

**CITY OF VALLEY CITY  
VALLEY CITY, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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**CITY OF VALLEY CITY**  
**OFFICIAL DIRECTORY (UNAUDITED)**  
**AS OF DECEMBER 31, 2023**

<u>Names</u>	<u>Office</u>	<u>Term</u>
Dave Carlsrud	President	6/30/2026
Mike Bishop	City Commissioner	6/30/2024
Jeff Erickson	City Commissioner	6/30/2026
Dick Gulmon	City Commissioner	6/30/2024
Duane Magnuson	City Commissioner	6/30/2026

<u>Administration</u>	<u>Position</u>
Gwen Crawford	City Administrator
Brenda Klein	Finance Director
Gary Jacobson	Accountant/Office Manager

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valley City, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Valley City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valley City, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Correction of an Error*

As discussed in Note 2 to the financial statements, the City of Valley City has adjusted the beginning balance of capital assets resulting in a prior period restatement. Our opinion has not been 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 of Valley City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, schedule of city pension contributions, schedule of city's share of net pension liability, schedule of contributions to the OPEB plan and schedule of City's share of the OPEB liability as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information is the responsibility of management and, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Valley City's basic financial statements. The accompanying Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - General Fund, by department, Nonmajor combining statements, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – General Fund, by department, Nonmajor combining statements, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024, on our consideration of the City of Valley City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Valley City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Valley City's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

September 26, 2024



**CITY OF VALLEY CITY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 11,813,862	\$ 6,448,373	\$ 18,262,235
Restricted Cash	776,178	133,450	909,628
Receivables:			
Accounts (net)	286,967	872,845	1,159,812
Unbilled Revenues	16,934	467,324	484,258
Interest	-	44,169	44,169
Intergovernmental Receivable	1,169,701	-	1,169,701
Property Taxes	15,956	-	15,956
Special Assessments	6,916,635	-	6,916,635
Leases	-	25,361	25,361
Prepaid Items	-	12,932	12,932
Inventories	-	975,289	975,289
Unearned Debits	-	3,642	3,642
Total Current Assets	20,996,233	8,983,385	29,979,618
Capital Assets not being Depreciated:			
Land	1,383,540	392,498	1,776,038
Construction in Progress	10,026,603	679,232	10,705,835
Infrastructure	93,962,822	-	93,962,822
Buildings and improvements	3,084,838	17,364,337	20,449,175
Machinery and Equipment	1,673,271	22,812,525	24,485,796
Vehicles	3,534,105	-	3,534,105
Mains and Lines	-	46,615,712	46,615,712
Right of Use Leased Assets	219,861	23,399	243,260
Accumulated Depreciation and Amortization	(21,302,718)	(48,731,729)	(70,034,447)
Total Capital Assets (Net of Accumulated Depreciation and Amortization)	92,582,322	39,155,974	131,738,296
Total Assets	113,578,555	48,139,359	161,717,914
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Cost Sharing Defined Benefit Pension Plan - Main Plan	1,324,628	-	1,324,628
Cost Sharing Defined Benefit Pension Plan - Safety Plan	431,024	-	431,024
Cost Sharing OPEB	59,382	-	59,382
Total Deferred Outflows of Resources	1,815,034	-	1,815,034

See Notes to the Financial Statements

**CITY OF VALLEY CITY**  
**STATEMENT OF NET POSITION - CONTINUED**  
**DECEMBER 31, 2023**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 2,008,071	\$ 446,323	\$ 2,454,394
Accrued Interest Payable	75,566	2,443	78,009
Deposits Payable	23,868	113,327	137,195
Unearned Revenue	4,727,100	-	4,727,100
Salaries and Benefits Payable	37,379	17,492	54,871
Long-Term Liabilities Due Within One Year	2,032,519	536,624	2,569,143
Noncurrent Liabilities:			
Bonds Payable	13,603,562	760,000	14,363,562
Notes Payable	2,235,805	-	2,235,805
Finance Purchase	621,435	-	621,435
Other Post Employment Benefits - NDPERS	86,473	-	86,473
Net Pension Liability - Main Plan	1,065,533	-	1,065,533
Net Pension Liability - Safety Plan	94,929	-	94,929
Leases	56,048	9,880	65,928
Compensated Absences Payable	275,991	409,874	685,865
Less Amounts Due within One Year	<u>(2,032,519)</u>	<u>(536,624)</u>	<u>(2,569,143)</u>
Total Liabilities	<u>24,911,760</u>	<u>1,759,339</u>	<u>26,671,099</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Cost Sharing Defined Benefit Pension Plan - Main Plan	814,643	-	814,643
Cost Sharing Defined Benefit Pension Plan - Safety Plan	415,683	-	415,683
Cost Sharing OPEB	8,151	-	8,151
Leases	-	24,995	24,995
Total Deferred Inflows of Resources	<u>1,238,477</u>	<u>24,995</u>	<u>1,263,472</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	76,065,472	38,386,094	114,451,566
Restricted for:			
Community Development	2,290,086	-	2,290,086
Debt Service	9,637,513	-	9,637,513
Emergency Services	12,013	-	12,013
Infrastructure	3,392,781	-	3,392,781
Unrestricted	<u>(2,154,513)</u>	<u>7,968,931</u>	<u>5,814,418</u>
Total Net Position	<u>\$ 89,243,352</u>	<u>\$ 46,355,025</u>	<u>\$ 135,598,377</u>

See Notes to the Financial Statements

**CITY OF VALLEY CITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Functions/Programs</b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Expenses</b>	<b>Operating</b>		<b>Capital</b>	<b>Primary Government</b>		
		<b>Charges for Services</b>	<b>Grants and Contributions</b>	<b>Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 2,124,600	\$ 193,262	\$ 719,848	\$ -	\$ (1,211,490)	\$ -	\$ (1,211,490)
Public Safety	2,213,296	49,623	78,687	-	(2,084,986)	-	(2,084,986)
Public Works	3,569,024	240,229	1,627,544	1,348,463	(352,788)	-	(352,788)
Culture and Recreation	1,067,599	-	7,050	-	(1,060,549)	-	(1,060,549)
Permanent Flood Protection	104,018	-	-	1,445,588	1,341,570	-	1,341,570
Economic Development	349,500	-	-	-	(349,500)	-	(349,500)
Interest and Fees	362,218	-	-	-	(362,218)	-	(362,218)
Total Governmental Activities	<u>9,790,255</u>	<u>483,114</u>	<u>2,433,129</u>	<u>2,794,051</u>	<u>(4,079,961)</u>	<u>-</u>	<u>(4,079,961)</u>
Business-type Activities:							
Electric	6,266,388	8,179,729	4,657	-	-	1,917,998	1,917,998
Water	2,621,180	1,644,446	-	31,664	-	(945,070)	(945,070)
Sewer	765,746	773,681	-	-	-	7,935	7,935
Garbage	1,562,751	1,293,940	-	247,803	-	(21,008)	(21,008)
Total Business-type Activities	<u>11,216,065</u>	<u>11,891,796</u>	<u>4,657</u>	<u>279,467</u>	<u>-</u>	<u>959,855</u>	<u>959,855</u>
Total Primary Government	<u>\$ 21,006,320</u>	<u>\$ 12,374,910</u>	<u>\$ 2,437,786</u>	<u>\$ 3,073,518</u>			
General Revenues:							
Property Taxes, Levied for General Purposes					1,647,217	-	1,647,217
Property Taxes, Levied for Debt Service					326,622	-	326,622
City Sales Tax					3,030,981	-	3,030,981
Franchise Fees					460,360	-	460,360
Interest					371,111	185,863	556,974
Miscellaneous Revenue					548,552	222,051	770,603
Capital contributions					-	1,791,346	1,791,346
Transfers					1,356,600	(1,356,600)	-
Total General Revenues and Transfers					<u>7,741,443</u>	<u>842,660</u>	<u>8,584,103</u>
Change in Net Position					<u>3,661,482</u>	<u>1,802,515</u>	<u>5,463,997</u>
Net Position - Beginning					87,787,667	44,552,510	132,340,177
Restatement - See Note 2					(2,205,797)	-	(2,205,797)
Net Position - Ending					<u>\$ 89,243,352</u>	<u>\$ 46,355,025</u>	<u>\$ 135,598,377</u>

See Notes to the Financial Statements

**CITY OF VALLEY CITY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2023**

	General	Permanent Flood Protection	Paving Projects	Infrastructure Renewal & Replacement	Emergency	Municipal Infrastructure	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>									
Cash and cash equivalents	\$ 1,361,877	\$ -	\$ -	\$ 3,143,871	\$ 78,739	\$ 1,708,233	\$ 2,906,796	\$ 2,614,346	\$ 11,813,862
Restricted Cash	-	-	-	-	-	-	776,178	-	776,178
Receivables:									
Accounts receivable, net	121,914	-	-	21,314	-	-	-	143,739	286,967
Unbilled Revenues	-	-	-	16,934	-	-	-	-	16,934
Intergovernmental receivable	79,800	150,101	353,447	210,662	-	-	-	375,691	1,169,701
Property taxes	14,048	-	-	-	-	-	-	1,908	15,956
Special assessments:									
Current	91,813	-	-	-	-	-	673,046	375	765,234
Delinquent	22,260	-	-	-	-	-	19,555	-	41,815
Deferred	772,082	-	-	-	-	-	5,337,504	-	6,109,586
Due from other funds	-	-	-	-	-	2,218,451	-	202,475	2,420,926
<b>Total Assets</b>	<b>\$ 2,463,794</b>	<b>\$ 150,101</b>	<b>\$ 353,447</b>	<b>\$ 3,392,781</b>	<b>\$ 78,739</b>	<b>\$ 3,926,684</b>	<b>\$ 9,713,079</b>	<b>\$ 3,338,534</b>	<b>\$ 23,417,159</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>									
Liabilities									
Accounts payable	\$ 106,465	\$ 11,393	\$ 1,762,084	\$ -	\$ -	\$ -	\$ -	\$ 128,129	\$ 2,008,071
Salaries and benefits payable	37,379	-	-	-	-	-	-	-	37,379
Due to other funds	-	253,421	1,965,030	-	-	-	-	202,475	2,420,926
Customer Deposits	23,868	-	-	-	-	-	-	-	23,868
Unearned Revenue	-	-	-	-	66,726	3,660,652	-	999,722	4,727,100
<b>Total Liabilities</b>	<b>167,712</b>	<b>264,814</b>	<b>3,727,114</b>	<b>-</b>	<b>66,726</b>	<b>3,660,652</b>	<b>-</b>	<b>1,330,326</b>	<b>9,217,344</b>
Deferred Inflows of Resources									
Unavailable revenue - property taxes	14,048	-	-	-	-	-	-	1,908	15,956
Unavailable revenue - special assessments	886,155	-	-	-	-	-	6,030,105	375	6,916,635
Unavailable revenue - intergovernmental aid	-	-	-	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources:</b>	<b>900,203</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,030,105</b>	<b>2,283</b>	<b>6,932,591</b>
<b>FUND BALANCES</b>									
Restricted for:									
Community development	-	-	-	-	-	266,032	-	2,021,771	2,287,803
Debt service	-	-	-	-	-	-	3,682,974	-	3,682,974
Emergency services	-	-	-	-	12,013	-	-	-	12,013
Infrastructure	-	-	-	3,392,781	-	-	-	-	3,392,781
Unassigned	1,395,879	(114,713)	(3,373,667)	-	-	-	-	(15,846)	(2,108,347)
<b>Total Fund Balances</b>	<b>1,395,879</b>	<b>(114,713)</b>	<b>(3,373,667)</b>	<b>3,392,781</b>	<b>12,013</b>	<b>266,032</b>	<b>3,682,974</b>	<b>2,005,925</b>	<b>7,267,224</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 2,463,794</b>	<b>\$ 150,101</b>	<b>\$ 353,447</b>	<b>\$ 3,392,781</b>	<b>\$ 78,739</b>	<b>\$ 3,926,684</b>	<b>\$ 9,713,079</b>	<b>\$ 3,338,534</b>	<b>\$ 23,417,159</b>

See Notes to the Financial Statements

**CITY OF VALLEY CITY**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2023**

Total Governmental Funds Balances \$ 7,267,224

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

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

Capital Assets	\$ 113,665,179	
Right to Use Leased Assets	219,861	
Accumulated Depreciation and Amortization	<u>(21,302,718)</u>	92,582,322

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.

Property taxes	15,956	
Special assessments	<u>6,916,635</u>	6,932,591

Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit and OPEB plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.

Deferred outflows	1,815,034	
Deferred inflows	<u>(1,238,477)</u>	576,557

Long-term liabilities are not due and payable in the current period and, therefore, are not included in the governmental funds:

Revenue bonds payable	(13,603,562)	
Notes payable	(2,235,805)	
Leases	(56,048)	
Finance purchase	(621,435)	
Other Post Employment Benefits - NDPERS	(86,473)	
Net pension liability - main plan	(1,065,533)	
Net pension liability - safety plan	(94,929)	
Interest payable	(75,566)	
Compensated absences	<u>(275,991)</u>	<u>(18,115,342)</u>

Net Position of Governmental Activities \$ 89,243,352

**CITY OF VALLEY CITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	General	Permanent Flood Protection	Paving Projects	Infrastructure Renewal & Replacement	Emergency	Municipal Infrastructure	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>									
Taxes	\$ 1,351,264	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 326,622	\$ 297,506	\$ 1,975,392
Special assessments	109,617	-	-	-	-	-	1,050,702	413	1,160,732
Franchise Fee	28,441	-	-	431,919	-	-	-	-	460,360
Licenses, permits and fees	303,187	-	-	-	-	-	-	-	303,187
Intergovernmental	1,479,211	279,205	364,893	-	1,445,587	-	30,000	206,589	3,805,485
Charges for services	179,926	-	-	-	-	-	-	-	179,926
Sales Tax	25,794	-	-	1,128,262	-	-	231,258	1,645,670	3,030,984
Interest	371,111	-	-	-	-	-	-	-	371,111
Miscellaneous	271,853	-	-	-	-	-	-	276,696	548,549
Total Revenues	<u>4,120,404</u>	<u>279,205</u>	<u>364,893</u>	<u>1,560,181</u>	<u>1,445,587</u>	<u>-</u>	<u>1,638,582</u>	<u>2,426,874</u>	<u>11,835,726</u>
<b>EXPENDITURES</b>									
Current:									
General government	1,291,967	-	-	-	-	-	-	-	1,291,967
Public safety	2,150,431	421	-	-	16,350	-	-	-	2,167,202
Public works	1,334,080	-	-	-	-	-	-	-	1,334,080
General government - other	-	-	-	-	-	-	-	-	-
Culture and recreation	288,435	-	-	-	-	-	-	779,162	1,067,597
Community development	-	-	-	-	-	-	-	349,500	349,500
Permanent flood protection	-	104,018	-	-	-	-	-	-	104,018
Capital Outlay	445,856	248,228	3,583,414	-	16,639	-	-	227,736	4,521,873
Debt Service:									
Principal retirement	99,928	-	-	-	-	-	1,647,763	-	1,747,691
Interest and fees	26,667	-	-	-	-	-	374,367	-	401,034
Total Expenditures	<u>5,637,364</u>	<u>352,667</u>	<u>3,583,414</u>	<u>-</u>	<u>32,989</u>	<u>-</u>	<u>2,022,130</u>	<u>1,356,398</u>	<u>12,984,962</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(1,516,960)</u>	<u>(73,462)</u>	<u>(3,218,521)</u>	<u>1,560,181</u>	<u>1,412,598</u>	<u>-</u>	<u>(383,548)</u>	<u>1,070,476</u>	<u>(1,149,236)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Sale of assets	3,988	1,170	-	-	-	-	-	-	5,158
Transfers in	2,748,807	-	1,656,277	-	-	-	474,428	171,532	5,051,044
Transfers out	(1,225,926)	-	-	(1,542,997)	(236,094)	-	-	(689,428)	(3,694,445)
Total other financing sources and uses	<u>1,526,869</u>	<u>1,170</u>	<u>1,656,277</u>	<u>(1,542,997)</u>	<u>(236,094)</u>	<u>-</u>	<u>474,428</u>	<u>(517,896)</u>	<u>1,361,757</u>
Net Change in Fund Balances	<u>9,909</u>	<u>(72,292)</u>	<u>(1,562,244)</u>	<u>17,184</u>	<u>1,176,504</u>	<u>-</u>	<u>90,880</u>	<u>552,580</u>	<u>212,521</u>
Fund Balances - Beginning	1,385,970	(42,421)	(1,811,423)	3,375,597	(1,164,491)	266,032	3,592,094	1,453,345	7,054,703
Fund Balances - Ending	<u>\$ 1,395,879</u>	<u>\$ (114,713)</u>	<u>\$ (3,373,667)</u>	<u>\$ 3,392,781</u>	<u>\$ 12,013</u>	<u>\$ 266,032</u>	<u>\$ 3,682,974</u>	<u>\$ 2,005,925</u>	<u>\$ 7,267,224</u>

See Notes to the Financial Statements

**CITY OF VALLEY CITY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds	\$	212,521
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital Outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlays		4,724,894
Depreciation Expense		(2,846,774)
Contributed infrastructure		2,121,120
Net book value of capital assets disposed		(166,500)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
Accounts Receivable		(1,483,456)
Property Taxes		(17,510)
Special Assessments		(360,744)
<p>Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position. Loan proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the Statement of Net Position.</p>		
Principal Debt Payments		1,747,690
<p>Changes of the Net Pension Liability and OPEB are expenditures in the governmental funds, but the change reduces long-term liabilities in the statement of net position.</p>		
		409,686
<p>Changes in deferred outflows and inflows of resources related to the net pension liability.</p>		
		(730,939)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Accrued Vacation Payable		12,677
Interest		38,817
Changes in Net Position	\$	<u>3,661,482</u>

See Notes to the Financial Statements

**CITY OF VALLEY CITY**  
**STATEMENT NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2023**

	Electric	Water	Sewer	Garbage	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 4,772,201	\$ 180,702	\$ 1,495,470	\$ -	\$ 6,448,373
Restricted cash	-	112,200	21,250	-	133,450
Accounts receivable (net)					
Accounts	583,597	112,363	52,404	124,481	872,845
Unbilled revenues	322,231	62,116	37,869	45,108	467,324
Accrued interest	44,059	92	18	-	44,169
Leases	-	-	-	25,361	25,361
Due from other funds	92,386	-	-	-	92,386
Inventory	826,714	148,575	-	-	975,289
Prepaid items	12,932	-	-	-	12,932
Unearned debits	-	3,642	-	-	3,642
Total Current Assets	<u>6,654,120</u>	<u>619,690</u>	<u>1,607,011</u>	<u>194,950</u>	<u>9,075,771</u>
Non-Current Assets:					
Capital assets:					
Land	114,385	147,572	81,047	49,494	392,498
Construction in progress	609,678	69,554	-	-	679,232
Capital assets (net of accumulated depreciation):					
Buildings and Improvements	11,925	8,329,130	579,008	305,383	9,225,446
Machinery and Equipment	356,948	5,312,527	1,330,451	844,999	7,844,925
Mains and Lines	3,645,878	8,474,672	8,883,620	-	21,004,170
Right of use leased assets	9,703	-	-	-	9,703
Total Non-Current Assets	<u>4,748,517</u>	<u>22,333,455</u>	<u>10,874,126</u>	<u>1,199,876</u>	<u>39,155,974</u>
Total Assets	<u>11,402,637</u>	<u>22,953,145</u>	<u>12,481,137</u>	<u>1,394,826</u>	<u>48,231,745</u>
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts payable	398,170	17,611	3,449	27,093	446,323
Customer deposits	110,577	2,750	-	-	113,327
Salaries and benefits payable	12,144	3,089	981	1,278	17,492
Due to other funds	-	-	-	92,386	92,386
Accrued interest payable	-	1,163	1,280	-	2,443
Revenue bonds payable	-	105,000	15,000	-	120,000
Compensated absences	409,874	-	-	-	409,874
Total Current Liabilities	<u>930,765</u>	<u>129,613</u>	<u>20,710</u>	<u>120,757</u>	<u>1,201,845</u>
Non-Current Liabilities:					
Revenue bonds payable	-	545,000	95,000	-	640,000
Lease liability	9,880	-	-	-	9,880
Total Non-Current Liabilities	<u>9,880</u>	<u>545,000</u>	<u>95,000</u>	<u>-</u>	<u>649,880</u>
Total Liabilities	<u>940,645</u>	<u>674,613</u>	<u>115,710</u>	<u>120,757</u>	<u>1,851,725</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Lease related	-	-	-	24,995	24,995
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,995</u>	<u>24,995</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	4,738,637	21,683,455	10,764,126	1,199,876	38,386,094
Unrestricted	5,723,355	595,077	1,601,301	49,198	7,968,931
Total Net Position	<u>\$ 10,461,992</u>	<u>\$ 22,278,532</u>	<u>\$ 12,365,427</u>	<u>\$ 1,249,074</u>	<u>\$ 46,355,025</u>

See Notes to the Financial Statements



**CITY OF VALLEY CITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Electric	Water	Sewer	Garbage	Total
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 8,169,928	\$ 1,642,673	\$ 772,663	\$ 1,153,855	\$ 11,739,119
Landfill fees	-	-	-	138,743	138,743
Miscellaneous	9,801	1,773	1,018	1,342	13,934
Total Operating Revenues	<u>8,179,729</u>	<u>1,644,446</u>	<u>773,681</u>	<u>1,293,940</u>	<u>11,891,796</u>
<b>OPERATING EXPENSES:</b>					
Production and pumping	65,044	784,943	-	-	849,987
Cost of power	4,318,374	-	-	-	4,318,374
Distribution	490,367	210,113	285,175	172	985,827
Landfill and collections	-	-	-	1,247,833	1,247,833
Customer accounts	47,585	-	-	-	47,585
Customer service and information	3,048	-	-	-	3,048
Administration and general	770,030	325,461	126,427	170,154	1,392,072
Depreciation/amortization	500,969	1,292,572	352,867	144,101	2,290,509
Costs of services contributed to City	70,699	891	77	491	72,158
Total Operating Expenses	<u>6,266,116</u>	<u>2,613,980</u>	<u>764,546</u>	<u>1,562,751</u>	<u>11,207,393</u>
Operating Income (Loss)	<u>1,913,613</u>	<u>(969,534)</u>	<u>9,135</u>	<u>(268,811)</u>	<u>684,403</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
Interest income	185,448	348	67	-	185,863
Net Merchandise Revenue	146,044	38,642	7,104	30,261	222,051
Grant Proceeds	4,657	31,664	-	247,803	284,124
Interest and service charges	(272)	(7,200)	(1,200)	-	(8,672)
Total Non-Operating Revenues (Expenses)	<u>335,877</u>	<u>63,454</u>	<u>5,971</u>	<u>278,064</u>	<u>683,366</u>
Income (Loss) before contributions and transfers	<u>2,249,490</u>	<u>(906,080)</u>	<u>15,106</u>	<u>9,253</u>	<u>1,367,769</u>
Capital contributions	-	450,451	1,340,895	-	1,791,346
Transfers out	(1,356,600)	-	-	-	(1,356,600)
Changes in Net Position	892,890	(455,629)	1,356,001	9,253	1,802,515
Total Net Position - Beginning	<u>9,569,102</u>	<u>22,734,161</u>	<u>11,009,426</u>	<u>1,239,821</u>	<u>44,552,510</u>
Total Net Position - Ending	<u>\$ 10,461,992</u>	<u>\$ 22,278,532</u>	<u>\$ 12,365,427</u>	<u>\$ 1,249,074</u>	<u>\$ 46,355,025</u>

See Notes to the Financial Statements

**CITY OF VALLEY CITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Electric	Water	Sewer	Garbage	Totals Current Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from Customers and Users	\$ 8,209,489	\$ 1,604,344	\$ 765,295	\$ 1,261,465	\$ 11,840,593
Payments to Suppliers	(5,272,852)	(988,259)	(337,349)	(1,263,362)	(7,861,822)
Payments to Employees	(737,985)	(325,311)	(126,586)	(183,931)	(1,373,813)
Other Operating Revenue	9,801	1,773	1,018	1,342	13,934
Net Cash Provided (Used) by Operating Activities	<u>2,208,453</u>	<u>292,547</u>	<u>302,378</u>	<u>(184,486)</u>	<u>2,618,892</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers Out	(1,356,600)	-	-	-	(1,356,600)
Due to/from Other Funds	(92,386)	-	-	92,386	-
Other Income	146,044	38,642	7,104	30,261	222,051
Grant Proceeds	4,657	31,664	-	247,803	284,124
Net Cash Provided by Noncapital Financing Activities	<u>(1,298,285)</u>	<u>70,306</u>	<u>7,104</u>	<u>370,450</u>	<u>(850,425)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and Construction of Capital Assets	(326,117)	(234,447)	(499,417)	(353,352)	(1,413,333)
Proceeds from Lease Receivables	-	-	-	11,666	11,666
Principal Payments on Long-Term Debt	(6,807)	(105,000)	(15,000)	-	(126,807)
Interest and Fiscal Charges on Debt	(272)	(7,550)	(1,250)	-	(9,072)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(333,196)</u>	<u>(346,997)</u>	<u>(515,667)</u>	<u>(341,686)</u>	<u>(1,537,546)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest Income	144,778	275	53	-	145,106
Net Cash Provided (Used) by Investing Activities	<u>144,778</u>	<u>275</u>	<u>53</u>	<u>-</u>	<u>145,106</u>
Net Increase (Decrease) in Cash and Cash Equivalents	721,750	16,131	(206,132)	(155,722)	376,027
Cash and Cash Equivalents, January 1	4,050,451	276,771	1,722,852	155,722	6,205,796
Cash and Cash Equivalents, December 31	<u>\$ 4,772,201</u>	<u>\$ 292,902</u>	<u>\$ 1,516,720</u>	<u>\$ -</u>	<u>\$ 6,581,823</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ 1,913,613	\$ (969,534)	\$ 9,135	\$ (268,811)	\$ 684,403
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization Expense	500,969	1,292,572	352,867	144,101	2,290,509
Changes in Assets and Liabilities:					
Accounts Receivable	(34,700)	(36,865)	(5,769)	(30,308)	(107,642)
Unbilled Revenue	30,027	(1,464)	(1,599)	(825)	26,139
Inventory	(111,451)	(5,916)	(395)	236	(117,526)
Prepaid Items	15,800	-	-	-	15,800
Accounts Payable	(182,084)	13,604	(51,702)	(15,102)	(235,284)
Deposits Payable	44,234	-	-	-	44,234
Salaries and Benefits Payable	9,069	150	(159)	(1,923)	7,137
Compensated Absences	22,976	-	-	-	22,976
Deferred Inflows	-	-	-	(11,854)	(11,854)
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,208,453</u>	<u>\$ 292,547</u>	<u>\$ 302,378</u>	<u>\$ (184,486)</u>	<u>\$ 2,618,892</u>
Noncash Investing, Capital, and Financing Activities					
Contribution of Capital Assets from Capital Project Funds	\$ -	\$ 450,451	\$ 1,340,895	\$ -	\$ 1,791,346

See Notes to the Financial Statements

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Reporting Entity**

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

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

**Basis of Presentation**

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

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

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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.

*Emergency* - This fund accounts for emergency flood related activity.

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

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

### **Other Significant Accounting Policies**

#### **Budgets and Budgetary Accounting**

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

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

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

All unexpended appropriations lapse at year-end.

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

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**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, 2023, are recorded as prepaid items in both government-wide and fund financial statements.

**Property Taxes**

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

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

**Special Assessments**

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

*Delinquent* - amounts billed to property owners but not paid.

*Deferred* – assessment installments that will be billed to property owners in future years.

*Interfund* – assessment installments for proprietary fund owned property not yet paid.

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**Receivable and Credit Policy**

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

**Capital Assets**

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

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

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

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

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

**Lease Receivables**

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

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**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 position.

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

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



**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**Deferred Inflows and Outflows of Resources**

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

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

**Net Pension Liability**

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

**Other Postemployment Benefits**

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

**Fund Balance**

The following classifications describe the relative strength of spending constraints:

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

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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

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

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

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

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

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

**Net Position**

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

**Risk Management**

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

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**Estimates**

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

**NOTE 2 PRIOR PERIOD ADJUSTMENT**

As of January 1, 2023, the City determined that capital assets previously stated in the governmental activities were understated due to assets being reported as work in process rather than being placed in to service and depreciated appropriately. It was also noted there were various assets reported that the City no longer owns. The resulting adjustment was a decrease of \$2,205,797 to capital assets and net position.

**NOTE 3 COMPLIANCE AND STEWARDSHIP**

**Fund Deficits**

The following funds were in a deficit position at December 31, 2023:

Permanent Flood Protection	\$ 114,713
Paving Projects	3,373,667
DOT Misc project	14,362
Underground Construction	540
City Share of Special Assessments	944

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

**Excess of Expenditures over Appropriations at the Legal Level of Control**

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

The general fund had expenditures over appropriation of \$160,450 for the year ended December 31, 2023.

**NOTE 4 DEPOSITS AND INVESTMENTS**

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

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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

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

At December 31, 2023, the City's carrying amount of deposits was \$18,262,235 and the bank balance was \$19,347,835. The City's balances were fully collateralized as of December 31, 2023.

**Credit Risk**

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

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

As of December 31, 2023, the City's cash and cash equivalents include amounts in demand deposits and certificates of deposit.

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 5 CAPITAL ASSETS**

The following is a summary of capital asset activity for the year ended December 31, 2023:

	<b>Beginning Balance As Restated</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b><u>Governmental Activities</u></b>					
Capital Assets, Non-Depreciable/Amortizable:					
Land	\$ 1,383,540	\$ -	\$ -	\$ -	\$ 1,383,540
Construction in progress	10,002,197	6,337,064	-	(6,312,658)	10,026,603
Total Non-Depreciable/Amortizable:	<u>11,385,737</u>	<u>6,337,064</u>	<u>-</u>	<u>(6,312,658)</u>	<u>11,410,143</u>
Capital Assets, Depreciable/Amortizable					
Infrastructure	87,650,164	-	-	6,312,658	93,962,822
Buildings and improvements	2,981,106	103,732	-	-	3,084,838
Machinery and equipment	1,661,997	34,420	23,146	-	1,673,271
Vehicles	4,666,102	319,098	1,451,095	-	3,534,105
Right to Use Leased Assets	168,161	51,700	-	-	219,861
<b>Total Capital Assets, being depreciated/amortized</b>	<u>97,127,530</u>	<u>508,950</u>	<u>1,474,241</u>	<u>6,312,658</u>	<u>102,474,897</u>
Less Accumulated Depreciation/Amortization for:					
Infrastructure	13,425,158	2,224,923	-	-	15,650,081
Buildings and improvements	2,021,878	73,081	-	-	2,094,959
Machinery and equipment	1,441,285	74,095	23,146	-	1,492,234
Vehicles	2,819,310	361,460	1,284,595	-	1,896,175
Right to Use Leased Assets	56,054	113,215	-	-	169,269
<b>Total Accumulated Depreciation/Amortization</b>	<u>19,763,685</u>	<u>2,846,774</u>	<u>1,307,741</u>	<u>-</u>	<u>21,302,719</u>
Total capital assets being depreciated/amortized, net	<u>77,363,845</u>	<u>(2,337,824)</u>	<u>166,500</u>	<u>6,312,658</u>	<u>81,172,179</u>
<b>Total Governmental Activities Capital Assets, Net</b>	<u>\$ 88,749,582</u>	<u>\$ 3,999,240</u>	<u>\$ 166,500</u>	<u>\$ -</u>	<u>\$ 92,582,322</u>

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b><u>Business-type Activities</u></b>					
Capital Assets, Non-Depreciable/Amortizable:					
Land	\$ 392,498	\$ -	\$ -	\$ -	\$ 392,498
Construction in Progress	1,274,767	800,595	-	(1,396,130)	679,232
Total Non-Depreciable/Amortizable:	<u>1,667,265</u>	<u>800,595</u>	<u>-</u>	<u>(1,396,130)</u>	<u>1,071,730</u>
Capital Assets, Depreciable/Amortizable					
Buildings and Improvements	17,364,337	-	-	-	17,364,337
Machinery and Equipment	21,835,781	444,627	-	532,117	22,812,525
Mains and Lines	43,772,481	1,978,759	-	864,472	46,615,712
Right to Use Leased Assets	23,399	-	-	-	23,399
<b>Total Capital Assets, being depreciated/amortized</b>	<u>82,995,998</u>	<u>2,423,386</u>	<u>-</u>	<u>1,396,589</u>	<u>86,815,973</u>
Less Accumulated Depreciation/Amortization for:					
Buildings and Improvements	7,750,239	388,652	-	-	8,138,891
Machinery and Equipment	13,870,341	1,097,259	-	-	14,967,600
Mains and Lines	24,813,791	797,751	-	-	25,611,542
Right to Use Leased Assets	6,848	6,848	-	-	13,696
<b>Total Accumulated Depreciation/Amortization</b>	<u>46,441,219</u>	<u>2,290,510</u>	<u>-</u>	<u>-</u>	<u>48,731,729</u>
Total capital assets being depreciated/amortized, net	<u>36,554,779</u>	<u>132,876</u>	<u>-</u>	<u>1,396,589</u>	<u>38,084,244</u>
<b>Total Business-type Activities Capital Assets, Net</b>	<u>\$ 38,222,044</u>	<u>\$ 933,471</u>	<u>\$ -</u>	<u>\$ 459</u>	<u>\$ 39,155,974</u>

**Depreciation/Amortization expense was charged to Governmental functions as follows:**

General Government	\$ 508,636
Public Services	<u>2,338,138</u>
<b>Total Depreciation Expense</b>	<u>\$ 2,846,774</u>

**Depreciation/Amortization expense was charged to Business Type functions as follows:**

Electric	\$ 500,969
Water	1,292,572
Sewer	352,867
Garbage	<u>144,102</u>
<b>Total Depreciation Expense</b>	<u>\$ 2,290,510</u>

**Commitments**

As of December 31, 2023, the City had outstanding commitments of approximately \$10 million related to construction projects.

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 6 LONG-TERM DEBT**

Long-term liability activity for the year ended December 31, 2023, was as follows:

	Balance 1/1/23	Debt Issued	Retirements 2023	Balance 12/31/23	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Special Assessment Bonds	\$ 8,246,103	\$ -	\$ 1,023,116	\$ 7,222,987	\$ 1,053,404
Sales Tax Revenue Bonds	6,879,814	-	499,239	6,380,575	485,681
PFA Loans	1,872,942	-	104,050	1,768,892	91,892
Direct Borrowing	488,270	-	21,357	466,913	21,786
Lease Liability	109,783	-	53,735	56,048	56,048
Finance Purchases	667,628	-	46,193	621,435	47,717
Compensated Absences	288,668	-	12,677	275,991	275,991
Governmental Activities Long-Term Liabilities	<u>\$ 18,553,208</u>	<u>\$ -</u>	<u>\$ 1,760,367</u>	<u>\$ 16,792,841</u>	<u>\$ 2,032,519</u>
<b><u>Business-Type Activities:</u></b>					
Revenue Bonds	\$ 880,000	\$ -	\$ 120,000	\$ 760,000	\$ 120,000
Lease Liability	16,687	-	6,807	9,880	6,750
Compensated Absences	387,096	22,778	-	409,874	409,874
Business-Type Activity Long-Term Liabilities	<u>\$ 1,283,783</u>	<u>\$ 22,778</u>	<u>\$ 126,807</u>	<u>\$ 1,179,754</u>	<u>\$ 536,624</u>

Compensated absences in the governmental activities are generally liquidated through the general fund.

**Bonds Payable**

At December 31, 2023, the City had the following bond issuance outstanding:

	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/23
<b><u>Governmental Activities:</u></b>					
Special Assessment Bonds:					
2023 Bridgeview Estates	5.80%	2024	\$ 338,460	\$ 28,007	\$ 23,591
Tax Increment Financing Bonds of 2008	4.50%	2024	825,000	68,219	98,426
2013 Refunding Improvement Bond	0.35 - 2.20%	2026	955,000	50,000	140,000
2015 Improvement Bond	2.00 - 3.25%	2040	4,545,000	275,000	2,220,000
2016 Refunding Improvement Bond	0.80 - 1.65%	2026	1,295,000	125,000	355,000
2017 Refunding Improvement Bond	2.91%	2047	2,150,000	95,000	1,630,000
2018 Refunding Improvement Bond	3.00 - 4.00%	2038	1,975,000	120,000	1,460,000
2021 Refunding Improvement Bond	0.25 - 1.50%	2031	1,315,000	215,000	870,000
Tax Increment Financing Revolving Loan	2.00%	2032	500,000	46,890	425,970
				<u>\$ 1,023,116</u>	<u>\$ 7,222,987</u>
Sales Tax Revenue Bonds:					
2013 Sales Tax Revenue Bond	0.50 - 3.00%	2028	\$ 2,900,000	\$ 195,000	\$ 1,075,000
2016 Sales Tax Revenue Bond	1.50%	2047	860,614	26,864	676,881
2017 Sales Tax Revenue Bond	1.50%	2047	1,392,500	42,938	1,140,008
2018 Sales Tax Revenue Bond	1.50%	2048	3,289,400	101,159	2,791,351
2021 Sales Tax Revenue Bond	2.00%	2050	1,100,000	133,278	697,335
				<u>\$ 499,239</u>	<u>\$ 6,380,575</u>

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/23
<b>Business-Type Activities:</b>					
Revenue Bond					
2009 Wastewater Treatment Revenue Bond	0.50%	2025	\$ 260,000	\$ 15,000	\$ 110,000
2009 Water Treatment Revenue Bond	5.00%	2030	4,485,031	105,000	650,000
				<u>\$ 120,000</u>	<u>\$ 760,000</u>

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

Year Ending December 31,	Special Assessment		Sales Tax Revenue	
	Principal	Interest	Principal	Interest
2024	\$ 1,053,404	\$ 175,496	\$ 485,681	\$ 113,898
2025	932,356	152,868	493,059	91,968
2026	878,321	134,217	500,456	83,377
2027	659,306	117,026	507,872	74,623
2028	655,298	100,866	515,310	65,378
2029-2033	2,134,301	290,037	1,053,904	252,761
2034-2038	860,000	69,356	943,223	183,580
2039-2043	50,001	1,625	979,128	111,770
2044-2048	-	-	901,942	37,708
Total	<u>\$ 7,222,987</u>	<u>\$ 1,041,491</u>	<u>\$ 6,380,575</u>	<u>\$ 1,015,063</u>

Year Ending December 31,	Revenue Bonds	
	Principal	Interest
2024	\$ 120,000	\$ 3,800
2025	120,000	3,200
2026	125,000	2,600
2027	125,000	1,975
2028	130,000	1,350
2029-2030	140,000	700
Total	<u>\$ 760,000</u>	<u>\$ 13,625</u>



**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**PFA Loans**

	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/23
2019 Clean Water State Revolving Fund Program	1.50%	2039	\$ 395,851	\$ 15,000	\$ 315,000
2020 Drinking Water Assessment Warrant	1.50%	2040	217,741	15,000	177,742
2020 Wastewater Treatment Assessment Warrant	1.50%	2040	457,151	30,000	367,150
2022 Clean Water Wastewater Treatment Assessment Warrant	1.50%	2041	816,050	37,050	745,000
2022 Drinking Water Wastewater Treatment Assessment Warrant	1.50%	2042	171,000	7,000	164,000
				<u>\$ 104,050</u>	<u>\$ 1,768,892</u>

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

Year Ending December 31,	PFA Loans	
	Principal	Interest
2024	\$ 91,892	\$ 26,533
2025	87,000	25,155
2026	92,000	23,850
2027	93,000	22,470
2028	98,000	21,075
2029-2033	496,000	83,325
2034-2038	537,000	45,000
2039-2042	274,000	7,590
Total	<u>\$ 1,768,892</u>	<u>\$ 254,998</u>

**Direct Borrowing**

	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/23
2021 Certificate of Indebtedness - Fire Hall	2.00%	2041	\$ 500,000	\$ 21,357	\$ 466,913
				<u>\$ 21,357</u>	<u>\$ 466,913</u>

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

Year Ending December 31,	Direct Borrowing	
	Principal	Interest
2024	\$ 21,786	\$ 9,230
2025	22,224	8,792
2026	22,671	8,345
2027	23,127	7,890
2028	23,592	7,425
2029-2033	125,265	29,817
2034-2038	138,370	16,712
2039-2041	89,878	3,172
Total	<u>\$ 466,913</u>	<u>\$ 91,383</u>

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**Lease Liability**

Leases:	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/23
Governmental Funds					
Equipment Lease	2.12%	2024	\$ 219,861	\$ 53,735	\$ 56,048
Business-Type Funds					
Equipment Lease	2.12%	2025	\$ 32,942	\$ 6,807	\$ 9,880

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

Year Ending December 31,	Governmental Lease		Business-Type Lease	
	Principal	Interest	Principal	Interest
2024	\$ 56,048	\$ 2,330	\$ 6,750	\$ 221
2025	-	-	3,130	93
	<u>\$ 56,048</u>	<u>\$ 2,330</u>	<u>\$ 9,880</u>	<u>\$ 314</u>

**Finance Purchase**

	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/23
Motor Graters	3.25%	2028	\$ 780,000	\$ 46,193	\$ 621,435
				<u>\$ 46,193</u>	<u>\$ 621,435</u>

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

Year Ending December 31,	Finance Purchase	
	Principal	Interest
2024	\$ 47,717	\$ 22,024
2025	49,291	20,500
2026	50,917	18,926
2027	52,597	17,300
2028	420,913	29,505
Total	<u>\$ 621,435</u>	<u>\$ 108,255</u>

**NOTE 7 CONDUIT DEBT**

**Municipal Industrial Development Bonds**

From time to time, the City has approved issuance of Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

As of December 31, 2023, there were series of Industrial Revenue bonds outstanding; the aggregate principal amount payable is \$1,726,361. 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 8      DEFINED BENEFIT PENSION PLANS - STATEWIDE**

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

**North Dakota Public Employees' Retirement System**

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

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

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

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was to be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The closure of the plan will be effective January 1, 2025.

Members of the Law Enforcement System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (55) with three or more years of service. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members first enrolled in the plan after December 31, 2019, the multiplier was reduced from 2.0% to 1.75%. The plan permits early retirement at ages 50-55 with three or more years of service.

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

Upon termination, if a member is not vested (is not 65 for the Main System or 55 for the Law Enforcement system or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates for main plan members are 7% and employer contribution rates are 7.12% of covered compensation. For main plan members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. Law enforcement member rates are as follow:

<b>Plan</b>	<b>Member contribution rate</b>	<b>Employer contribution rate</b>
Law Enforcement with previous service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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

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

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

At December 31, 2023, the City reported a liability of \$1,160,462 for its proportionate share of the net pension liability. The net pension liability consisted of \$1,065,533 to the Main System pension plan and \$94,929 to the Law Enforcement pension plan. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of covered payroll in the Main System and Law Enforcement pension plan relative to the covered payroll of all participating Main System and Law Enforcement employers. At June 30, 2023, the City's proportion was 0.06% which was an increase of 0.01% for the Main System and 5.09% which was an increase of 0.02% for the Law Enforcement plan.

For the year ended December 31, 2023, the City recognized pension expense of \$317,205 for the Main System plan and \$112,569 for the Law Enforcement plan for a total pension expense of \$7,065,463. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the Main System Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 34,687	\$ 5,876
Changes in actuarial assumptions	587,547	808,767
Difference between projected and actual investment earnings	27,958	-
Changes in proportion	643,366	-
Contributions paid to NDPERS subsequent to the measurement date	31,070	-
<b>Total</b>	<b>\$ 1,324,628</b>	<b>\$ 814,643</b>

For the Main System plan, \$31,070 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024.

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31</u>	<u>Pension Expense Amount</u>
2024	\$ 232,464
2025	106,478
2026	175,049
2027	(35,076)

For the Law Enforcement Plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 39,828	\$ 13,617
Changes in actuarial assumptions	309,470	402,066
Difference between projected and actual investment earnings	23,275	-
Changes in proportion	23,008	-
Contributions paid to NDPERS subsequent to the measurement date	35,443	-
Total	<u>\$ 431,024</u>	<u>\$ 415,683</u>

For the Law Enforcement plan, \$35,443 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending December 31</u>	<u>Pension Expense Amount</u>
2024	\$ 7,355
2025	(14,977)
2026	348
2027	(7,638)
2028	(5,190)

**Actuarial Assumptions**

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions for the Main System Plan and Law Enforcement Plan, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00%	6.25%
International Equity	20.00%	6.95%
Private Equity	7.00%	9.45%
Domestic Fixed Income	23.00%	2.51%
Global Real Assets	19.00%	4.33%

**Discount Rate**

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

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

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

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the Main System NDPERS net pension liability:	\$ 1,469,114	\$ 1,065,533	\$ 730,731

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the Law Enforcement NDPERS net pension liability:	\$ 296,128	\$ 94,929	\$ (64,477)

**Pension Plan Fiduciary Net Position**

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

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS**

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

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

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

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.



**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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

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

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

At December 31, 2023, the City reported a liability of \$86,473 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2023, the City's proportion was 8.65%, which was an increase of 8.58% from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City recognized OPEB expense of \$27,407. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,627	\$ 990
Changes of assumptions	18,443	7,161
Net difference between projected and actual earnings on OPEB plan investments	6,246	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,363	-
Employer contributions subsequent to the measurement date	703	-
Total	\$ 59,382	\$ 8,151

\$703 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024.

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<b>Year ending December 31:</b>	<u>OPEB Expense Amount</u>
2024	\$ 17,465
2025	16,148
2026	18,119
2027	(1,204)

***Actuarial Assumptions***

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Mortality Pub-2010 Healthy Retiree Mortality Table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<b>Long-Term Expected Real</b>
		<u>Rate of Return</u>
S&P 500 Index	33.00%	5.50%
US Small Cap Equity	6.00%	7.65%
World Equity ex-US	26.00%	6.82%
US High Yield	3.00%	5.32%
Emerging Markets Debt	4.00%	6.25%
Core Fixed Income	28.00%	4.04%

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

***Discount Rate***

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2022 actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2023, calculated using the discount rate of 5.75%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>4.75%</b>	<b>5.75%</b>	<b>6.75%</b>
Employer's proportionate share of the net OPEB liability	\$ 113,647	\$ 86,473	\$ 63,596

**NOTE 10 RISK MANAGEMENT**

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

In 1986, the state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$7,000,000 per occurrence for general liability, \$7,000,000 per occurrence for automobile liability coverage and approximately \$4.4 million for inland marine coverage.

The City also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The Fund currently provides the City with an aggregate coverage limit of approximately \$58.66 million.

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 11 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

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

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Electric	Garbage	\$ 92,386
Municipal Infrastructure	Permanent Flood Protection	253,421
Municipal Infrastructure	Paving Projects	1,965,030
Nonmajor Governmental	Nonmajor Governmental	202,475
		<u>\$ 2,513,312</u>

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2023:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 2,748,807	\$ 1,225,926
Paving Projects	1,656,277	-
Infrastructure Renewal & Replacement	-	1,542,997
Emergency	-	236,094
Debt Service	474,428	-
Electric	-	1,356,600
Nonmajor Funds	171,533	689,428
	<u>\$ 5,051,045</u>	<u>\$ 5,051,045</u>

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

**NOTE 12 COMMITMENTS**

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

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

**NOTE 13 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, 2023:

**CITY OF VALLEY CITY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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 2023 was \$120,700.

**NOTE 14 NEW PRONOUNCEMENTS**

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The statement is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

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

**NOTE 15 RECLASSIFICATIONS**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

**NOTE 16 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the City's year end. Subsequent events were evaluated through September 26, 2024, which is the date these financial statements were available to be issued.

**CITY OF VALLEY CITY**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**DECEMBER 31, 2023**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>			
Taxes	\$ 1,457,700	\$ 1,351,264	\$ (106,436)
Special assessments	75,000	109,617	34,617
Franchise Fee	20,000	28,441	8,441
Licenses, permits and fees	268,700	303,187	34,487
Intergovernmental	1,238,465	1,479,211	240,746
Charges for services	155,100	179,926	24,826
Sales Tax	27,399	25,794	(1,605)
Interest	35,000	371,111	336,111
Miscellaneous	117,427	271,853	154,426
Total Revenues	<u>3,394,791</u>	<u>4,120,404</u>	<u>725,613</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,354,894	1,291,967	62,927
Public safety	2,058,316	2,150,431	(92,115)
Public works	1,073,060	1,334,080	(261,020)
Culture and recreation	289,542	288,435	1,107
Capital Outlay	574,255	445,856	128,399
Debt Service:			
Principal Retirement	126,847	99,928	26,919
Interest and fees	-	26,667	(26,667)
Total Expenditures	<u>5,476,914</u>	<u>5,637,364</u>	<u>(160,450)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,082,123)</u>	<u>(1,516,960)</u>	<u>565,163</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of assets	16,100	3,988	(12,112)
Transfers in	2,421,468	2,748,807	327,339
Transfers out	(800,723)	(1,225,926)	(425,203)
Total Other Financing Sources and Uses	<u>1,636,845</u>	<u>1,526,869</u>	<u>(109,976)</u>
Net Change in Fund Balances	(445,278)	9,909	455,187
Fund Balances - Beginning	<u>1,385,970</u>	<u>1,385,970</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 940,692</u>	<u>\$ 1,395,879</u>	<u>\$ 455,187</u>

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

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
Main System:					
2023	\$ 58,024	\$ 58,024	\$ -	723,082	8.02%
2022	49,735	49,735	-	592,789	8.39%
Law Enforcement:					
2023	\$ 71,800	\$ 71,800	\$ -	791,623	9.07%
2022	67,303	67,303	-	822,777	8.18%

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

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

See Notes to the Required Supplementary Information

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

Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Main System:					
2023	0.0553%	\$ 1,065,533	\$ 675,750	157.68%	65.31%
2022	0.0435%	1,248,394	503,176	248.10%	55.03%
Law Enforcement:					
2023	5.0929%	\$ 94,929	\$ 758,620	12.51%	65.31%
2022	5.0698%	320,052	709,543	45.11%	55.03%

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

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

See Notes to the Required Supplementary Information



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

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 1,703	\$ 1,703	\$ -	\$ 149,367	1.14%
2022	9,231	3,300	5,931	758,403	0.44%

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

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

See Notes to the Required Supplementary Information

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

Year Ended June 30	City's Proportion of the Net OPEB Liability (Asset)	City's Proportionate Share of the Net OPEB Liability (Asset)	City's Covered Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.086495%	\$ 86,473	\$ 869,430	9.95%	62.74%
2022	0.073460%	88,175	758,403	11.63%	56.28%

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

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

See Notes to the Required Supplementary Information

**CITY OF VALLEY CITY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**AS OF DECEMBER 31, 2023**

**NOTE 1 DEFINED BENEFIT PLANS**

***Changes of benefit terms – main plan***

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

***Changes of benefit terms - law enforcement plan***

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

***Changes of assumptions***

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

**NOTE 2 OTHER POST EMPLOYMENT BENEFITS**

***Changes of benefit terms***

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

***Changes of assumptions***

All actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

**CITY OF VALLEY CITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – GENERAL FUND, BY DEPARTMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Operations Department	City Financed Special Assessment Projects Department	Building Reserve Department	Renewal and Replacement Department	Street Equipment Renewal and Replacement Department	Financing Reserves (BM) Department	Sewer Renewal & Replacement Department	Streets Department	Total General Funds
<b>REVENUES</b>									
Taxes	\$ 1,351,264	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,351,264
Special assessments	800	108,817	-	-	-	-	-	-	109,617
Franchise Fee	28,441	-	-	-	-	-	-	-	28,441
Licenses, permits and fees	241,639	-	-	-	-	-	61,548	-	303,187
Intergovernmental	725,302	-	-	30,493	12,740	-	-	710,676	1,479,211
Charges for services	74,893	-	-	-	-	-	-	105,033	179,926
Sales Tax	25,794	-	-	-	-	-	-	-	25,794
Interest	371,111	-	-	-	-	-	-	-	371,111
Miscellaneous	177,826	-	56,594	11,985	-	-	-	25,448	271,853
Total Revenues	<u>2,997,070</u>	<u>108,817</u>	<u>56,594</u>	<u>42,478</u>	<u>12,740</u>	<u>-</u>	<u>61,548</u>	<u>841,157</u>	<u>4,120,404</u>
<b>EXPENDITURES</b>									
Current:									
General government	1,291,967	-	-	-	-	-	-	-	1,291,967
Public safety	2,133,465	-	-	16,966	-	-	-	-	2,150,431
Public works	-	-	-	-	-	-	25,000	1,309,080	1,334,080
Culture and recreation	288,435	-	-	-	-	-	-	-	288,435
Capital Outlay	10,301	-	129,978	112,041	176,568	-	16,968	-	445,856
Debt Service:									
Principal retirement	-	-	-	-	99,928	-	-	-	99,928
Interest and fees	-	-	-	-	26,667	-	-	-	26,667
Total Expenditures	<u>3,724,168</u>	<u>-</u>	<u>129,978</u>	<u>129,007</u>	<u>303,163</u>	<u>-</u>	<u>41,968</u>	<u>1,309,080</u>	<u>5,637,364</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(727,098)</u>	<u>108,817</u>	<u>(73,384)</u>	<u>(86,529)</u>	<u>(290,423)</u>	<u>-</u>	<u>19,580</u>	<u>(467,923)</u>	<u>(1,516,960)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Sale of assets	1,488	-	-	2,500	-	-	-	-	3,988
Transfers in	1,680,716	-	73,384	158,613	205,000	-	-	631,094	2,748,807
Transfers out	(626,997)	(598,929)	-	-	-	-	-	-	(1,225,926)
Total other financing sources and uses	<u>1,055,207</u>	<u>(598,929)</u>	<u>73,384</u>	<u>161,113</u>	<u>205,000</u>	<u>-</u>	<u>-</u>	<u>631,094</u>	<u>1,526,869</u>
Net Change in Fund Balances	<u>328,109</u>	<u>(490,112)</u>	<u>-</u>	<u>74,584</u>	<u>(85,423)</u>	<u>-</u>	<u>19,580</u>	<u>163,171</u>	<u>9,909</u>
Fund Balances - Beginning	1,378,296	(102,389)	-	(124,359)	18,843	518,055	191,097	(493,573)	1,385,970
Fund Balances - Ending	<u>\$ 1,706,405</u>	<u>\$ (592,501)</u>	<u>\$ -</u>	<u>\$ (49,775)</u>	<u>\$ (66,580)</u>	<u>\$ 518,055</u>	<u>\$ 210,677</u>	<u>\$ (330,402)</u>	<u>\$ 1,395,879</u>

**CITY OF VALLEY CITY**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2023**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,614,346	\$ -	\$ 2,614,346
Receivables:			
Accounts receivable, net	7,808	135,931	143,739
Intergovernmental receivable	321,201	54,490	375,691
Property taxes	1,908	-	1,908
Special assessments:			
Current	375	-	375
Due from other funds	202,475	-	202,475
<b>Total Assets</b>	<u><u>\$ 3,148,113</u></u>	<u><u>\$ 190,421</u></u>	<u><u>\$ 3,338,534</u></u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 86,951	\$ 41,178	\$ 128,129
Due to other funds	38,330	164,145	202,475
Unearned Revenue	999,722	-	999,722
<b>Total Liabilities</b>	<u>1,125,003</u>	<u>205,323</u>	<u>1,330,326</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	1,908	-	1,908
Unavailable revenue - special assessments	375	-	375
<b>Total Deferred Inflows     of Resources:</b>	<u>2,283</u>	<u>-</u>	<u>2,283</u>
<b>FUND BALANCES</b>			
Restricted for community development	2,021,771	-	2,021,771
Unassigned	(944)	(14,902)	(15,846)
<b>Total Fund Balances</b>	<u>2,020,827</u>	<u>(14,902)</u>	<u>2,005,925</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u><u>\$ 3,148,113</u></u>	<u><u>\$ 190,421</u></u>	<u><u>\$ 3,338,534</u></u>

**CITY OF VALLEY CITY**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2023**

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Taxes	\$ 297,506	\$ -	\$ 297,506
Special assessments	413	-	413
Intergovernmental	7,050	199,539	206,589
Sales Tax	1,645,670	-	1,645,670
Miscellaneous	140,765	135,931	276,696
Total Revenues	<u>2,091,404</u>	<u>335,470</u>	<u>2,426,874</u>
<b>EXPENDITURES</b>			
Current:			
Culture and recreation	779,162	-	779,162
Community development	349,500	-	349,500
Capital Outlay	26,672	201,064	227,736
Total Expenditures	<u>1,155,334</u>	<u>201,064</u>	<u>1,356,398</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>936,070</u>	<u>134,406</u>	<u>1,070,476</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	171,532	171,532
Transfers out	(689,428)	-	(689,428)
Total other financing sources and uses	<u>(689,428)</u>	<u>171,532</u>	<u>(517,896)</u>
Net Change in Fund Balances	<u>246,642</u>	<u>305,938</u>	<u>552,580</u>
Fund Balances - Beginning	1,774,185	(320,840)	1,453,345
Fund Balances - Ending	<u>\$ 2,020,827</u>	<u>\$ (14,902)</u>	<u>\$ 2,005,925</u>

**CITY OF VALLEY CITY**  
**NONMAJOR SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET**  
**DECEMBER 31, 2023**

	City Share of Special Assessments	Special Assessment Deficiency	Library	City Sales Tax Economic	City Sales Tax Property	City Sales Tax Image Enhancement
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 5,885	\$ -	\$ 1,323,974	\$ 43,638	\$ 112,364
Receivables:						
Accounts receivable, net	-	-	-	-	-	-
Intergovernmental receivable	102	-	598	135,782	48,494	9,699
Property taxes	238	-	1,670	-	-	-
Special assessments:						
Current	-	375	-	-	-	-
Due from other funds	-	-	-	202,475	-	-
Total Assets	<u>\$ 340</u>	<u>\$ 6,260</u>	<u>\$ 2,268</u>	<u>\$ 1,662,231</u>	<u>\$ 92,132</u>	<u>\$ 122,063</u>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 598	\$ 50,000	\$ -	\$ 990
Due to other funds	1,046	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Total Liabilities	<u>1,046</u>	<u>-</u>	<u>598</u>	<u>50,000</u>	<u>-</u>	<u>990</u>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	238	-	1,670	-	-	-
Unavailable revenue - special assessments	-	375	-	-	-	-
Total Deferred Inflows of Resources:	<u>238</u>	<u>375</u>	<u>1,670</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Restricted for community development	-	5,885	-	1,612,231	92,132	121,073
Unassigned	(944)	-	-	-	-	-
Total Fund Balances	<u>(944)</u>	<u>5,885</u>	<u>-</u>	<u>1,612,231</u>	<u>92,132</u>	<u>121,073</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 340</u>	<u>\$ 6,260</u>	<u>\$ 2,268</u>	<u>\$ 1,662,231</u>	<u>\$ 92,132</u>	<u>\$ 122,063</u>

**CITY OF VALLEY CITY**  
**NONMAJOR SPECIAL REVENUE FUNDS – COMBINING BALANCE SHEET- CONTINUED**  
**DECEMBER 31, 2023**

	City Sales Tax School Bond	Occupancy Tax 1%	Motel Occupancy	Restaurant Tax	American Recovery Plan Act	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 2,805	\$ 5,610	\$ 120,348	\$ 999,722	\$ 2,614,346
Receivables:						
Accounts receivable, net	-	2,603	5,205	-	-	7,808
Intergovernmental receivable	96,987	-	-	29,539	-	321,201
Property taxes	-	-	-	-	-	1,908
Special assessments:						
Current	-	-	-	-	-	375
Due from other funds	-	-	-	-	-	202,475
<b>Total Assets</b>	<b><u>\$ 96,987</u></b>	<b><u>\$ 5,408</u></b>	<b><u>\$ 10,815</u></b>	<b><u>\$ 149,887</u></b>	<b><u>\$ 999,722</u></b>	<b><u>\$ 3,148,113</u></b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ 5,408	\$ 10,815	\$ 19,140	\$ -	\$ 86,951
Due to other funds	37,284	-	-	-	-	38,330
Unearned Revenue	-	-	-	-	999,722	999,722
<b>Total Liabilities</b>	<b><u>37,284</u></b>	<b><u>5,408</u></b>	<b><u>10,815</u></b>	<b><u>19,140</u></b>	<b><u>999,722</u></b>	<b><u>1,125,003</u></b>
Deferred Inflows of Resources						
Unavailable revenue - property taxes	-	-	-	-	-	1,908
Unavailable revenue - special assessments	-	-	-	-	-	375
<b>Total Deferred Inflows     of Resources:</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,283</u></b>
<b>FUND BALANCES</b>						
Restricted for community development	59,703	-	-	130,747	-	2,021,771
Unassigned	-	-	-	-	-	(944)
<b>Total Fund Balances</b>	<b><u>59,703</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>130,747</u></b>	<b><u>-</u></b>	<b><u>2,020,827</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 96,987</u></b>	<b><u>\$ 5,408</u></b>	<b><u>\$ 10,815</u></b>	<b><u>\$ 149,887</u></b>	<b><u>\$ 999,722</u></b>	<b><u>\$ 3,148,113</u></b>



**CITY OF VALLEY CITY**  
**NONMAJOR SPECIAL REVENUE FUNDS - COMBINING SCHEDULE OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	City Share of Special Assessments	Special Assessment Deficiency	Library	City Sales Tax Economic	City Sales Tax Property	City Sales Tax Image Enhancement
<b>REVENUES</b>						
Taxes	\$ 20,880	\$ -	\$ 160,080	\$ -	\$ -	\$ -
Special assessments	-	413	-	-	-	-
Intergovernmental	-	-	7,050	-	-	-
Sales Tax	-	-	-	558,525	282,066	56,413
Miscellaneous	-	-	-	140,000	-	265
Total Revenues	<u>20,880</u>	<u>413</u>	<u>167,130</u>	<u>698,525</u>	<u>282,066</u>	<u>56,678</u>
<b>EXPENDITURES</b>						
Current:						
Culture and recreation	-	-	167,130	-	-	45,846
Community development	-	-	-	349,500	-	-
Capital Outlay	<u>24,854</u>	<u>1,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>24,854</u>	<u>1,818</u>	<u>167,130</u>	<u>349,500</u>	<u>-</u>	<u>45,846</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(3,974)</u>	<u>(1,405)</u>	<u>-</u>	<u>349,025</u>	<u>282,066</u>	<u>10,832</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(415,000)</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(415,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(3,974)</u>	<u>(1,405)</u>	<u>-</u>	<u>349,025</u>	<u>(132,934)</u>	<u>10,832</u>
Fund Balances - Beginning	3,030	7,290	-	1,263,206	225,066	110,241
Fund Balances - Ending	<u>\$ (944)</u>	<u>\$ 5,885</u>	<u>\$ -</u>	<u>\$ 1,612,231</u>	<u>\$ 92,132</u>	<u>\$ 121,073</u>

**CITY OF VALLEY CITY**  
**NONMAJOR SPECIAL REVENUE FUNDS - COMBINING SCHEDULE OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	City Sales Tax School Bond	Occupancy Tax 1%	Motel Occupancy	Restaurant Tax	American Recovery Plan Act	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>						
Taxes	\$ -	\$ 36,131	\$ 80,415	\$ -	\$ -	\$ 297,506
Special assessments	-	-	-	-	-	413
Intergovernmental	-	-	-	-	-	7,050
Sales Tax	564,131	-	-	184,535	-	1,645,670
Miscellaneous	-	-	500	-	-	140,765
Total Revenues	<u>564,131</u>	<u>36,131</u>	<u>80,915</u>	<u>184,535</u>	<u>-</u>	<u>2,091,404</u>
<b>EXPENDITURES</b>						
Current:						
Culture and recreation	230,000	36,131	80,915	219,140	-	779,162
Community development	-	-	-	-	-	349,500
Capital Outlay	-	-	-	-	-	26,672
Total Expenditures	<u>230,000</u>	<u>36,131</u>	<u>80,915</u>	<u>219,140</u>	<u>-</u>	<u>1,155,334</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>334,131</u>	<u>-</u>	<u>-</u>	<u>(34,605)</u>	<u>-</u>	<u>936,070</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(274,428)	-	-	-	-	(689,428)
Total other financing sources and uses	<u>(274,428)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(689,428)</u>
Net Change in Fund Balances	<u>59,703</u>	<u>-</u>	<u>-</u>	<u>(34,605)</u>	<u>-</u>	<u>246,642</u>
Fund Balances - Beginning	-	-	-	165,352	-	1,774,185
Fund Balances - Ending	<u>\$ 59,703</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,747</u>	<u>\$ -</u>	<u>\$ 2,020,827</u>

**CITY OF VALLEY CITY**  
**NONMAJOR CAPITAL PROJECTS FUNDS – COMBINING BALANCE SHEET**  
**DECEMBER 31, 2023**

	DOT Misc Projects	Underground Construction	NW & West Storm Sewer	Total Nonmajor Capital Projects Funds
<b>ASSETS</b>				
Receivables:				
Accounts receivable, net	\$ -	\$ 135,931	\$ -	\$ 135,931
Intergovernmental receivable	-	54,490	-	54,490
Total Assets	\$ -	\$ 190,421	\$ -	\$ 190,421
<b>LIABILITIES</b>				
Liabilities				
Accounts payable	\$ -	\$ 41,178	\$ -	\$ 41,178
Due to other funds	14,362	149,783	-	164,145
Total Liabilities	14,362	190,961	-	205,323
<b>FUND BALANCES</b>				
Unassigned	(14,362)	(540)	-	(14,902)
Total Fund Balances	(14,362)	(540)	-	(14,902)
Total Liabilities and Fund Balances	\$ -	\$ 190,421	\$ -	\$ 190,421

**CITY OF VALLEY CITY**  
**NONMAJOR CAPITAL PROJECTS FUNDS - COMBINING SCHEDULE OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR DECEMBER 31, 2023**

	<u>DOT Misc Projects</u>	<u>Underground Construction</u>	<u>NW &amp; West Storm Sewer</u>	<u>Total Nonmajor Capital Projects Funds</u>
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 199,539	\$ -	\$ 199,539
Miscellaneous	<u>-</u>	<u>135,931</u>	<u>-</u>	<u>135,931</u>
Total Revenues	<u>-</u>	<u>335,470</u>	<u>-</u>	<u>335,470</u>
<b>EXPENDITURES</b>				
Capital Outlay	<u>19,241</u>	<u>181,823</u>	<u>-</u>	<u>201,064</u>
Total Expenditures	<u>19,241</u>	<u>181,823</u>	<u>-</u>	<u>201,064</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(19,241)</u>	<u>153,647</u>	<u>-</u>	<u>134,406</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>23,002</u>	<u>135,931</u>	<u>12,599</u>	<u>171,532</u>
Total other financing sources and uses	<u>23,002</u>	<u>135,931</u>	<u>12,599</u>	<u>171,532</u>
Net Change in Fund Balances	<u>3,761</u>	<u>289,578</u>	<u>12,599</u>	<u>305,938</u>
Fund Balances - Beginning	(18,123)	(290,118)	(12,599)	(320,840)
Fund Balances - Ending	<u>\$ (14,362)</u>	<u>\$ (540)</u>	<u>\$ -</u>	<u>\$ (14,902)</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Valley City as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Valley City's basic financial statements and have issued our report thereon dated September 26, 2024.

## **Report on Internal Control over Financial Reporting**

In planning and performing our audit, we considered the City of Valley City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be material weaknesses.

## **Report on Compliance and Other Matters**

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

## **City of Valley City's Response to Findings**

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

## **Purpose of this Report**

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



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

September 26, 2024

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

### ***Report on Compliance for Each Major Federal Program***

#### ***Opinion on Each Major Federal Program***

We have audited City of Valley City, North Dakota's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Valley City, North Dakota's major federal programs for the year ended December 31, 2023. City of Valley City, North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Valley City, North Dakota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of City of Valley City, North Dakota and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Valley City, North Dakota's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Valley City, North Dakota's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Valley City, North Dakota's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Valley City, North Dakota's internal control over compliance. Accordingly, no such opinion is expressed.

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



## Report on Internal Control over Compliance

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

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

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

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



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

September 26, 2024

**CITY OF VALLEY CITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Federal Grantor/Program or Cluster Title	Federal AL Number	Pass-through Grantor Identifying Number	Amount
<u>U.S. Department of Agriculture</u>			
Direct:			
Community Facility Loans and Grants Cluster			
Community Facilities Loans and Grants	10.766	40-002-351802092--00-72071	\$ 16,966
Community Facilities Loans and Grants	10.766	40-002-351802092--00-72070	184,133
Community Facilities Loans and Grants	10.766	40-002-351802092--00-72072	12,740
Total Community Facility Loans and Grants Cluster - 10.766			213,839
Passed through North Dakota Forest Service			
Cooperative Forestry Assistance	10.664	2022S-ATB-TP002	8,494
Cooperative Forestry Assistance	10.664	19-DG-1100000-15	7,850
Total Assistance Listing 10.664			16,344
Total U.S. Department of Agriculture			230,183
<u>U.S. Department of Justice</u>			
Direct:			
Bulletproof Vest Partnership Program	16.607		2,677
Passed through ND Department of Attorney General			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	21206	4,758
Total United States Department of Justice			7,435
<u>U.S. Department of Transportation</u>			
Passed through North Dakota Department of Transportation			
State and Community Highway Safety	20.600	OP230500518	1,928
State and Community Highway Safety	20.600	ID24100200	279
State and Community Highway Safety	20.600	OP24050500	473
State and Community Highway Safety	20.600	SC23070418	2,386
State and Community Highway Safety	20.600	ID23100215	2,150
State and Community Highway Safety	20.600	DD23110211	978
Total Highway Safety Cluster			8,194
Total U.S. Department of Transportation			8,194
<u>U.S. Department of Homeland Security</u>			
Passed through North Dakota Department of Emergency Services			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-DR-4660	1,275,519
Homeland Security Grant Program	97.067		63,670
Total U.S. Department of Homeland Security			1,339,189
<u>U.S. Department of the Treasury</u>			
Passed through ND Office of State Treasurer			
COVID-19 Coronavirus Relief Fund	21.019	2020 Cares Relief Act	6,017
Total U.S. Department of the Treasury			6,017
Total Expenditures of Federal Awards			\$ 1,591,018

See Notes to the Schedule of Expenditures of Federal Awards

**CITY OF VALLEY CITY**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AS OF DECEMBER 31, 2023

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the accompanying schedule of expenditures of federal awards (the Schedule) are reported under the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 2 INDIRECT COST RATE**

The City of Valley City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 BASIS OF PRESENTATION**

The accompanying Schedule includes the federal award activity of the City of Valley City, North Dakota under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Valley City, North Dakota.

**CITY OF VALLEY CITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**AS OF DECEMBER 31, 2023**

**Section I-Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes     no

Significant deficiency(ies) identified?

yes     none reported

Noncompliance material to financial statements noted?

yes     no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

yes     no

Significant deficiency(ies) identified?

yes     none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes     no

Identification of major programs:

AL Number(s)                      Name of Federal Program or Cluster

97.036                                  Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

\$750,000

Auditee qualified as low-risk auditee?

yes     no

**CITY OF VALLEY CITY**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
AS OF DECEMBER 31, 2023

**Section II – Financial Statement Findings**

**2023-001 ADJUSTING JOURNAL ENTRIES INCLUDING RESTATEMENT**

**Criteria**

A good system of internal accounting control includes the proper recording of all transactions in accordance with generally accepted accounting principles, proper reconciliations of all general ledger accounts and adjustments of those accounts to the reconciled balances.

**Condition**

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

**Cause**

The City does not have an internal control system designed to identify all necessary adjustments in accordance with generally accepted accounting principles.

**Effect**

Inadequate internal controls over the recording of transactions affect the City's ability to detect misstatements that could be material in relation to the financial statements.

**Repeat Finding**

Yes

**Recommendation**

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

**Views of Responsible Officials**

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

**CITY OF VALLEY CITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**AS OF DECEMBER 31, 2023**

**2023-002 FINANCIAL STATEMENT PREPARATION**

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Repeat Finding**

Yes

**Recommendation**

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

**Views of Responsible Officials**

The City agrees with the recommendation and will review on an annual basis.

**CITY OF VALLEY CITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**AS OF DECEMBER 31, 2023**

**Section III – Federal Award Findings and Questioned Costs**

There are no findings required to be reported under this section.

**CITY OF VALLEY CITY**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**AS OF DECEMBER 31, 2023**

**2022-001      MATERIAL JOURNAL ENTREIS INCLUDING RESTATEMENT  
MATERIAL WEAKNESS**

**Condition**

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

**Criteria**

During the course of our engagement, we proposed 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.

**Corrective Action Taken**

See 2023-001



**CITY OF VALLEY CITY**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED**  
**AS OF DECEMBER 31, 2023**

**2022-002      PREPARATION OF FINANCIAL STATEMENTS**  
**MATERIAL WEAKNESS**

**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 note to the financial statements. This includes formulating the proposal of necessary adjusting journal entries to convert the fund financial statements in accordance with GASB Statement No. 34, GASB Statement No. 68, GASB Statement No. 75, and GASB Statement No. 87.

**Criteria**

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

**Cause**

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

**Effect**

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

**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.

**Corrective Action Taken**

See 2023-002

**CITY OF VALLEY CITY**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED  
AS OF DECEMBER 31, 2023

**2022-003      SEGREGATION OF DUTIES OVER ACCOUNTS PAYABLE VENDOR SET UP  
PROCESS  
SIGNIFICANT DEFICIENCY**

**Condition**

The City does not adequately segregate duties in accounts payable vendor set up and payment initiation.

**Criteria**

A good system of internal control required an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the account's payable functions.

**Cause**

Individuals with access to set up new vendors can also initiate accounts payable check payments.

**Effect**

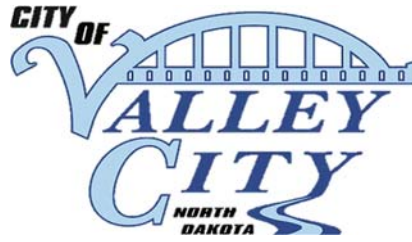
Inadequate segregation of duties could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

**Recommendation**

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

**Corrective Action Taken**

No current year finding. Accounts payable functions have been adequately segregated.



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**CORRECTIVE ACTION PLAN  
AS OF DECEMBER 31, 2023**

**2023-001 FINDING**

Contact Person – Brenda Klien, Finance Director

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

Completion Date – Ongoing.

**2023-002 FINDING**

Contact Person – Brenda Klien, Finance Director

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

Completion Date – Ongoing.