



Financial Statements
December 31, 2021

City of Valley City, North Dakota

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City of Valley City, North Dakota
Elected and Appointed Officials (Unaudited)
December 31, 2021

<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
Duane Magnuson	City Commissioner	6/30/2022
Dick Gulmon	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

Opinions

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Correction of Error

As discussed in Note 11 to the financial statements, the City determined that the General Fund and Permanent Flood Protection Fund inaccurately excluded revenue earned related to 2020 activity. The General Fund and Debt Service Funds also inaccurately excluded a 2020 interfund transfer. These items have resulted in a restatement of the fund balance of each respective fund as well as the related Governmental Activities net position as of January 1, 2021. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Fargo, North Dakota
September 2, 2022

City of Valley City, North Dakota

Statement of Net Position

December 31, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,612,376	\$ 4,949,412	\$ 12,561,788
Restricted cash	619,900	179,984	799,884
Receivables			
Accounts	137,268	697,354	834,622
Unbilled revenues	13,729	481,514	495,243
Interest	-	67	67
Property taxes	25,997	-	25,997
Special assessments	7,152,857	-	7,152,857
Due from other governmental units	623,104	-	623,104
Interfund balances	200,968	(200,968)	-
Prepaid items	3,581	20,555	24,136
Inventory	-	862,065	862,065
Unearned debits	-	3,642	3,642
Capital assets			
Land	173,800	424,693	598,493
Construction in progress	44,591,524	258,437	44,849,961
Infrastructure	49,497,628	-	49,497,628
Buildings and improvements	2,672,683	25,680,645	28,353,328
Machinery and equipment	1,576,532	11,217,484	12,794,016
Vehicles	4,266,784	-	4,266,784
Mains and lines	-	45,225,932	45,225,932
Less accumulated depreciation	(15,788,470)	(44,203,311)	(59,991,781)
Total assets	<u>103,380,261</u>	<u>45,597,505</u>	<u>148,977,766</u>
Liabilities			
Accounts payable	427,550	514,255	941,805
Accrued interest payable	117,645	13,811	131,456
Other liabilities	26,005	69,353	95,358
Deposits	496,382	-	496,382
Long-term liabilities			
Due within one year	1,849,890	477,523	2,327,413
Due in more than one year	15,837,292	880,000	16,717,292
Total liabilities	<u>18,754,764</u>	<u>1,954,942</u>	<u>20,709,706</u>
Net position			
Net investment in capital assets	69,560,756	37,603,880	107,164,636
Restricted	14,518,451	133,450	14,651,901
Unrestricted	546,290	5,905,233	6,451,523
Total net position	<u>\$ 84,625,497</u>	<u>\$ 43,642,563</u>	<u>\$ 128,268,060</u>

City of Valley City, North Dakota
Statement of Activities
Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 2,234,937	\$ 770,880	\$ -	\$ 188,572	\$ (1,275,485)	\$ -	\$ (1,275,485)
Public safety	1,969,384	128,863	52,416	-	(1,788,105)	-	(1,788,105)
Public works	2,559,341	923,079	-	2,734,237	1,097,975	-	1,097,975
Culture and recreation	325,831	-	-	-	(325,831)	-	(325,831)
Economic development	308,418	-	-	-	(308,418)	-	(308,418)
Interest on long-term debt	438,173	-	-	-	(438,173)	-	(438,173)
Total governmental activities	7,836,084	1,822,822	52,416	2,922,809	(3,038,037)	-	(3,038,037)
Business-type activities							
Electric	5,777,355	7,724,553	-	-	-	1,947,198	1,947,198
Water	2,576,919	1,660,752	-	-	-	(916,167)	(916,167)
Sewer facility	699,537	796,948	-	-	-	97,411	97,411
Garbage	1,210,398	1,161,715	-	-	-	(48,683)	(48,683)
Total business-type activities	10,264,209	11,343,968	-	-	-	1,079,759	1,079,759
Total Government	\$ 18,100,293	\$ 13,166,790	\$ 52,416	\$ 2,922,809	(3,038,037)	1,079,759	(1,958,278)
General revenues							
Sales and use tax					3,076,961	-	3,076,961
Property taxes					1,506,739	-	1,506,739
State aid					885,771	-	885,771
Unrestricted investment earnings					36,383	21,661	58,044
Miscellaneous					224,349	65,459	289,808
Transfers					1,885,744	(1,885,744)	-
Total general revenue and transfers					7,615,947	(1,798,624)	5,817,323
Change in net position					4,577,910	(718,865)	3,859,045
Net position - beginning, as restated					80,047,587	44,361,428	124,409,015
Net position - ending					\$ 84,625,497	\$ 43,642,563	\$ 128,268,060

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

City of Valley City, North Dakota
 Governmental Funds
 Balance Sheet
 December 31, 2021

	General	Permanent Flood Protection	Paving Projects	Infrastructure Renewal & Replacement	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 2,874,775	\$ 72,294	\$ -	\$ 271,116	\$ 2,660,428	\$ 1,733,763	\$ 7,612,376
Restricted cash	-	-	-	-	619,900	-	619,900
Due from other funds	-	-	-	1,770,263	-	596	1,770,859
Receivables							
Accounts	111,210	-	-	18,765	-	7,293	137,268
Taxes receivable - delinquent	-	-	-	-	-	3,349	3,349
Unbilled revenues	-	-	-	13,729	-	-	13,729
Property taxes	22,648	-	-	-	-	-	22,648
Special assessments							
Current	98,870	-	-	-	657,605	375	756,850
Delinquent	3,864	-	-	-	28,606	15,488	47,958
Deferred	397,666	-	-	-	5,949,633	750	6,348,049
Interfund	-	-	-	-	200,968	-	200,968
Due from other governmental units	44,472	80,137	-	198,288	-	300,207	623,104
Prepaid items	3,581	-	-	-	-	-	3,581
Total assets	\$ 3,557,086	\$ 152,431	\$ -	\$ 2,272,161	\$ 10,117,140	\$ 2,061,821	\$ 18,160,639
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$ 173,938	\$ 38,936	\$ 188,554	\$ -	\$ -	\$ 26,122	\$ 427,550
Due to other funds	-	-	1,754,156	-	-	16,703	1,770,859
Deposits	496,382	-	-	-	-	-	496,382
Other liabilities	26,005	-	-	-	-	-	26,005
Total liabilities	696,325	38,936	1,942,710	-	-	42,825	2,720,796
Deferred Inflows of Resources							
Unavailable revenue-property taxes	22,648	-	-	-	-	3,349	25,997
Unavailable revenue-special assessments	500,400	-	-	-	6,836,813	16,613	7,353,826
Total deferred inflows of resources	523,048	-	-	-	6,836,813	19,962	7,379,823
Fund Balance (Deficit)							
Nonspendable							
Prepaid items	3,581	-	-	-	-	-	3,581
Restricted for							
Debt service	-	-	-	-	3,280,327	-	3,280,327
Emergency services	-	-	-	-	-	68,076	68,076
Community development	-	-	-	-	-	1,947,579	1,947,579
Capital projects	-	113,495	-	-	-	-	113,495
Infrastructure	-	-	-	2,272,161	-	-	2,272,161
Unassigned	2,334,132	-	(1,942,710)	-	-	(16,621)	374,801
Total fund balance (deficit)	2,337,713	113,495	(1,942,710)	2,272,161	3,280,327	1,999,034	8,060,020
Total liabilities, deferred inflows of resources, and fund balance (deficit)	\$ 3,557,086	\$ 152,431	\$ -	\$ 2,272,161	\$ 10,117,140	\$ 2,061,821	\$ 18,160,639

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

City of Valley City, North Dakota
 Governmental Funds
 Reconciliation of the Balance Sheet to the Statement of Net Position
 December 31, 2021

Total Fund Balances – Governmental Funds	\$ 8,060,020
<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>	86,990,481
<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>	7,379,823
<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	(8,774,965)
Sales tax revenue bonds	(7,376,453)
PFA loan	(565,960)
Capital lease payable	(712,347)
Compensated absences	(257,457)
Accrued interest	(117,645)
	(19,804,837)
Total net position – governmental activities	\$ 84,625,497

City of Valley City, North Dakota
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2021

	General	Permanent Flood Protection	Paving Projects	Infrastructure Renewal & Replacement	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
General property taxes	\$ 1,109,461	\$ -	\$ -	\$ -	\$ 270,181	\$ 161,968	\$ 1,541,610
Special assessments	146,174	-	-	-	1,228,523	-	1,374,697
Franchise fees	61,088	-	-	435,314	-	-	496,402
Licenses and permits	46,353	-	-	-	-	-	46,353
Intergovernmental revenue	997,844	478,820	178,572	-	35,129	25,156	1,715,521
Fines and forfeitures	89,308	-	-	-	-	-	89,308
Sales tax	-	-	-	1,129,952	-	1,713,171	2,843,123
Miscellaneous revenue	385,568	-	-	-	233,838	16,442	635,848
Total revenues	2,835,796	478,820	178,572	1,565,266	1,767,671	1,916,737	8,742,862
Expenditures							
Current							
General government	1,573,117	-	-	-	-	-	1,573,117
Public safety	1,790,962	-	-	-	-	-	1,790,962
Public works	917,289	-	-	-	-	-	917,289
General government - other	37,590	-	-	-	-	308,723	346,313
Culture and recreation	153,914	-	-	-	-	146,261	300,175
Community development	-	-	-	-	-	437,152	437,152
Permanent flood protection	-	339,210	-	-	-	-	339,210
Miscellaneous	3,906	-	-	726	-	190,325	194,957
Capital outlay	1,079,699	200,597	4,612,486	12,457	-	306	5,905,545
Debt service							
Principal	397,785	-	-	-	1,583,122	-	1,980,907
Interest and fees	-	-	-	-	421,078	-	421,078
Total expenditures	5,954,262	539,807	4,612,486	13,183	2,004,200	1,082,767	14,206,705
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,118,466)	(60,987)	(4,433,914)	1,552,083	(236,529)	833,970	(5,463,843)
Other Financing Sources (Uses)							
Bond proceeds	-	1,100,000	260,960	-	1,315,000	-	2,675,960
Capital lease proceeds	780,564	-	-	-	-	-	780,564
Payment to bond refunding agent	-	-	-	-	(1,275,000)	-	(1,275,000)
Transfers in	2,041,212	-	4,291,718	-	362,944	600	6,696,474
Transfers out	(283,074)	-	(300)	(1,832,895)	-	(2,694,461)	(4,810,730)
Total other financing sources and uses	2,538,702	1,100,000	4,552,378	(1,832,895)	402,944	(2,693,861)	4,067,268
Net Change in Fund Balance	(579,764)	1,039,013	118,464	(280,812)	166,415	(1,859,891)	(1,396,575)
Fund Balance (Deficit), Beginning, as restated	2,917,477	(925,518)	(2,061,174)	2,552,973	3,113,912	3,858,925	9,456,595
Fund Balance (Deficit), Ending	\$ 2,337,713	\$ 113,495	\$ (1,942,710)	\$ 2,272,161	\$ 3,280,327	\$ 1,999,034	\$ 8,060,020

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, 2021

Net Change in Fund Balances - Total Governmental Funds \$ (1,396,575)

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	5,942,974
Depreciation expense	(1,531,617)

The contribution of capital assets by other governments is not a
current financial resource and is therefore not reported within
the governmental funds

2,087,046

The net effect of the disposal of capital assets is to decrease net position

(9,000)

Revenues in the statement of activities that do not provide current financial
resources are deferred and not reported as revenues in the funds

(283,696)

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

(13,511)

Interest payable is reported in the government wide statement
of net position but is not recorded in the governmental funds

(17,094)

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:

Debt issued	(2,675,960)
Capital lease issued	(780,564)
Capital lease retirement	397,785
Loan principal retirement	59,851
Bond principal retirement	2,798,271

Change in Net Position of Governmental Activities

\$ 4,577,910

City of Valley City, North Dakota

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
Year Ended December 31, 2021

	Original and Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
General property taxes	\$ 1,228,500	\$ 1,109,461	\$ (119,039)
Special assessments	145,000	146,174	1,174
Licenses and permits	48,500	46,353	(2,147)
Intergovernmental revenue	10,158,618	997,844	(9,160,774)
Fines and forfeitures	94,000	89,308	(4,692)
Franchise fees	61,000	61,088	88
Miscellaneous	318,050	385,568	67,518
	<u>12,053,668</u>	<u>2,835,796</u>	<u>(9,217,872)</u>
Total revenues			
Expenditures			
Current			
General government	1,176,587	1,573,117	(396,530)
Public safety	1,831,468	1,790,962	40,506
Public works	506,229	917,289	(411,060)
General government - other	92,380	37,590	54,790
Culture and recreation	133,145	153,914	(20,769)
Economic development	100	-	100
Miscellaneous	12,037,750	3,906	12,033,844
Capital outlay	402,149	1,079,699	(677,550)
Debt Service			
Principal	-	397,785	(397,785)
	<u>16,179,808</u>	<u>5,954,262</u>	<u>10,225,546</u>
Total expenditures			
Deficiency of Revenues Under Expenditures	(4,126,140)	(3,118,466)	1,007,674
Other Financing Sources (Uses)			
Capital lease proceeds	-	780,564	780,564
Transfers in	1,878,755	2,041,212	162,457
Transfers out	(545,092)	(283,074)	262,018
	<u>1,333,663</u>	<u>2,538,702</u>	<u>1,205,039</u>
Total other financing sources and uses			
Net Change in Fund Balance	<u>\$ (2,792,477)</u>	(579,764)	<u>\$ 2,212,713</u>
Fund Balance, Beginning, as restated		<u>2,917,477</u>	
Fund Balance, Ending		<u>\$ 2,337,713</u>	

City of Valley City, North Dakota
Proprietary Funds
Statement of Net Position
December 31, 2021

	Electric	Water	Sewer	Garbage	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 3,501,431	\$ 33,149	\$ 1,326,341	\$ 88,491	\$ 4,949,412
Accounts receivable - net					
Accounts	484,902	73,981	43,867	94,604	697,354
Accrued interest	-	56	11	-	67
Unbilled revenues	341,115	59,593	38,008	42,798	481,514
Inventories	724,099	137,966	-	-	862,065
Prepaid expenses	20,555	-	-	-	20,555
Total current assets	5,072,102	304,745	1,408,227	225,893	7,010,967
Capital assets					
Land	114,385	147,572	113,242	49,494	424,693
Construction in progress	217,875	7,271	33,291	-	258,437
Buildings and improvements	630,913	24,166,055	208,988	674,689	25,680,645
Machinery and equipment	5,279,502	3,003,114	952,062	1,982,806	11,217,484
Mains and lines	13,924,364	15,453,427	15,848,141	-	45,225,932
Less accumulated depreciation	(15,677,765)	(18,873,183)	(8,001,913)	(1,650,450)	(44,203,311)
Net capital assets	4,489,274	23,904,256	9,153,811	1,056,539	38,603,880
Unearned debits	-	3,642	-	-	3,642
Restricted cash	46,534	112,200	21,250	-	179,984
Total assets	9,607,910	24,324,843	10,583,288	1,282,432	45,798,473
Liabilities					
Current liabilities					
Accounts payable	484,725	2,757	3,662	23,111	514,255
Accrued interest payable	827	11,230	1,593	161	13,811
Customer deposits	46,534	-	-	-	46,534
Other liabilities	18,169	3,747	310	593	22,819
Interfund special assessments payable	4,418	41,275	424	750	46,867
Current maturities of long-term debt	357,523	105,000	15,000	-	477,523
Total current liabilities	912,196	164,009	20,989	24,615	1,121,809
Long-term debt (net of current portion)					
Bonds payable	-	755,000	125,000	-	880,000
Interfund special assessments payable	12,593	136,305	3,703	1,500	154,101
Total long-term debt	12,593	891,305	128,703	1,500	1,034,101
Total liabilities	924,789	1,055,314	149,692	26,115	2,155,910
Net Position					
Net investment in capital assets	4,489,274	23,044,256	9,013,811	1,056,539	37,603,880
Restricted	-	112,200	21,250	-	133,450
Unrestricted	4,193,847	113,073	1,398,535	199,778	5,905,233
Total net position	\$ 8,683,121	\$ 23,269,529	\$ 10,433,596	\$ 1,256,317	\$ 43,642,563

City of Valley City, North Dakota
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2021

	Electric	Water	Sewer	Garbage	Total
Operating Revenues					
Utility sales and service charges	\$ 7,715,105	\$ 1,658,575	\$ 795,771	\$ 1,019,274	\$ 11,188,725
Forfeited discounts and penalties	9,448	2,177	1,177	1,561	14,363
Landfill fees	-	-	-	140,880	140,880
Total operating revenues	7,724,553	1,660,752	796,948	1,161,715	11,343,968
Operating Expenses					
Production and pumping	62,288	432,235	-	-	494,523
Cost of power	3,741,607	-	-	-	3,741,607
Distribution expense	464,305	390,573	227,521	-	1,082,399
Landfill and collections	-	-	-	899,731	899,731
Customer accounts	57,811	16,290	1,393	4,299	79,793
Customer service and information	2,640	-	-	-	2,640
Administration and general	822,921	308,746	116,310	168,415	1,416,392
Depreciation	568,932	1,402,288	352,546	137,792	2,461,558
Costs of services contributed to city	56,024	5,665	53	-	61,742
Total operating expenses	5,776,528	2,555,797	697,823	1,210,237	10,240,385
Operating Income (Loss)	1,948,025	(895,045)	99,125	(48,522)	1,103,583
Nonoperating Revenues (Expenses)					
Net merchandising revenue					
gross revenue of \$156,735	50,836	13,010	1,209	404	65,459
Interest income	21,454	-	207	-	21,661
Interest on long-term debt	(827)	(21,122)	(1,714)	(161)	(23,824)
Total nonoperating revenues (expenses)	71,463	(8,112)	(298)	243	63,296
Income (Loss) Before Transfers	2,019,488	(903,157)	98,827	(48,279)	1,166,879
Transfers in (out)	(1,928,388)	41,275	619	750	(1,885,744)
Change in Net Position	91,100	(861,882)	99,446	(47,529)	(718,865)
Net Position, Beginning of Year	8,592,021	24,131,411	10,334,150	1,303,846	44,361,428
Net Position, End of Year	\$ 8,683,121	\$ 23,269,529	\$ 10,433,596	\$ 1,256,317	\$ 43,642,563

City of Valley City, North Dakota
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2021

	Electric	Water	Sewer	Garbage	Total
Operating Activities					
Receipts from customers and users	\$ 7,770,780	\$ 1,674,048	\$ 797,348	\$ 1,164,459	\$ 11,406,635
Payments for cost of power	(3,741,607)	-	-	-	(3,741,607)
Payments to employees and other vendors	(1,672,596)	(1,178,700)	(347,521)	(1,082,442)	(4,281,259)
Net cash from operating activities	<u>2,356,577</u>	<u>495,348</u>	<u>449,827</u>	<u>82,017</u>	<u>3,383,769</u>
Non-Capital Financing Activities					
Transfer to other funds	(1,928,388)	41,275	619	750	(1,885,744)
Change in interfund balances	-	(195,600)	195,600	-	-
Net cash from (used for) non-capital financing activities	<u>(1,928,388)</u>	<u>(154,325)</u>	<u>196,219</u>	<u>750</u>	<u>(1,885,744)</u>
Capital and Related Financing Activities					
Property and equipment additions	(566,030)	(153,345)	(459,872)	(4,840)	(1,184,087)
Payments on long-term debt					
Principal	-	(195,000)	(15,000)	-	(210,000)
Interfund special assessments payable	(4,418)	(41,275)	(619)	(880)	(47,192)
Interest	-	(13,004)	(1,550)	-	(14,554)
Net cash used for capital and related financing activities	<u>(570,448)</u>	<u>(402,624)</u>	<u>(477,041)</u>	<u>(5,720)</u>	<u>(1,455,833)</u>
Investing Activity					
Interest and dividends from investments	21,454	-	207	-	21,661
Change in Cash and Cash Equivalents	(120,805)	(61,601)	169,212	77,047	63,853
Cash and Cash Equivalents - Beginning of Year (including restricted cash)	<u>3,668,770</u>	<u>206,950</u>	<u>1,178,379</u>	<u>11,444</u>	<u>5,065,543</u>
Cash and Cash Equivalents - End of Year (including restricted cash)	<u>\$ 3,547,965</u>	<u>\$ 145,349</u>	<u>\$ 1,347,591</u>	<u>\$ 88,491</u>	<u>\$ 5,129,396</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 1,948,025	\$ (895,045)	\$ 99,125	\$ (48,522)	\$ 1,103,583
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation	568,932	1,402,288	352,546	137,792	2,461,558
Other income	50,836	13,010	1,209	404	65,459
Changes in assets and liabilities					
Accounts receivable	(4,609)	286	(809)	2,340	(2,792)
Inventories	(348,525)	12,629	-	-	(335,896)
Prepaid expenses	97,503	-	-	-	97,503
Unearned debits	-	119	-	-	119
Accounts payable	31,336	(38,019)	(2,298)	(9,940)	(18,921)
Customer deposits	(874)	-	-	-	(874)
Other liabilities	7,116	80	54	(57)	7,193
Compensated absences payable	6,837	-	-	-	6,837
Net cash from operating activities	<u>\$ 2,356,577</u>	<u>\$ 495,348</u>	<u>\$ 449,827</u>	<u>\$ 82,017</u>	<u>\$ 3,383,769</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.

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, 2021, 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). (i.e., Sales tax ordinance, budget ordinance).

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

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

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

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

Net Position

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

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, 2021, as follows:

Paving Projects	\$ 1,942,710
Nonmajor Governmental Funds	
City Share of Special Assessments	514
DOT Misc Projects	306
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.

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, 2021, 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, 2021, 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, 2021.

Type	Fair Value	Maturities (in Years)	
		N/A	< 1
Cash and cash equivalents			
Deposits	\$ 13,359,772	\$ 13,359,772	\$ -
Petty cash	1,900	1,900	-
	\$ 13,361,672	\$ 13,361,672	\$ -

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

Cash and cash equivalents - Statement of Net Position	\$ 12,561,788
Restricted cash - Statement of Net Position	<u>799,884</u>
	<u><u>\$ 13,361,672</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, 2021 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	42,134,972	6,552,525	4,095,973	44,591,524
Total capital assets not being depreciated	42,308,772	6,552,525	4,095,973	44,765,324
Capital assets, being depreciated				
Infrastructure	45,401,655	4,095,973	-	49,497,628
Buildings and improvements	2,179,827	492,856	-	2,672,683
Machinery and equipment	1,502,558	73,974	-	1,576,532
Vehicles	3,387,318	910,665	31,199	4,266,784
Total capital assets being depreciated	52,471,358	5,573,468	31,199	58,013,627
Less accumulated depreciation for				
Infrastructure	8,846,878	1,135,042	-	9,981,920
Buildings and improvements	1,897,538	60,886	-	1,958,424
Machinery and equipment	1,226,616	104,734	-	1,331,350
Vehicles	2,308,020	230,955	22,199	2,516,776
Total accumulated depreciation	14,279,052	1,531,617	22,199	15,788,470
Total capital assets being depreciated, net	38,192,306	4,041,851	9,000	42,225,157
Governmental activities capital assets, net	\$ 80,501,078	\$ 10,594,376	\$ 4,104,973	\$ 86,990,481

City of Valley City, North Dakota

Notes to Financial Statements

December 31, 2021

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	827,907	635,608	258,437
Total capital assets not being depreciated	490,831	827,907	635,608	683,130
Capital assets, being depreciated				
Buildings and improvements	25,590,583	90,062	-	25,680,645
Machinery and equipment	10,586,013	631,471	-	11,217,484
Mains and lines	44,955,677	270,255	-	45,225,932
Total capital assets being depreciated	81,132,273	991,788	-	82,124,061
Less accumulated depreciation for				
Buildings and improvements	6,742,990	403,361	-	7,146,351
Machinery and equipment	8,201,666	894,367	-	9,096,033
Mains and lines	26,797,097	1,163,830	-	27,960,927
Total accumulated depreciation	41,741,753	2,461,558	-	44,203,311
Total capital assets being depreciated, net	39,390,520	(1,469,770)	-	37,920,750
Business-type activities capital assets, net	\$ 39,881,351	\$ (641,863)	\$ 635,608	\$ 38,603,880

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

Governmental Activities		
General government		\$ 115,695
Public safety		96,749
Public works		1,313,009
Culture and recreation		6,164
Total depreciation expense - governmental activities		\$ 1,531,617
Business-Type Activities		
Electric		\$ 568,932
Water		1,402,288
Sewer facility		352,546
Garbage		137,792
Total depreciation expense - business-type activities		\$ 2,461,558

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, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Special assessment bonds	\$ 9,762,396	\$ 1,315,000	\$ 2,302,431	\$ 8,774,965	\$ 1,223,388
Sales tax revenue bonds	6,772,293	1,100,000	495,840	7,376,453	249,327
PFA loans	364,851	260,960	59,851	565,960	75,000
Capital lease	329,568	780,564	397,785	712,347	44,718
Compensated absences	243,946	162,701	149,190	257,457	257,457
	<u>\$ 17,473,054</u>	<u>\$ 3,619,225</u>	<u>\$ 3,405,097</u>	<u>\$ 17,687,182</u>	<u>\$ 1,849,890</u>
Governmental activity long-term debt					
Business-type activities					
Revenue bonds	\$ 1,210,000	\$ -	\$ 210,000	\$ 1,000,000	\$ 120,000
Compensated absences	350,686	335,545	328,708	357,523	357,523
	<u>\$ 1,560,686</u>	<u>\$ 335,545</u>	<u>\$ 538,708</u>	<u>\$ 1,357,523</u>	<u>\$ 477,523</u>
Business-type activity long-term debt					

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.

During the year ended December 31, 2021, the City issued Refunding Improvement Bonds of 2021 of \$1,315,000 to refund the outstanding Refunding Improvement Bonds of 2011. The bonds bear interest rates of 0.25 to 1.50% and call for semiannual payments of interest commencing November 2021 and annual principal payments commencing May 2022 through May 2031. The bonds are payable from the debt service fund primarily through special assessments levied against benefiting properties. The refunded bonds reduced the debt service payments by \$91,959 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$87,927.

During the year ended December 31, 2021, the City authorized the issuance of the Sales Tax Revenue Bond, Series 2021, in the amount of \$3,676,600 to finance the ongoing permanent flood protection project. The bond was purchased by the Bank of North Dakota through the North Dakota State Water Commission Revolving Loan Fund, which requires the City to submit draw requests upon incurring eligible expenditures for construction of the flood control project. As of December 31, 2021, the City has drawn \$1,100,000 of these bond funds. The bonds bear an interest rate of 2.0% and call for semiannual interest payments commencing September 2021 and annual principal payments September 2021 through September 2050. The bonds are payable from the debt service fund through pledged sales tax 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, \$3.29 million in sales tax revenue bonds issued in 2018, and \$1.1 million in sales tax revenue bonds issued in 2021. 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 \$620,303. Net sales tax revenue totaled \$2,843,123 for the year.

The 2018 Refunding Improvement Bonds and 2017 Refunding Improvement 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.

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.

During the year ended December 31, 2021, the City drew \$144,000 of its available \$300,000 Water Treatment Assessment Warrant, Series 2020, to finance the construction and completion of the 5th Avenue watermain replacement project. The loan bears an interest rate of 1.5% and calls for semiannual interest payments and annual principal payments, both commencing September 2021 through September 2040. The loan is payable from the debt service fund through special assessments levied against benefiting properties.

During the year ended December 31, 2021, the City drew \$116,960 of its available \$675,000 Wastewater Assessment Warrant, Series 2020, to finance the construction and completion of the 5th Ave storm and sanitary sewer replacement project. The loan bears an interest rate of 1.5% and calls for semiannual interest payments and annual principal payments, both commencing September 2021 through September 2040. The loan is payable from the debt service fund through special assessments levied against benefiting properties.

City of Valley City, North Dakota

Notes to Financial Statements

December 31, 2021

The annual requirements to amortize all bonded debt and loans outstanding as of December 31, 2021, are as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 1,547,715	\$ 414,853	\$ 120,000	\$ 4,900
2023	1,529,555	385,493	120,000	4,300
2024	1,569,661	354,456	120,000	3,700
2025	1,428,059	313,624	120,000	3,100
2026	1,380,455	284,511	125,000	2,500
2027-2031	4,555,540	977,201	395,000	2,850
2032-2036	2,139,232	351,802	-	-
2037-2041	1,269,605	152,001	-	-
2042-2046	1,001,497	67,378	-	-
2047-2050	296,059	6,248	-	-
Total	<u>\$ 16,717,378</u>	<u>\$ 3,307,567</u>	<u>\$ 1,000,000</u>	<u>\$ 21,350</u>

A listing of all bonded debt and loans outstanding as of December

	Interest Rate	Final Year of Maturity	Authorized and Issued	Outstanding
Governmental activities				
2003 Bridgeview Estates				
Special Assessment Bonds	5.80	2024	\$ 338,460	\$ 78,071
Tax Increment Financing Bonds of 2008	4.50	2024	825,000	231,894
2013 Refunding Improvement Bond	0.35 - 2.20	2026	955,000	245,000
2013 Sales Tax Revenue Bond	0.50 - 3.00	2028	2,900,000	1,465,000
2015 Improvement Bond	2.00 - 3.25	2040	4,545,000	2,780,000
2016 Refunding Improvement Bond	0.80 - 1.65	2026	1,295,000	605,000
2016 Sales Tax Revenue Bond	1.50	2047	860,614	730,408
2017 Refunding Improvement Bond	2.91	2047	2,150,000	1,820,000
2017 Sales Tax Revenue Bond	1.50	2047	1,392,500	1,225,557
2018 Refunding Improvement Bond	3.00 - 4.00	2038	1,975,000	1,700,000
2018 Sales Tax Revenue Bond	1.50	2048	3,289,400	2,992,916
2019 Clean Water State Revolving Fund Program	1.50	2039	395,851	345,000
2020 Drinking Water Assessment Warrant	1.50	2040	144,000	134,000
2020 Wastewater Treatment Assessment Warrant	1.50	2040	116,960	86,960
2021 Sales Tax Revenue Bond	2.00	2050	1,100,000	962,572
2021 Refunding Improvement Bond	0.25 - 1.50	2031	1,315,000	1,315,000
Total				<u>\$ 16,717,378</u>
Business-type activities				
Wastewater Treatment Revenue				
Bond, series 2009	0.5	2025	\$ 260,000	\$ 140,000
Water Treatment Revenue Bond, series 2009	0.5	2030	4,485,031	860,000
Total				<u>\$ 1,000,000</u>

During the year ended December 31, 2021, the City entered into a direct financing capital lease agreement for the purchase of two motor graders and a wheel loader. The capital lease agreement requires annual payments of principal and interest, at an interest rate from 3.25% commencing August 2021 through August 2028. Payments are made from the general fund. The lease agreement contains a provision that in the event of default, the equipment will be repossessed.

Total cost of the assets under capital lease was \$780,000 with accumulated depreciation of \$51,999 as of December 31, 2021.

The annual requirements to amortize the capital lease outstanding as of December 31, 2021, are as follows:

<u>Years Ending December 31,</u>	<u>Capital lease</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 44,718	\$ 23,499
2023	46,193	22,024
2024	47,717	20,500
2025	49,291	18,926
2026	50,917	17,300
2027-2028	473,511	29,505
Total	<u>\$ 712,347</u>	<u>\$ 131,754</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, 2021, there were series of Industrial Revenue Bonds outstanding; the aggregate principal amount payable is \$1,995,000. Neither the State of North Dakota nor the City of Valley City has a central repository. The only requirement for this type of issue is to request the amount needed for City approval, most times this amount is in excess of the actual amount issued. When completely paid or called they must notify the City of this event.

Note 7 - Interfund Receivables, Payables, and Transfers

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

	Due From Other Funds	Due To Other Funds
Infrastructure Renewal & Replacement	\$ 1,770,263	\$ -
Paving Projects	-	1,754,156
Other governmental funds	596	16,703
	<u>\$ 1,770,859</u>	<u>\$ 1,770,859</u>

A summary of the City's interfund special assessment balances at December 31, 2021, is as follows:

	Interfund Special Assessments Receivable	Interfund Special Assessments Payable
Debt Service	\$ 200,968	\$ -
Electric	-	17,011
Water	-	177,580
Sewer	-	4,127
Garbage	-	2,250
	<u>\$ 200,968</u>	<u>\$ 200,968</u>

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

	Transfer In	Transfer Out
Governmental Funds		
General	\$ 2,041,212	\$ 283,074
Infrastructure Renewal & Replacement	-	1,832,895
Paving Projects	4,291,718	300
Debt Service	362,944	-
Non-major governmental	600	2,694,461
Total governmental funds	<u>6,696,474</u>	<u>4,810,730</u>
Proprietary Funds		
Electric	4,418	1,932,806
Water	41,275	-
Sewer	619	-
Garbage	750	-
Total proprietary funds	<u>47,062</u>	<u>1,932,806</u>
Total transfers	<u>\$ 6,743,536</u>	<u>\$ 6,743,536</u>

Transfers are made for closing funds, 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 2021 was \$350,479 including Public Works in the amount of \$195,267. The City had a liability to the plan at December 31, 2021, of \$422.

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, 2021, 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, 2021. For the ongoing Permanent Flood Protection project throughout Valley City the following commitments are outstanding: Phase VI Permanent Flood Protection Construction commitment of \$928,261.

The City entered into a contract with the NDDOT for 5th Ave NW reconstruction project for \$3,922,430 of which \$1,850,000 is funded by NDDOT, \$290,200 funded by SWC with a local share of \$1,782,230. As of December 31, 2021, the remaining commitment is approximately \$66,000.

The City has a 7th Ave NW reconstruction project for \$3,284,531. As of December 31, 2021, the remaining commitment is approximately \$133,000.

The City has an ongoing Streetscape II Paving project for \$1,939,682. As of December 31, 2021, the remaining commitment is approximately \$207,000.

The City has an ongoing Paving Reconstruction and Underground project for \$147,498. As of December 31, 2021, the remaining commitment is approximately \$40,000.

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, 2021:

The city has various two-to-five-year property tax incentives for New Residential Properties, Renaissance Zone Properties, Commercial Remodels, and Payment in Lieu of Taxes (PILOT). The total tax abatements for 2021 totaled \$98,768.

Note 11 - Restatement

As of January 1, 2021, the City determined that the General Fund and Permanent Flood Protection Fund inaccurately excluded revenue earned related to 2020 activity. The General Fund and Debt Service Funds also inaccurately excluded a 2020 interfund transfer. These items have resulted in a restatement of the fund balance of each respective fund as well as the related Governmental Activities net position as of January 1, 2021.

	General Fund	Debt Service Fund	Permanent Flood Protection Fund	Governmental Activities Funds
Net Position/Fund Balance (Deficit) - December 31, 2020, as previously reported	\$ 2,769,850	\$ 3,108,339	\$ (1,213,564)	\$ 79,606,341
Restatement due to previously unrecorded revenue	153,200	-	288,046	441,246
Restatement due to previously recorded fund transfer	(5,573)	5,573	-	-
Net Position/Fund Balance (Deficit) - January 1, 2021, as restated	<u>\$ 2,917,477</u>	<u>\$ 3,113,912</u>	<u>\$ (925,518)</u>	<u>\$ 80,047,587</u>

Note 12 - Subsequent Event

The City has evaluated subsequent events through September 2, 2022, the date which the financial statements were available to be issued. The City declared a natural disaster during Spring 2022 due to flooding of the Sheyenne River.

In addition, the City drew down loan funding through various sources. During June 2022, the City drew down \$500,000 of Bank of North Dakota loan proceeds to be used for the Firehall building addition. The City also drew down \$1,400,982 and \$67,219 of Drinking Water and Clean Water State Revolving Funds during 2022. These loan funds will be used to fund ongoing city construction projections.



Supplementary Information
December 31, 2021

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, 2021

	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	American Recovery Plan Department	Large Capital Projects Reserve Department	Streets Department	Total General Fund
Revenues											
General property taxes	\$ 1,109,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,109,461
Special assessments	1,706	144,468	-	-	-	-	-	-	-	-	146,174
Franchise fees	-	-	-	-	-	-	61,088	-	-	-	61,088
Licenses and permits	46,353	-	-	-	-	-	-	-	-	-	46,353
Intergovernmental revenue	567,505	-	-	37,500	-	-	-	-	392,839	-	997,844
Fines and forfeitures	89,308	-	-	-	-	-	-	-	-	-	89,308
Miscellaneous revenue	318,202	-	57,957	-	-	-	-	-	-	9,409	385,568
Total revenues	2,132,535	144,468	57,957	37,500	-	-	61,088	-	-	402,248	2,835,796
Expenditures											
Current											
General government	1,573,117	-	-	-	-	-	-	-	-	-	1,573,117
Public safety	1,790,962	-	-	-	-	-	-	-	-	-	1,790,962
Public works	-	-	-	-	-	-	-	-	917,289	-	917,289
General government - other	37,590	-	-	-	-	-	-	-	-	-	37,590
Culture and recreation	153,914	-	-	-	-	-	-	-	-	-	153,914
Miscellaneous	-	-	-	3,906	-	-	-	-	-	-	3,906
Capital outlay	10,337	-	358,836	123,489	587,037	-	-	-	-	-	1,079,699
Debt Service Principal	-	-	-	-	397,785	-	-	-	-	-	397,785
Total expenditures	3,565,920	-	358,836	127,395	984,822	-	-	-	-	917,289	5,954,262
Excess (Deficiency) of Revenues over (Under) Expenditures	(1,433,385)	144,468	(300,879)	(89,895)	(984,822)	-	61,088	-	-	(515,041)	(3,118,466)
Other Financing Sources (Uses)											
Capital lease proceeds	-	-	-	-	780,564	-	-	-	-	-	780,564
Transfers in	1,272,180	43	19,855	115,363	130,000	-	-	-	458,306	395,000	2,390,747
Transfers out	(505,898)	(66,711)	-	-	-	(60,000)	-	-	-	-	(632,609)
Total other financing sources and uses	766,282	(66,668)	19,855	115,363	910,564	(60,000)	-	-	458,306	395,000	2,538,702
Net Change in Fund Balance	(667,103)	77,800	(281,024)	25,468	(74,258)	(60,000)	61,088	-	458,306	(120,041)	(579,764)
Fund Balance (Deficit), Beginning, as restated	2,055,739	(249,861)	90,000	128,420	101,096	523,480	223,310	-	-	45,293	2,917,477
Fund Balance (Deficit), Ending	\$ 1,388,636	\$ (172,061)	\$ (191,024)	\$ 153,888	\$ 26,838	\$ 463,480	\$ 284,398	\$ -	\$ 458,306	\$ (74,748)	\$ 2,337,713

City of Valley City, North Dakota
 Nonmajor Governmental Funds
 Combined Balance Sheet
 December 31, 2021

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,733,763	\$ -	\$ 1,733,763
Receivables			
Accounts	7,293	-	7,293
Taxes receivable - delinquent	3,349	-	3,349
Special Assessments			
Current	375	-	375
Delinquent	15,488	-	15,488
Deferred	750	-	750
Due from other funds	596	-	596
Due from other governmental units	300,207	-	300,207
	<u>2,061,821</u>	<u>-</u>	<u>2,061,821</u>
Total assets	<u>\$ 2,061,821</u>	<u>\$ -</u>	<u>\$ 2,061,821</u>
Liabilities			
Accounts payable	\$ 26,122	\$ -	\$ 26,122
Due to other funds	596	16,107	16,703
	<u>26,718</u>	<u>16,107</u>	<u>42,825</u>
Total liabilities	<u>26,718</u>	<u>16,107</u>	<u>42,825</u>
Deferred Inflows of Resources			
Unavailable revenue-property taxes	3,349	-	3,349
Unavailable revenue-special assessments	16,613	-	16,613
	<u>19,962</u>	<u>-</u>	<u>19,962</u>
Total deferred inflows of resources	<u>19,962</u>	<u>-</u>	<u>19,962</u>
Fund balance (deficit)			
Restricted			
Community development	1,947,579	-	1,947,579
Emergency services	68,076	-	68,076
Unassigned	(514)	(16,107)	(16,621)
	<u>2,015,141</u>	<u>(16,107)</u>	<u>1,999,034</u>
Total fund balance (deficit)	<u>2,015,141</u>	<u>(16,107)</u>	<u>1,999,034</u>
Total liabilities, deferred inflows and fund balance (deficit)	<u>\$ 2,061,821</u>	<u>\$ -</u>	<u>\$ 2,061,821</u>

City of Valley City, North Dakota
 Nonmajor Governmental Funds
 Combined Schedule of Revenues, Expenditures and Changes in Fund Balances
 Year Ended December 31, 2021

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues			
General property taxes	\$ 161,968	\$ -	\$ 161,968
Intergovernmental revenue	25,156	-	25,156
Sales tax	1,713,171	-	1,713,171
Miscellaneous revenue	7,480	8,962	16,442
	<u>1,907,775</u>	<u>8,962</u>	<u>1,916,737</u>
Expenditures			
General government - other	308,723	-	308,723
Culture and recreation	146,261	-	146,261
Community development	437,152	-	437,152
Capital outlay	-	306	306
Other	190,325	-	190,325
	<u>1,082,461</u>	<u>306</u>	<u>1,082,767</u>
Excess of Revenues Over Expenditures			
	825,314	8,656	833,970
Other Financing Sources (Uses)			
Transfers in	-	600	600
Transfers out	(2,694,461)	-	(2,694,461)
	<u>(2,694,461)</u>	<u>600</u>	<u>(2,693,861)</u>
Net Change in Fund Balance			
	(1,869,147)	9,256	(1,859,891)
Fund Balance (Deficit), Beginning of Year			
	<u>3,884,288</u>	<u>(25,363)</u>	<u>3,858,925</u>
Fund Balance (Deficit), End of Year			
	<u>\$ 2,015,141</u>	<u>\$ (16,107)</u>	<u>\$ 1,999,034</u>

City of Valley City, North Dakota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2021

	City Share of Special Assessments	Special Assessment Deficiency	Emergency	Library	City Sales Tax Economic	City Sales Tax Property
Assets						
Cash and cash equivalents	\$ -	\$ 12,453	\$ 68,076	\$ 685	\$ 1,095,536	\$ 147,035
Receivables						
Accounts	-	-	-	-	-	-
Taxes receivable - delinquent	638	-	-	2,711	-	-
Special Assessments						
Current	-	375	-	-	-	-
Delinquent	-	15,488	-	-	-	-
Deferred	-	750	-	-	-	-
Due from other governmental units	93	-	-	376	126,721	45,257
Due from other funds	-	596	-	-	-	-
Total assets	\$ 731	\$ 29,662	\$ 68,076	\$ 3,772	\$ 1,222,257	\$ 192,292
Liabilities						
Accounts payable	\$ 11	\$ -	\$ -	\$ 1,061	\$ 25,000	\$ -
Due to other funds	596	-	-	-	-	-
Total liabilities	607	-	-	1,061	25,000	-
Deferred Inflows of Resources						
Unavailable revenue - property taxes	638	-	-	2,711	-	-
Unavailable revenue - special assessments	-	16,613	-	-	-	-
Total deferred inflow of resources	638	16,613	-	2,711	-	-
Fund Balance (Deficit)						
Restricted for						
Community development	-	13,049	-	-	1,197,257	192,292
Emergency services	-	-	68,076	-	-	-
Unassigned	(514)	-	-	-	-	-
Total fund (deficit) balance	(514)	13,049	68,076	-	1,197,257	192,292
Total liabilities, deferred inflows, and fund (deficit) balance	\$ 731	\$ 29,662	\$ 68,076	\$ 3,772	\$ 1,222,257	\$ 192,292

City of Valley City, North Dakota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2021

	City Sales Tax Image Enhancement	City Sales Tax School Bond	Motel Occupancy	Restaurant Tax	Municipal Infrastructure	Total Nonmajor Special Revenue Funds
Assets						
Cash and cash equivalents	\$ 75,810	\$ -	\$ 43,418	\$ 40,750	\$ 250,000	\$ 1,733,763
Receivables						
Accounts	-	-	7,293	-	-	7,293
Taxes receivable - delinquent	-	-	-	-	-	3,349
Special Assessments						
Current	-	-	-	-	-	375
Delinquent	-	-	-	-	-	15,488
Deferred	-	-	-	-	-	750
Due from other governmental units	9,051	90,515	-	28,194	-	300,207
Due from other funds	-	-	-	-	-	596
Total assets	\$ 84,861	\$ 90,515	\$ 50,711	\$ 68,944	\$ 250,000	\$ 2,061,821
Liabilities						
Accounts payable	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ 26,122
Due to other funds	-	-	-	-	-	596
Total liabilities	50	-	-	-	-	26,718
Deferred Inflows of Resources						
Unavailable revenue - property taxes	-	-	-	-	-	3,349
Unavailable revenue - special assessments	-	-	-	-	-	16,613
Total deferred inflow of resources	-	-	-	-	-	19,962
Fund Balance (Deficit)						
Restricted for						
Community development	84,811	90,515	50,711	68,944	250,000	1,947,579
Emergency services	-	-	-	-	-	68,076
Unassigned	-	-	-	-	-	(514)
Total fund (deficit) balance	84,811	90,515	50,711	68,944	250,000	2,015,141
Total liabilities, deferred inflows, and fund (deficit) balance	\$ 84,861	\$ 90,515	\$ 50,711	\$ 68,944	\$ 250,000	\$ 2,061,821

City of Valley City, North Dakota
 Nonmajor Special Revenue Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Year Ended December 31, 2021

	City Share of Special Assessments	Special Assessment Deficiency	Emergency	Library	City Sales Tax Economic	City Sales Tax Property
Revenues						
General property taxes	\$ 29,860	\$ -	\$ -	\$ 132,108	\$ -	\$ -
Intergovernmental revenue	1,003	-	-	14,153	-	-
Sales tax	-	-	-	-	557,128	282,488
Miscellaneous revenue	-	5,450	-	-	-	-
Total revenues	30,863	5,450	-	146,261	557,128	282,488
Expenditures						
General government - other	-	-	-	-	-	-
Culture and recreation	-	-	-	146,261	-	-
Community development	33,898	-	-	-	403,254	-
Other	-	2,634	-	-	-	-
Total expenditures	33,898	2,634	-	146,261	403,254	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,035)	2,816	-	-	153,874	282,488
Other Financing Uses						
Transfers out	-	-	-	-	-	(200,000)
Net Change in Fund Balance	(3,035)	2,816	-	-	153,874	82,488
Fund Balance, Beginning of Year	2,521	10,233	68,076	-	1,043,383	109,804
Fund (Deficit) Balance, End of Year	\$ (514)	\$ 13,049	\$ 68,076	\$ -	\$ 1,197,257	\$ 192,292

City of Valley City, North Dakota
 Nonmajor Special Revenue Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Year Ended December 31, 2021

	City Sales Tax Image Enhancement	City Sales Tax School Bond	Motel Occupancy	Restaurant Tax	Municipal Infrastructure	Total Nonmajor Special Revenue Funds
Revenues						
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 161,968
Intergovernmental revenue	10,000	-	-	-	-	25,156
Sales tax	56,498	564,976	92,208	159,873	-	1,713,171
Miscellaneous revenue	2,030	-	-	-	-	7,480
Total revenues	68,528	564,976	92,208	159,873	-	1,907,775
Expenditures						
General government - other	-	230,000	78,723	-	-	308,723
Culture and recreation	-	-	-	-	-	146,261
Community development	-	-	-	-	-	437,152
Other	36,285	-	-	151,406	-	190,325
Total expenditures	36,285	230,000	78,723	151,406	-	1,082,461
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,243	334,976	13,485	8,467	-	825,314
Other Financing Uses						
Transfers out	-	(244,461)	-	-	(2,250,000)	(2,694,461)
Net Change in Fund Balance	32,243	90,515	13,485	8,467	(2,250,000)	(1,869,147)
Fund Balance, Beginning of Year	52,568	-	37,226	60,477	2,500,000	3,884,288
Fund (Deficit) Balance, End of Year	\$ 84,811	\$ 90,515	\$ 50,711	\$ 68,944	\$ 250,000	\$ 2,015,141

City of Valley City, North Dakota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2021

	DOT Misc Projects	Water Main Projects	Underground Construction	NW & West Storm Sewer	Total Nonmajor Capital Projects Funds
Assets					
Total assets	\$ -	\$ -	\$ -	\$ -	\$ -
Liabilities					
Due to other funds	306	-	-	15,801	16,107
Fund Deficit					
Unassigned	(306)	-	-	(15,801)	(16,107)
Total liabilities and fund deficit	\$ -	\$ -	\$ -	\$ -	\$ -

City of Valley City, North Dakota
 Nonmajor Capital Projects Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
 Year Ended December 31, 2021

	DOT Misc Projects	Watermain Projects	Underground Construction	NW & West Storm Sewer	Total Nonmajor Capital Projects Funds
Revenues					
Miscellaneous revenues	\$ -	\$ 8,962	\$ -	\$ -	\$ 8,962
Expenditures					
Capital outlay	306	-	-	-	306
Excess (Deficiency) of Revenues Over (Under) Expenditures	(306)	8,962	-	-	8,656
Other Financing Sources (Uses)					
Transfers in (out)	-	300	300	-	600
Net Change in Fund Balance	(306)	9,262	300	-	9,256
Fund Balance (Deficit), Beginning of Year	-	(9,262)	(300)	(15,801)	(25,363)
Fund Balance (Deficit), End of Year	<u>\$ (306)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,801)</u>	<u>\$ (16,107)</u>

City of Valley City, North Dakota
 General Operations Department
 Schedule of Revenues – Budget to Actual
 Year Ended December 31, 2021

	Original and Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
General property taxes	\$ 1,228,500	\$ 1,109,461	\$ (119,039)
Special assessments	-	1,706	1,706
Licenses and permits	48,500	46,353	(2,147)
Intergovernmental revenue	456,530	567,505	110,975
Fines and forfeitures	94,000	89,308	(4,692)
Miscellaneous	261,050	318,202	57,152
Total revenues	<u>2,088,580</u>	<u>2,132,535</u>	<u>43,955</u>
Expenditures			
Current			
General government	1,176,587	1,573,117	(396,530)
Public safety	1,820,218	1,790,962	29,256
General government - other	42,380	37,590	4,790
Culture and recreation	133,145	153,914	(20,769)
Economic development	100	-	100
Capital outlay	61,250	10,337	50,913
Total expenditures	<u>3,233,680</u>	<u>3,565,920</u>	<u>(332,240)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,145,100)	(1,433,385)	(288,285)
Other Financing Sources (Uses)			
Transfers in	1,132,500	1,272,180	139,680
Transfers out	(545,092)	(505,898)	39,194
Total other financing sources and uses	<u>587,408</u>	<u>766,282</u>	<u>178,874</u>
Net Change in Fund Balance	<u>\$ (557,692)</u>	(667,103)	<u>\$ (109,411)</u>
Fund Balance, Beginning		<u>2,055,739</u>	
Fund Balance, Ending		<u>\$ 1,388,636</u>	

City of Valley City, North Dakota
 General Operations Department
 Schedule of Expenditures – Budget to Actual
 Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures			
General Government			
Council and mayor			
Salaries	\$ 57,200	\$ 56,788	\$ 412
Miscellaneous expenditures	9,530	6,733	2,797
	<u>66,730</u>	<u>63,521</u>	<u>3,209</u>
Municipal court			
Salaries	96,692	85,634	11,058
Legal	4,000	1,335	2,665
Miscellaneous expense	19,750	5,256	14,494
	<u>120,442</u>	<u>92,225</u>	<u>28,217</u>
Assessor			
Salaries	211,505	221,931	(10,426)
Travel	800	1,481	(681)
Miscellaneous expense	(12,675)	66,863	(79,538)
	<u>199,630</u>	<u>290,275</u>	<u>(90,645)</u>
Auditor & City Administrator			
Salaries	280,728	280,195	533
Travel	2,700	691	2,009
Office supplies	2,900	5,667	(2,767)
Operating expenditures	13,960	11,261	2,699
	<u>300,288</u>	<u>297,814</u>	<u>2,474</u>
Attorney			
Salaries and legal	54,488	55,853	(1,365)
Operating expenditures	5,700	5,020	680
	<u>60,188</u>	<u>60,873</u>	<u>(685)</u>

City of Valley City, North Dakota
 General Operations Department
 Schedule of Expenditures – Budget to Actual
 Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance With Final Budget
City Buildings			
Utilities	33,600	23,688	9,912
Operating expense	37,500	25,355	12,145
Repairs and maintenance	15,711	6,171	9,540
	<u>86,811</u>	<u>55,214</u>	<u>31,597</u>
Nondepartmental			
Blue Cross premium	289,823	291,478	(1,655)
Insurance	12,210	13,491	(1,281)
Audit	17,000	14,900	2,100
Miscellaneous	23,465	393,326	(369,861)
	<u>342,498</u>	<u>713,195</u>	<u>(370,697)</u>
Total general government	<u>1,176,587</u>	<u>1,573,117</u>	<u>(396,530)</u>
Public safety			
Police department			
Salaries	1,047,291	1,052,814	(5,523)
Investigation	16,000	16,000	-
Employee pension	93,409	90,715	2,694
Insurance	22,560	21,014	1,546
Operating expenditures	130,418	133,247	(2,829)
Building upkeep	5,000	1,133	3,867
Capital outlay	4,000	3,907	93
	<u>1,318,678</u>	<u>1,318,830</u>	<u>(152)</u>
Fire department			
Salaries	340,752	333,069	7,683
Insurance	9,000	4,385	4,615
Operating expenditures	79,350	59,592	19,758
Building upkeep	4,900	2,894	2,006
Capital outlay	7,250	4,902	2,348
	<u>441,252</u>	<u>404,842</u>	<u>36,410</u>
Civil defense			
Operating expenditures	42,000	46,561	(4,561)
Health	29,538	29,538	-
Total public safety	<u>1,831,468</u>	<u>1,799,771</u>	<u>31,697</u>

City of Valley City, North Dakota
 General Operations Department
 Schedule of Expenditures – Budget to Actual
 Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
General government - Other			
Planning and zoning	15,000	10,260	4,740
Community programs	22,000	22,000	-
Capital outlay	50,000	1,528	48,472
Miscellaneous	5,380	5,330	50
Total general government - other	<u>92,380</u>	<u>39,118</u>	<u>53,262</u>
Culture and recreation			
Recreation center			
Operating expenditures	<u>18,300</u>	<u>18,197</u>	<u>103</u>
Auditorium/Armory			
Management fee	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Park District			
State Aid	<u>94,845</u>	<u>115,552</u>	<u>(20,707)</u>
Total culture and recreation	<u>133,145</u>	<u>153,914</u>	<u>(20,769)</u>
Economic development			
Industrial development	<u>100</u>	<u>-</u>	<u>100</u>
Total expenditures	<u>\$ 3,233,680</u>	<u>\$ 3,565,920</u>	<u>\$ (332,240)</u>



Additional Reports
December 31, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated September 2, 2022.

Report on 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 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, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 as item 2021-001 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 deficiencies described in the accompanying Schedule of Findings as item 2021-002 to be a significant deficiency.

Report on 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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Fargo, North Dakota
September 2, 2022

Section II – Financial Statement Findings

**2021-001 Material Journal Entries including Restatement
Material Weakness**

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

Condition – During the course of our engagement, we proposed a material audit adjustment including a restatement, 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, including a restatement.

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.

2021-002 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 – 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.