operating expenditures	2,000	920	1,080
Health	28,131	28,131	-
Total public safety	<u>1,672,087</u>	<u>1,619,093</u>	<u>52,994</u>



City of Valley City, North Dakota  
 General Operations Department  
 Schedule of Expenditures – Budget to Actual  
 Year Ended December 31, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
General government - Other			
Planning and zoning	17,000	8,030	8,970
Community programs	31,000	29,500	1,500
Capital outlay	40,000	1,375	38,625
Miscellaneous	5,380	5,330	50
Total general government - other	<u>93,380</u>	<u>44,235</u>	<u>49,145</u>
Culture and recreation			
Recreation center			
Operating expenditures	18,300	18,044	256
Auditorium/Armory			
Management fee	20,000	20,000	-
Park District			
State Aid	-	115,749	(115,749)
Total culture and recreation	<u>38,300</u>	<u>153,793</u>	<u>(115,493)</u>
Economic development			
Industrial development	1,000	-	1,000
Total expenditures	<u>\$ 2,986,204</u>	<u>\$ 2,993,483</u>	<u>\$ (7,279)</u>

City of Valley City, North Dakota  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Department of Transportation			
Passed through North Dakota			
Department of Transportation			
Highway Safety Cluster			
National Priority Safety Programs	20.616	OP19050516	\$ 274
National Priority Safety Programs	20.616	OP20050517	1,085
National Priority Safety Programs	20.616	ID18101211	810
National Priority Safety Programs	20.616	ID18100215	<u>1,129</u>
Total for Highway Safety Cluster			\$ 3,298
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PHSPID2010-05-11	<u>4,000</u>
Total Department of Transportation			7,298
Department of Homeland Security			
Passed through North Dakota Department of Emergency Management			
Homeland Security Grant Program	97.067	EMW-2019-SS-000033-S01	21,793
Department of Justice			
Passed through North Dakota			
Department of Justice			
Bulletproof Vest Partnership Program	16.607	Unknown	2,500
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0058	<u>726</u>
Total Department of Justice			3,226
Department of the Treasury			
Passed through North Dakota Department of the Treasury			
COVID-19: Coronavirus Relief Fund	21.019	Unknown	<u>967,972</u>
Total Federal Financial Assistance			<u>\$ 1,000,289</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, 2020. The information 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, 2020

# 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 Commissioners  
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, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 25, 2021.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

*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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

**Compliance and Other Matters**

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

**City's Response to Findings**

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota  
June 25, 2021



## **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 Commissioners  
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 the City’s major federal program for the year ended December 31, 2020. 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 the City’s major federal program 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, 2020.

## **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 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.



Fargo, North Dakota  
June 25, 2021



**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
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>
COVID19: Coronavirus Relief Fund	21.019
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**

---

**2020-001      Material Journal Entries  
                  Material Weakness**

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

*Condition* – During the course of our engagement, we proposed a material audit adjustment to reclassify revenues and expenditures, which would not have been identified as a result of the City’s existing internal controls, and therefore could have resulted in a material misstatement of the City’s financial statements.

*Cause* – The City does not have an internal control system designed to identify all necessary adjustments.

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

*Recommendation* – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisory levels.

*View of Responsible Officials* – Management of the City is in agreement with the finding.

**2020-002      Preparation of Financial Statements  
                  Significant Deficiency**

*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