CITY OF VALLEY CITY
VALLEY CITY, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2024

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CITY OF VALLEY CITY
OFFICIAL DIRECTORY (UNAUDITED)
AS OF DECEMBER 31, 2024

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

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

BradyMartz

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valley City, as of and for the year ended December 31, 2024, 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, 2024, 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 restated beginning capital assets and net position. Our opinions have 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, the 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, 2025, on our consideration of the City of Valley City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Valley City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Valley City's internal control over financial reporting and compliance.

Brady Martz

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

September 26, 2025

CITY OF VALLEY CITY
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	$ 11,646,296	$ 3,896,874	$ 15,543,170
Restricted Investments	808,208	133,450	941,658
Receivables:			
Accounts (net)	115,169	881,500	996,669
Unbilled Revenues	16,876	510,581	527,457
Interest	-	2,604	2,604
Intergovernmental Receivable	1,680,942	-	1,680,942
Property Taxes	23,320	-	23,320
Special Assessments	6,670,258	-	6,670,258
Leases	-	13,507	13,507
Prepaid Items	156	32,953	33,109
Inventories	2,018	1,175,744	1,177,762
Unearned Debits	-	3,642	3,642
Internal Balances	(5,000,000)	5,000,000	-
Total Current Assets	15,963,243	11,650,855	27,614,098
Capital Assets:			
Land	1,383,540	392,498	1,776,038
Construction in Progress	3,493,870	911,544	4,405,414
Infrastructure	108,155,955	-	108,155,955
Buildings and improvements	3,108,220	17,502,419	20,610,639
Machinery and Equipment	1,787,549	19,819,252	21,606,801
Vehicles	3,546,757	-	3,546,757
Mains and Lines	-	54,652,848	54,652,848
Right of Use Leased Assets	285,525	23,399	308,924
Accumulated Depreciation and Amortization	(24,030,159)	(51,072,439)	(75,102,598)
Total Capital Assets (Net of Accumulated Depreciation and Amortization)	97,731,257	42,229,521	139,960,778
Total Assets	113,694,500	53,880,376	167,574,876
DEFERRED OUTFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan - Main Plan	998,285	-	998,285
Cost Sharing Defined Benefit Pension Plan - Safety Plan	250,349	-	250,349
Cost Sharing OPEB	34,287	-	34,287
Total Deferred Outflows of Resources	1,282,921	-	1,282,921

See Notes to the Financial Statements

CITY OF VALLEY CITY
STATEMENT OF NET POSITION - CONTINUED
DECEMBER 31, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts Payable	$ 526,223	$ 570,206	$ 1,096,429
Accrued Interest Payable	78,295	2,144	80,439
Deposits Payable	26,268	168,116	194,384
Unearned Revenue	2,916,759	-	2,916,759
Salaries and Benefits Payable	45,511	30,547	76,058
Long-Term Liabilities Due Within One Year	1,929,288	619,180	2,548,468
Noncurrent Liabilities:			
Bonds Payable	12,594,499	640,000	13,234,499
Notes Payable	2,422,127	-	2,422,127
Finance Purchase	573,718	-	573,718
Other Post Employment Benefits - NDPERS	74,107	-	74,107
Net Pension Liability - Main Plan	1,257,459	-	1,257,459
Net Pension Liability - Safety Plan	57,581	-	57,581
Leases	177,165	3,130	180,295
Compensated Absences Payable	256,936	492,430	749,366
Less Amounts Due within One Year	(1,929,288)	(619,180)	(2,548,468)
Total Liabilities	21,006,648	1,906,573	22,913,221
DEFERRED INFLOWS OF RESOURCES			
Cost Sharing Defined Benefit Pension Plan - Main Plan	582,110	-	582,110
Cost Sharing Defined Benefit Pension Plan - Safety Plan	287,394	-	287,394
Cost Sharing OPEB	9,953	-	9,953
Leases	-	13,094	13,094
Total Deferred Inflows of Resources	879,457	13,094	892,551
NET POSITION			
Net Investment in Capital Assets	81,963,748	41,586,391	123,550,139
Restricted for:			
Community Development	2,231,531	-	2,231,531
Debt Service	9,767,958	-	9,767,958
Emergency Services	12,013	-	12,013
Infrastructure	4,896,536	-	4,896,536
Unrestricted	(5,780,470)	10,374,318	4,593,848
Total Net Position	$ 93,091,316	$ 51,960,709	$ 145,052,025

CITY OF VALLEY CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Operating	Capital	Primary Government		
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	$ 2,220,927	$ 160,122	$ 4,011,648	$ -	$ 1,950,843	$ -	$ 1,950,843
Public Safety	2,146,083	45,671	123,743	-	(1,976,669)	-	(1,976,669)
Public Works	3,582,704	255,845	645,288	6,658,674	3,977,103	-	3,977,103
Culture and Recreation	1,122,380	-	26,823	-	(1,095,557)	-	(1,095,557)
Permanent Flood Protection	266,532	-	-	-	(266,532)	-	(266,532)
Economic Development	753,681	-	-	-	(753,681)	-	(753,681)
Interest and Fees	367,327	-	-	-	(367,327)	-	(367,327)
Total Governmental Activities	10,459,634	461,638	4,807,502	6,658,674	1,468,180	-	1,468,180
Business-type Activities:							
Electric	6,167,339	8,280,077	1,082,180	-	-	3,194,918	3,194,918
Water	2,684,527	1,796,123	-	22,443	-	(865,961)	(865,961)
Sewer	833,052	781,019	-	-	-	(52,033)	(52,033)
Garbage	1,438,709	1,542,839	-	-	-	104,130	104,130
Total Business-type Activities	11,123,627	12,400,058	1,082,180	22,443	-	2,381,054	2,381,054
Total Primary Government	$ 21,583,261	$ 12,861,696	$ 5,889,682	$ 6,681,117			
General Revenues:							
Property Taxes, Levied for General Purposes					1,744,928	-	1,744,928
Property Taxes, Levied for Debt Service					333,647	-	333,647
City Sales Tax					3,228,226	-	3,228,226
Franchise Fees					522,022	-	522,022
Interest					360,218	188,348	548,566
Miscellaneous Revenue					167,215	123,566	290,781
Capital contributions					(4,625,760)	4,625,760	-
Transfers					1,713,044	(1,713,044)	-
Total General Revenues and Transfers					3,443,540	3,224,630	6,668,170
Change in Net Position					4,911,720	5,605,684	10,517,404
Net Position - Beginning, as originally stated					89,243,352	46,355,025	135,598,377
Error Corrections - See Note 2					(1,063,756)	-	(1,063,756)
Net Position - Beginning, restated					88,179,596	46,355,025	134,534,621
Net Position - Ending					$ 93,091,316	$ 51,960,709	$ 145,052,025

See Notes to the Financial Statements

CITY OF VALLEY CITY
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General	Permanent Flood Protection	Paving Projects	Infrastructure Renewal & Replacement	Emergency	Municipal Infrastructure	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS									
Cash and investments	$ 1,974,441	$ -	$ -	$ 4,619,107	$ 78,739	$ 192,499	$ 3,200,631	$ 1,580,879	$ 11,646,296
Restricted investments	-	-	-	-	-	-	808,208	-	808,208
Receivables:									
Accounts receivable, net	82,219	-	-	24,386	-	-	-	8,564	115,169
Unbilled Revenues	-	-	-	16,876	-	-	-	-	16,876
Intergovernmental receivable	68,384	113,756	892,919	236,167	-	-	-	369,716	1,680,942
Property taxes	20,542	-	-	-	-	-	-	2,778	23,320
Special assessments:									
Current	106,609	-	-	-	-	-	686,824	-	793,433
Delinquent	25,118	-	-	-	-	-	23,160	-	48,278
Deferred	700,889	-	-	-	-	-	5,127,658	-	5,828,547
Due from other funds	-	-	-	-	-	2,923,566	-	21,664	2,945,230
Inventory	2,018	-	-	-	-	-	-	-	2,018
Prepaid items	156	-	-	-	-	-	-	-	156
Total Assets	$ 2,980,376	$ 113,756	$ 892,919	$ 4,896,536	$ 78,739	$ 3,116,065	$ 9,846,481	$ 1,983,601	$ 23,908,473
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES									
Liabilities									
Accounts payable	$ 122,029	$ 6,272	$ 376,772	$ -	$ -	$ -	$ 228	$ 20,922	$ 526,223
Salaries and benefits payable	45,511	-	-	-	-	-	-	-	45,511
Due to other funds	-	330,319	7,593,247	-	-	-	-	21,664	7,945,230
Customer Deposits	26,268	-	-	-	-	-	-	-	26,268
Unearned Revenue	-	-	-	-	66,726	2,850,033	-	-	2,916,759
Total Liabilities	193,808	336,591	7,970,019	-	66,726	2,850,033	228	42,586	11,459,991
Deferred Inflows of Resources									
Unavailable revenue - property taxes	20,542	-	-	-	-	-	-	2,778	23,320
Unavailable revenue - special assessments	832,615	-	-	-	-	-	5,837,642	-	6,670,257
Total Deferred Inflows of Resources:	853,157	-	-	-	-	-	5,837,642	2,778	6,693,577
FUND BALANCES									
Restricted for:									
Community development	-	-	-	-	-	266,032	-	1,962,721	2,228,753
Debt service	-	-	-	-	-	-	4,008,611	-	4,008,611
Emergency services	-	-	-	-	12,013	-	-	-	12,013
Infrastructure	-	-	-	4,896,536	-	-	-	-	4,896,536
Non-spendable	2,174	-	-	-	-	-	-	-	2,174
Unassigned	1,931,237	(222,835)	(7,077,100)	-	-	-	-	(24,484)	(5,393,182)
Total Fund Balances	1,933,411	(222,835)	(7,077,100)	4,896,536	12,013	266,032	4,008,611	1,938,237	5,754,905
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,980,376	$ 113,756	$ 892,919	$ 4,896,536	$ 78,739	$ 3,116,065	$ 9,846,481	$ 1,983,601	$ 23,908,473

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, 2024

Total Governmental Funds Balances		$ 5,754,905
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	$ 121,475,891	
Right to Use Leased Assets	285,525	
Accumulated Depreciation and Amortization	(24,030,159)	97,731,257
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the governmental funds.		
Property taxes	23,320	
Special assessments	6,670,257	6,693,577
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	1,282,921	
Deferred inflows	(879,457)	403,464
Long-term liabilities are not due and payable in the current period and, therefore, are not included in the governmental funds:		
Revenue bonds payable	(12,594,499)	
Notes payable	(2,422,127)	
Leases	(177,165)	
Finance purchase	(573,718)	
Other Post Employment Benefits - NDPERS	(74,107)	
Net pension liability - main plan	(1,257,459)	
Net pension liability - safety plan	(57,581)	
Interest payable	(78,295)	
Compensated absences	(256,936)	(17,491,887)
Net Position of Governmental Activities		$ 93,091,316

See Notes to the Financial Statements

CITY OF VALLEY CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	General	Permanent Flood Protection	Paving Projects	Infrastructure Renewal & Replacement	Emergency	Municipal Infrastructure	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES									
Taxes	$ 1,417,792	$ -	$ -	$ -	$ -	$ -	$ 333,647	$ 319,773	$ 2,071,212
Special assessments	119,442	-	-	-	-	-	979,734	393	1,099,569
Franchise Fee	23,179	-	-	498,843	-	-	-	-	522,022
Licenses, permits and fees	282,315	-	-	-	-	-	-	-	282,315
Intergovernmental	1,231,152	208,908	1,497,329	-	-	3,310,619	30,000	26,823	6,304,831
Charges for services	179,324	-	-	-	-	-	-	-	179,324
Sales Tax	25,085	-	-	1,205,647	-	-	197,120	1,800,370	3,228,222
Interest	360,218	-	-	-	-	-	-	-	360,218
Miscellaneous	166,570	-	-	-	-	-	-	650	167,220
Total Revenues	3,805,077	208,908	1,497,329	1,704,490	-	3,310,619	1,540,501	2,148,009	14,214,933
EXPENDITURES									
Current:									
General government	1,367,087	-	-	-	-	-	-	-	1,367,087
Public safety	2,130,953	92	-	-	-	-	-	-	2,131,045
Public works	1,202,144	-	-	-	-	-	-	-	1,202,144
Culture and recreation	318,932	-	-	-	-	-	30,891	772,557	1,122,380
Economic Development	-	-	-	-	-	-	-	753,681	753,681
Permanent flood protection	-	266,532	-	-	-	-	-	-	266,532
Capital Outlay	60,713	51,406	9,091,353	-	-	-	-	58,863	9,262,335
Debt Service:									
Principal retirement	152,751	-	-	-	-	-	1,679,268	-	1,832,019
Interest and fees	22,830	-	-	-	-	-	341,768	-	364,598
Total Expenditures	5,255,410	318,030	9,091,353	-	-	-	2,051,927	1,585,101	18,301,821
Excess (Deficiency) of Revenues over (Under) Expenditures	(1,450,333)	(109,122)	(7,594,024)	1,704,490	-	3,310,619	(511,426)	562,908	(4,086,888)
OTHER FINANCING SOURCES (USES)									
Proceeds from sale of assets	4,000	1,000	-	-	-	-	-	-	5,000
Proceeds from issuance of debt	-	-	-	-	-	-	856,525	-	856,525
Transfers in	2,617,752	-	3,890,591	-	-	-	560,510	24,914	7,093,767
Transfers out	(633,887)	-	-	(200,735)	-	(3,310,619)	(579,972)	(655,510)	(5,380,723)
Total other financing sources and uses	1,987,865	1,000	3,890,591	(200,735)	-	(3,310,619)	837,063	(630,596)	2,574,569
Net Change in Fund Balances	537,532	(108,122)	(3,703,433)	1,503,755	-	-	325,637	(67,688)	(1,512,319)
Fund Balances - Beginning	1,395,879	(114,713)	(3,373,667)	3,392,781	12,013	266,032	3,682,974	2,005,925	7,267,224
Fund Balances - Ending	$ 1,933,411	$ (222,835)	$ (7,077,100)	$ 4,896,536	$ 12,013	$ 266,032	$ 4,008,611	$ 1,938,237	$ 5,754,905

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, 2024

Net Change in Fund Balances - Total Governmental Funds	$ (1,512,319)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital Outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.	
Capital Outlays	9,262,335
Capital Contributions	(4,625,760)
Depreciation/Amortization Expense	(2,951,268)
Contributed infrastructure	4,308,152
Net book value of capital assets disposed	(6,921)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	
Property Taxes	(15,956)
Special Assessments	(223,058)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the Statement of Net Position. Loan proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the Statement of Net Position.	
Principal Debt Payments	1,832,019
Loan Proceeds	(856,525)
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.	(142,212)
Changes in deferred outflows and inflows of resources related to the net pension liability.	(173,093)
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:	
Accrued Compensated Absences Payable	19,055
Interest	(2,729)
Changes in Net Position	$ 4,911,720

See Notes to the Financial Statements

CITY OF VALLEY CITY
STATEMENT NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2024

	Electric	Water	Sewer	Garbage	Total
ASSETS					
Current assets:					
Cash and Investments	$ 1,847,105	$ 160,160	$ 1,706,707	$ 182,902	$ 3,896,874
Restricted investments	-	112,200	21,250	-	133,450
Accounts receivable (net)					
Accounts	622,584	95,833	50,508	112,575	881,500
Unbilled revenues	355,549	69,356	37,212	48,464	510,581
Accrued interest	-	2,189	415	-	2,604
Leases	-	-	-	13,507	13,507
Due from other funds	5,000,000	200,000	50,000	50,000	5,300,000
Inventory	1,034,641	141,103	-	-	1,175,744
Prepaid items	32,953	-	-	-	32,953
Unearned debits	-	3,642	-	-	3,642
Total Current Assets	8,892,832	784,483	1,866,092	407,448	11,950,855
Non-Current Assets:					
Capital assets:					
Land	114,385	147,572	81,047	49,494	392,498
Construction in progress	804,586	106,958	-	-	911,544
Capital assets (net of accumulated depreciation):					
Buildings and Improvements	3,110	8,093,368	593,262	295,874	8,985,614
Machinery and Equipment	339,384	4,699,722	1,304,915	705,119	7,049,140
Mains and Lines	3,485,369	11,355,619	10,046,882	-	24,887,870
Right of use leased assets	2,855	-	-	-	2,855
Total Non-Current Assets	4,749,689	24,403,239	12,026,106	1,050,487	42,229,521
Total Assets	13,642,521	25,187,722	13,892,198	1,457,935	54,180,376
LIABILITIES					
Current Liabilities:					
Accounts payable	526,093	5,887	10,871	27,355	570,206
Customer deposits	165,366	2,750	-	-	168,116
Salaries and benefits payable	20,309	5,135	1,827	3,276	30,547
Due to other funds	300,000	-	-	-	300,000
Accrued interest payable	-	1,826	318	-	2,144
Revenue bonds payable	-	105,000	15,000	-	120,000
Compensated absences	492,430	-	-	-	492,430
Total Current Liabilities	1,504,198	120,598	28,016	30,631	1,683,443
Non-Current Liabilities:					
Revenue bonds payable	-	440,000	80,000	-	520,000
Lease liability	3,130	-	-	-	3,130
Total Non-Current Liabilities	3,130	440,000	80,000	-	523,130
Total Liabilities	1,507,328	560,598	108,016	30,631	2,206,573
DEFERRED INFLOWS OF RESOURCES					
Leases related	-	-	-	13,094	13,094
Total Deferred Inflows of Resources	-	-	-	13,094	13,094
NET POSITION					
Net Investment in Capital Assets	4,746,559	23,858,239	11,931,106	1,050,487	41,586,391
Unrestricted	7,388,634	768,885	1,853,076	363,723	10,374,318
Total Net Position	$ 12,135,193	$24,627,124	$13,784,182	$ 1,414,210	$ 51,960,709

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, 2024

	Electric	Water	Sewer	Garbage	Total
OPERATING REVENUES:					
Charges for services	$ 8,265,919	$ 1,794,526	$ 780,169	$ 1,239,777	$ 12,080,391
Landfill fees	-	-	-	301,686	301,686
Miscellaneous	14,158	1,597	850	1,376	17,981
Total Operating Revenues	8,280,077	1,796,123	781,019	1,542,839	12,400,058
OPERATING EXPENSES:					
Production and pumping	77,813	819,628	37	-	897,478
Cost of power	4,014,911	-	-	-	4,014,911
Distribution	626,064	227,885	297,940	331	1,152,220
Landfill and collections	-	-	-	1,107,644	1,107,644
Customer accounts	58,459	-	-	-	58,459
Customer service and information	2,313	-	-	-	2,313
Administration and general	824,933	351,396	139,547	159,761	1,475,637
Depreciation/amortization	496,852	1,278,974	394,478	170,406	2,340,710
Costs of services contributed to City	65,773	392	-	567	66,732
Total Operating Expenses	6,167,118	2,678,275	832,002	1,438,709	11,116,104
Operating Income (Loss)	2,112,959	(882,152)	(50,983)	104,130	1,283,954
NON-OPERATING REVENUES (EXPENSES):					
Interest income	179,607	7,746	995	-	188,348
Net Merchandise Revenue	11,720	21,217	29,623	61,006	123,566
Grant Income	1,082,180	22,443	-	-	1,104,623
Interest and service charges	(221)	(6,252)	(1,050)	-	(7,523)
Total Non-Operating Revenues (Expenses)	1,273,286	45,154	29,568	61,006	1,409,014
Income (Loss) before contributions and transfers	3,386,245	(836,998)	(21,415)	165,136	2,692,968
Capital contributions	-	3,185,590	1,440,170	-	4,625,760
Transfers in	5,556	-	-	-	5,556
Transfers out	(1,718,600)	-	-	-	(1,718,600)
Changes in Net Position	1,673,201	2,348,592	1,418,755	165,136	5,605,684
Total Net Position - Beginning	10,461,992	22,278,532	12,365,427	1,249,074	46,355,025
Total Net Position - Ending	$ 12,135,193	$ 24,627,124	$ 13,784,182	$ 1,414,210	$ 51,960,709

See Notes to the Financial Statements

CITY OF VALLEY CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Electric	Water	Sewer	Garbage	Totals Current Year
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	$ 8,248,403	$ 1,803,816	$ 782,722	$ 1,550,013	$ 12,384,954
Payments to Suppliers	(4,945,358)	(1,052,157)	(290,555)	(1,108,280)	(7,396,350)
Payments to Employees	(734,212)	(349,350)	(138,701)	(169,664)	(1,391,927)
Other Operating Revenue	14,158	1,597	850	1,376	17,981
Net Cash Provided (Used) by Operating Activities	2,582,991	403,906	354,316	273,445	3,614,658
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers In	5,556	-	-	-	5,556
Transfers Out	(1,718,600)	-	-	-	(1,718,600)
Due to/from Other Funds	(4,607,614)	(200,000)	(50,000)	(142,386)	(5,000,000)
Other Income	11,720	21,217	29,623	61,006	123,566
Grant Proceeds	1,082,180	22,443	-	-	1,104,623
Net Cash Provided by Noncapital Financing Activities	(5,226,758)	(156,340)	(20,377)	(81,380)	(5,484,855)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets	(498,024)	(163,168)	(106,288)	(21,017)	(788,497)
Proceeds from Lease Receivables	-	-	-	11,854	11,854
Principal Payments on Long-Term Debt	(6,750)	(105,000)	(15,000)	-	(126,750)
Interest and Fiscal Charges on Debt	(221)	(5,589)	(2,012)	-	(7,822)
Net Cash Provided (Used) by Capital and Related Financing Activities	(504,995)	(273,757)	(123,300)	(9,163)	(911,215)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	223,666	5,649	598	-	229,913
Net Cash Provided (Used) by Investing Activities	223,666	5,649	598	-	229,913
Net Increase (Decrease) in Cash and Cash Equivalents	(2,925,096)	(20,542)	211,237	182,902	(2,551,499)
Cash and Cash Equivalents, January 1	4,772,201	292,902	1,516,720	-	6,581,823
Cash and Cash Equivalents, December 31	$ 1,847,105	$ 272,360	$ 1,727,957	$ 182,902	$ 4,030,324
RECONCILIATION OF CASH AND RESTRICTED CASH					
Cash	$ 1,847,105	$ 160,160	$ 1,706,707	$ 182,902	$ 3,896,874
Restricted Cash	-	112,200	21,250	-	133,450
Total Cash and Restricted Cash	$ 1,847,105	$ 272,360	$ 1,727,957	$ 182,902	$ 4,030,324
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	$ 2,112,959	$ (882,152)	$ (50,983)	$ 104,130	$ 1,283,954
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization Expense	496,852	1,278,974	394,478	170,406	2,340,710
Changes in Assets and Liabilities:					
Accounts Receivable	(38,987)	16,530	1,896	11,906	(8,655)
Unbilled Revenue	(33,318)	(7,240)	657	(3,356)	(43,257)
Inventory	(207,927)	7,472	-	-	(200,455)
Prepaid Items	(20,021)	-	-	-	(20,021)
Accounts Payable	127,923	(11,724)	7,422	262	123,883
Deposits Payable	54,789	-	-	-	54,789
Salaries and Benefits Payable	8,165	2,046	846	1,998	13,055
Compensated Absences	82,556	-	-	-	82,556
Deferred Inflows	-	-	-	(11,901)	(11,901)
Net Cash Provided (Used) by Operating Activities	$ 2,582,991	$ 403,906	$ 354,316	$ 273,445	$ 3,614,658
Noncash Investing, Capital, and Financing Activities					
Contribution of Capital Assets from Capital Project Funds	$ -	$ 3,185,590	$ 1,440,170	$ -	$ 4,625,760

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Basis of Presentation

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

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.

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

Other Significant Accounting Policies

Budgets and Budgetary Accounting

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

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

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

All unexpended appropriations lapse at year-end.

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

Cash and 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, and other highly liquid investments with original maturities of three months or less. The City is not carrying any cash equivalents as of December 31, 2024.

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

Investments

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

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, 2024, are recorded as prepaid items in both government-wide and fund financial statements.

Property Taxes

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

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

Special Assessments

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

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

Receivable and Credit Policy

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

Capital Assets

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

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

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

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

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.

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.

Deferred Inflows and Outflows of Resources

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

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

Net Pension Liability

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

Other Postemployment Benefits

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

Fund Balance

The following classifications describe the relative strength of spending constraints:

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

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

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

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

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

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

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

Net Position

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

Risk Management

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

Estimates

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

NOTE 2 ERROR CORRECTION

The City has determined that previously reported capital assets were overstated. Governmental activities have been restated accordingly to reduce beginning construction in progress and net position by $1,063,756.

NOTE 3 COMPLIANCE AND STEWARDSHIP

Fund Deficits

The following funds were in a deficit position at December 31, 2024:

Permanent Flood Protection	$ 222,835
Paving Projects	7,077,100
DOT Misc project	13,712
Underground Construction	8,361
City Share of Special Assessments	1,410
Occupance Tax 1%	166
Motel Occupancy	835

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.

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.

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, 2024, the City's carrying amount of deposits was $15,543,170 and the bank balance was $16,681,020. The City’s balances were fully insured and collateralized as of December 31, 2024. At December 31, 2024, the City's carrying amount of investments was $941,658.

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, 2024, the City’s investments included certificates of deposit.

NOTE 5 CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended December 31, 2024:

	Beginning Balance As Restated	Additions	Retirements	Transfers	Ending Balance
Governmental Activities					
Capital Assets, Non-Depreciable/Amortizable:					
Land	$ 1,383,540	$ -	$ -	$ -	$ 1,383,540
Construction in progress	8,962,847	13,349,915	-	(18,818,892)	3,493,870
Total Non-Depreciable/Amortizable:	10,346,387	13,349,915	-	(18,818,892)	4,877,410
Capital Assets, Depreciable/Amortizable					
Infrastructure	93,962,822	-	-	14,193,133	108,155,955
Buildings and improvements	3,084,838	23,382	-	-	3,108,220
Machinery and equipment	1,673,271	114,278	-	-	1,787,549
Vehicles	3,534,105	82,912	70,260	-	3,546,757
Leased Equipment	219,861	226,152	160,488	-	285,525
Total Capital Assets, being depreciated/amortized	102,474,897	446,724	230,748	14,193,133	116,884,006
Less Accumulated Depreciation/Amortization for:					
Infrastructure	15,650,081	2,378,640	-	-	18,028,721
Buildings and improvements	2,094,959	64,296	-	-	2,159,255
Machinery and equipment	1,492,234	78,162	-	-	1,570,396
Vehicles	1,896,175	380,655	63,339	-	2,213,491
Leased Equipment	169,269	49,515	160,488	-	58,296
Total Accumulated Depreciation/Amortization	21,302,718	2,951,268	223,827	-	24,030,159
Total capital assets being depreciated/amortized, net	81,172,179	(2,504,544)	6,921	14,193,133	92,853,847
Total Governmental Activities Capital Assets, Net	$ 91,518,566	$ 10,845,371	$ 6,921	$ (4,625,759)	$ 97,731,257

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Business-type Activities					
Capital Assets, Non-Depreciable/Amortizable:					
Land	$ 392,498	$ -	$ -	$ -	$ 392,498
Construction in Progress	679,232	824,260	20,726	(571,222)	911,544
Total Non-Depreciable/Amortizable:	1,071,730	824,260	20,726	(571,222)	1,304,042
Capital Assets, Depreciable/Amortizable					
Buildings and Improvements	17,364,337	-	-	138,082	17,502,419
Machinery and Equipment	19,652,446	21,018	-	145,788	19,819,252
Mains and Lines	49,775,791	-	36,054	4,913,111	54,652,848
Right to Use Leased Assets	23,399	-	-	-	23,399
Total Capital Assets, being depreciated/amortized	86,815,973	21,018	36,054	5,196,981	91,997,918
Less Accumulated Depreciation/Amortization for:					
Buildings and Improvements	8,138,891	377,914	-	-	8,516,805
Machinery and Equipment	11,803,969	966,143	-	-	12,770,112
Mains and Lines	28,775,173	989,805	-	-	29,764,978
Right to Use Leased Assets	13,696	6,848	-	-	20,544
Total Accumulated Depreciation/Amortization	48,731,729	2,340,710	-	-	51,072,439
Total capital assets being depreciated/amortized, net	38,084,244	(2,319,692)	36,054	5,196,981	40,925,479
Total Business-type Activities Capital Assets, Net	$ 39,155,974	$ (1,495,432)	$ 56,780	$ 4,625,759	$ 42,229,521

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

General Government	$ 523,113
Public Services	2,428,155
Total Depreciation Expense	$ 2,951,268

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

Electric	$ 496,852
Water	1,278,974
Sewer	394,478
Garbage	170,406
Total Depreciation Expense	$ 2,340,710

Commitments

As of December 31, 2024, the City had outstanding commitments of approximately $1.5 million related to construction projects.

NOTE 6 LONG-TERM DEBT

Long-term liability activity for the year ended December 31, 2024, was as follows:

Governmental Activities:	Balance 1/1/23	Debt Issued	Retirements 2024	Balance 12/31/24	Due Within One Year
Special Assessment Bonds	$ 7,222,987	$ 556,525	$ 1,053,543	$ 6,725,969	$ 957,356
Sales Tax Revenue Bonds	6,380,575	-	512,045	5,868,530	493,059
PFA Loans	1,768,892	300,000	91,892	1,977,000	94,374
Direct Borrowing	466,913	-	21,786	445,127	22,224
Lease Liability	56,048	226,153	105,036	177,165	56,048
Finance Purchases	621,435	-	47,717	573,718	49,291
Compensated Absences	275,991	-	19,055	256,936	256,936
Governmental Activities Long-Term Liabilities	$ 16,792,841	$ 1,082,678	$ 1,851,074	$ 16,024,445	$ 1,929,288
Business-Type Activities:					
Revenue Bonds	$ 760,000	$ -	$ 120,000	$ 640,000	$ 120,000
Lease Liability	9,880	-	6,750	3,130	6,750
Compensated Absences	409,874	82,556	-	492,430	492,430
Business-Type Activity Long-Term Liabilities	$ 1,179,754	$ 82,556	$ 126,750	$ 1,135,560	$ 619,180

The change in compensated absences is presented as net change.

Bonds Payable

At December 31, 2024, the City had the following bond issuance outstanding:

	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/24
Governmental Activities:					
Special Assessment Bonds:					
2023 Bridgeview Estates	5.80%	2024	$ 338,460	$ 23,591	$ -
Tax Increment Financing Bonds of 2008	4.50%	2024	825,000	98,426	-
2013 Refunding Improvement Bond	0.35 - 2.20%	2026	955,000	50,000	90,000
2015 Improvement Bond	2.00 - 3.25%	2040	4,545,000	275,000	1,945,000
2016 Refunding Improvement Bond	0.80 - 1.65%	2026	1,295,000	120,000	235,000
2017 Refunding Improvement Bond	2.91%	2047	2,150,000	100,000	1,530,000
2018 Refunding Improvement Bond	3.00 - 4.00%	2038	1,975,000	130,000	1,330,000
2021 Refunding Improvement Bond	0.25 - 1.50%	2031	1,315,000	210,000	660,000
Tax Increment Financing Revolving Loan	2.00%	2032	500,000	46,890	379,444
2024 Refunding Improvement Bond	4.2-4.8%	2044	556,525	-	556,525
				$ 1,053,907	$ 6,725,969
Sales Tax Revenue Bonds:					
2013 Sales Tax Revenue Bond	0.50 - 3.00%	2028	$ 2,900,000	$ 205,000	$ 870,000
2016 Sales Tax Revenue Bond	1.50%	2047	860,614	27,094	649,787
2017 Sales Tax Revenue Bond	1.50%	2047	1,392,500	43,267	1,096,741
2018 Sales Tax Revenue Bond	1.50%	2048	3,289,400	102,035	2,689,316
2021 Sales Tax Revenue Bond	2.00%	2050	1,100,000	134,649	562,686
				$ 512,045	$ 5,868,530

	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/24
Business-Type Activities:					
Revenue Bond					
2009 Wastewater Treatment Revenue Bond	0.50%	2025	$ 260,000	$ 15,000	$ 95,000
2009 Water Treatment Revenue Bond	5.00%	2030	4,485,031	105,000	545,000
				$ 120,000	$ 640,000

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

Year Ending December 31,	Special Assessment Principal	Special Assessment Interest	Sales Tax Revenue Principal	Sales Tax Revenue Interest
2025	$ 957,356	$ 181,030	$ 493,059	$ 105,094
2026	893,321	157,677	500,456	83,377
2027	674,306	139,856	507,872	74,623
2028	675,297	122,961	515,310	65,378
2029	591,336	105,970	292,769	55,963
2030-2034	1,877,964	325,090	946,971	239,131
2035-2039	840,000	109,335	950,297	169,431
2040-2044	216,389	25,636	986,472	109,335
2045-2049	-	-	675,324	24,210
Total	$ 6,725,969	$ 1,167,555	$ 5,868,530	$ 926,542

Year Ending December 31,	Revenue Bonds Principal	Revenue Bonds Interest
2025	$ 120,000	$ 3,200
2026	125,000	2,600
2027	125,000	1,975
2028	130,000	1,350
2029	140,000	700
Total	$ 640,000	$ 9,825

PFA Loans

	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/24
2019 Clean Water State Revolving Fund Program	1.50%	2039	$ 395,851	$ 15,000	$ 300,000
2020 Drinking Water Assessment Warrant	1.50%	2040	217,741	15,000	165,001
2020 Wastewater Treatment Assessment Warrant	1.50%	2040	457,151	22,151	344,999
2022 Clean Water Wastewater Treatment Assessment Warrant	1.50%	2041	816,050	35,000	710,000
2022 Drinking Water Wastewater Treatment Assessment Warrant	1.50%	2042	171,000	7,000	157,000
2024 Watermain improvement District No. 105	2.00%	2054	300,000	-	300,000
				$ 94,151	$ 1,977,000

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

Year Ending December 31,	PFA Loans Principal	PFA Loans Interest
2025	$ 94,374	$ 31,210
2026	99,522	29,756
2027	100,674	28,225
2028	105,829	26,675
2029	105,987	25,047
2030-2034	544,421	100,609
2035-2039	596,878	57,212
2040-2044	208,804	18,821
2045-2049	57,248	9,897
2050-2054	63,263	3,885
Total	$ 1,977,000	$ 331,337

Direct Borrowing

	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/24
2021 Certificate of Indebtedness - Fire Hall	2.00%	2041	$ 500,000	$ 21,786	$ 445,127
				$ 21,786	$ 445,127

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

Year Ending December 31,	Direct Borrowing Principal	Direct Borrowing Interest
2025	$ 22,224	$ 8,792
2026	22,671	8,345
2027	23,127	7,890
2028	23,592	7,425
2029	24,066	6,951
2030-2034	127,782	27,299
2035-2039	141,151	13,930
2040-2044	60,514	1,520
Total	$ 445,127	$ 82,152

Lease Liability

Leases:	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/24
Governmental Funds					
Equipment Lease	2.12%	2024	$ 219,861	$ 56,048	$ -
Equipment Lease	4.08%	2028	226,153	48,988	177,165
				$ 105,036	$ 177,165
Business-Type Funds					
Equipment Lease	2.12%	2025	$ 32,942	$ 6,750	$ 3,130

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

Year Ending	Governmental Lease		Business-Type Lease	
December 31,	Principal	Interest	Principal	Interest
2025	$ 41,623	$ 7,365	$ 3,130	$ 93
2026	43,353	5,635	-	-
2027	45,156	3,832	-	-
2028	47,033	1,955	-	-
	$ 177,165	$ 18,787	$ 3,130	$ 93

Finance Purchase

	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 12/31/24
Motor Graters	3.25%	2028	$ 780,000	$ 47,717	$ 573,718
				$ 47,717	$ 573,718

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

Year Ending	Finance Purchase	
December 31,	Principal	Interest
2025	$ 49,291	$ 20,500
2026	50,917	18,926
2027	52,597	17,300
2028	420,913	29,505
Total	$ 573,718	$ 86,231

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.

As of December 31, 2024, there were series of Industrial Revenue bonds outstanding; the aggregate principal amount payable is $1,283,386. 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 North Dakota 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.

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

Plan	Member contribution rate	Employer contribution rate
Law Enforcement with previous service		
Political Subdivisions	5.50%	11.40%
State	6.00%	11.40%
National Guard	5.50%	11.40%
Law Enforcement without previous service	5.50%	09.16%

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

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

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

At December 31, 2024, the City reported a liability of $1,315,040 for its proportionate share of the net pension liability. The net pension liability consisted of $1,257,459 to the Main System pension plan and $57,581 to the Law Enforcement pension plan. The net pension liability was measured as of June 30, 2024, 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, 2024, 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, 2024, the City recognized pension expense of $342,148 for the Main System plan and $68,474 for the Law Enforcement plan for a total pension expense of $410,622. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the Main System Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 59,704	$ -
Changes in actuarial assumptions	303,045	570,612
Difference between projected and actual investment earnings	-	11,498
Changes in proportion	612,351	-
Contributions paid to NDPERS subsequent to the measurement date	23,185	-
Total	$ 998,285	$ 582,110

For the Main System plan, $23,185 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, 2025.

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

Year ending December 31	Pension Expense Amount
2025	$ 136,818
2026	235,913
2027	8,630
2028	11,629

For the Law Enforcement Plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 26,791	$ 16,998
Changes in actuarial assumptions	179,918	259,889
Difference between projected and actual investment earnings	-	1,731
Changes in proportion	16,911	8,776
Contributions paid to NDPERS subsequent to the measurement date	26,729	-
Total	$ 250,349	$ 287,394

For the Law Enforcement plan, $26,729 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, 2025.

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

Year ending December 31	Pension Expense Amount
2025	$ (23,622)
2026	(9,194)
2027	(16,799)
2028	(14,159)

Actuarial Assumptions

The total pension liability in the July 1, 2024 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

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.90%	4.10%
International Equity	19.10%	7.00%
Private Equity	7.00%	8.50%
Domestic Fixed Income	23.00%	2.88%
Global Real Assets	19.00%	6.10%

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 3.97%; 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:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the Main System NDPERS net pension liability:	$ 1,777,087	$ 1,257,459	$ 826,496

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the Law Enforcement NDPERS net pension liability:	$ 271,156	$ 57,581	$ (112,636)

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.

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, 2024, the City reported a liability of $74,107 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2024, the City's proportion was 8.65%, which was an increase of 8.58% from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the City recognized OPEB expense of $23,414. At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 914	$ 570
Changes of assumptions	11,273	5,074
Net difference between projected and actual earnings on OPEB plan investments	-	2,772
Changes in proportion and differences between employer contributions and proportionate share of contributions	21,639	1,537
Employer contributions subsequent to the measurement date	461	-
Total	$ 34,287	$ 9,953

$461 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, 2025.

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

Year ending December 31:	OPEB Expense Amount
2025	$ 13,738
2026	15,685
2027	(3,549)
2028	(2,001)

Actuarial Assumptions

The total OPEB liability in the July 1, 2024 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, 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33.00%	4.00%
Small Cap Domestic Equities	6.00%	6.00%
Domestic Fixed Income	35.00%	3.29%
International Equities	26.00%	7.00%

Discount Rate

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

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

The following presents the net OPEB liability of the Plans as of June 30, 2024, calculated using the discount rate of 5.75%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Employer's proportionate share of the net OPEB liability	$ 101,287	$ 74,107	$ 51,216

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 $4.9 million for inland marine coverage.

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

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:

Receivable	Payable	Amount
Electric	Paving Projects	$ 5,000,000
Water	Electric	200,000
Sewer	Electric	50,000
Garbage	Electric	50,000
Municipal Infrastructure	Permanent Flood Protection	330,319
Municipal Infrastructure	Paving Projects	2,593,247
Nonmajor Governmental	Nonmajor Governmental	21,664
		$ 8,245,230

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2024:

	Transfer In	Transfer Out
General Fund	$ 2,617,752	$ 633,887
Paving Projects	3,890,591	-
Infrastructure Renewal & Replacement	-	200,735
Emergency	-	3,310,619
Debt Service	560,510	579,972
Electric	5,556	1,718,600
Nonmajor Funds	24,914	655,510
	$ 7,099,323	$ 7,099,323

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, 2024:

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 2024 was $177,667.

NOTE 14 NEW PRONOUNCEMENTS

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.

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

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

NOTE 15 SUBSEQUENT EVENTS

During 2025, the City issued debt totaling $1,800,000 in connection with infrastructure upgrades. Additional funding consisted of $1,200,000 in Refunding Improvement Bonds and a $600,000 loan through the North Dakota Clean Water State Revolving Fund. The bonds carry interest rates of 4-5% with annual payments due from 2026 through 2045. The notes carry an interest rate of 1.50% with semi-annual payments due from 2026-2046

During 2025, the City also issued Electric Revenue Utility Bonds through the Bank of North Dakota for $13,000,000 in connection with the construction of a new public works service center facility. The bonds carry an interest rate of 2% with semi-annual payments due from 2025 through 2054.

No other significant events occurred subsequent to the City's year end. Subsequent events were evaluated through September 26, 2025, which is the date these financial statements were available to be issued.

CITY OF VALLEY CITY
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
DECEMBER 31, 2024

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	$ 1,529,200	$ 1,417,792	$ (111,408)
Special assessments	75,000	119,442	44,442
Franchise Fee	27,800	23,179	(4,621)
Licenses, permits and fees	268,345	282,315	13,970
Intergovernmental	1,126,084	1,231,152	105,068
Charges for services	178,605	179,324	719
Sales Tax	25,633	25,085	(548)
Interest	210,589	360,218	149,629
Miscellaneous	112,043	166,570	54,527
Total Revenues	3,553,299	3,805,077	251,778
EXPENDITURES			
Current:			
General government	1,338,643	1,367,087	(28,444)
Public safety	2,184,267	2,130,953	53,314
Public works	1,180,814	1,202,144	(21,330)
Culture and recreation	160,850	318,932	(158,082)
Capital Outlay	652,635	60,713	591,922
Debt Service:			
Principal Retirement	-	152,751	(152,751)
Interest and fees	-	22,830	(22,830)
Total Expenditures	5,517,209	5,255,410	261,799
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,963,910)	(1,450,333)	513,577
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	5,000	4,000	(1,000)
Transfers in	2,715,463	2,617,752	(97,711)
Transfers out	(957,363)	(633,887)	323,476
Total Other Financing Sources and Uses	1,763,100	1,987,865	224,765
Net Change in Fund Balances	(200,810)	537,532	738,342
Fund Balances - Beginning	1,395,879	1,395,879	-
Fund Balances - Ending	$ 1,195,069	$ 1,933,411	$ 738,342

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:					
2024	$ 44,214	$ 44,214	$ -	$ 546,396	8.09%
2023	58,024	58,024	-	723,082	8.02%
2022	49,735	49,735	-	592,789	8.39%
Law Enforcement:					
2024	$ 52,486	$ 52,486	$ -	$ 578,678	9.07%
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:					
2024	0.0672%	$ 1,257,459	$ 881,934	142.58%	68.02%
2023	0.0553%	1,065,533	675,750	157.68%	65.31%
2022	0.0435%	1,248,394	503,176	248.10%	55.03%
Law Enforcement:					
2024	4.7948%	$ 57,581	$ 760,841	7.57%	68.02%
2023	5.0929%	94,929	758,620	12.51%	65.31%
2022	5.0698%	320,052	709,543	45.11%	55.03%

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

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

See Notes to the Required Supplementary Information

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

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	$ 918	$ 918	$ -	$ 80,538	1.14%
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
2024	0.085767%	$ 74,107	$ 889,152	8.33%	68.35%
2023	0.086495%	86,473	869,430	9.95%	62.74%
2022	0.073460%	88,175	758,403	11.63%	56.28%

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

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

See Notes to the Required Supplementary Information

NOTE 1 DEFINED BENEFIT PLANS

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

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

Changes of assumptions
All actuarial assumptions used in the actuarial valuation as of July 1, 2024 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, 2023.

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, 2023.

Changes of assumptions
All actuarial assumptions used in the actuarial valuation as of July 1, 2024 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, 2023.

CITY OF VALLEY CITY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GENERAL FUND, BY DEPARTMENT
FOR THE YEAR ENDEDDECEMBER 31, 2024

	General Operations Department	City Financed Special Assessment Projects Department	Building Reserve Department	Renewal and Replacement Department	Street Equipment Renewal and Replacement Department	Financing Reserves (BM) Department	Sewer Renewal & Replacement Department	Streets Department	Total General Funds
REVENUES									
Taxes	$ 1,417,792	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,417,792
Special assessments	-	119,442	-	-	-	-	-	-	119,442
Franchise Fee	23,179	-	-	-	-	-	-	-	23,179
Licenses, permits and fees	220,702	-	-	-	-	-	61,613	-	282,315
Intergovernmental	712,530	-	-	82,242	-	-	-	436,380	1,231,152
Charges for services	74,478	-	-	-	-	-	-	104,846	179,324
Sales Tax	25,085	-	-	-	-	-	-	-	25,085
Interest	360,218	-	-	-	-	-	-	-	360,218
Miscellaneous	117,328	-	-	-	-	-	-	49,242	166,570
Total Revenues	2,951,312	119,442	-	82,242	-	-	61,613	590,468	3,805,077
EXPENDITURES									
Current:									
General government	1,223,935	-	-	143,152	-	-	-	-	1,367,087
Public safety	2,130,953	-	-	-	-	-	-	-	2,130,953
Public works	-	-	-	-	-	-	-	1,202,144	1,202,144
Culture and recreation	318,932	-	-	-	-	-	-	-	318,932
Capital Outlay	5,049	-	26,767	-	28,897	-	-	-	60,713
Debt Service:									
Principal retirement	-	-	-	48,986	103,765	-	-	-	152,751
Interest and fees	-	-	-	-	22,830	-	-	-	22,830
Total Expenditures	3,678,869	-	26,767	192,138	155,492	-	-	1,202,144	5,255,410
Excess (Deficiency) of Revenues over (Under) Expenditures	(727,557)	119,442	(26,767)	(109,896)	(155,492)	-	61,613	(611,676)	(1,450,333)
OTHER FINANCING SOURCES (USES)									
Sale of assets	-	-	-	4,000	-	-	-	-	4,000
Transfers in	1,718,600	-	76,767	132,385	295,000	-	-	395,000	2,617,752
Transfers out	(604,152)	(29,735)	-	-	-	-	-	-	(633,887)
Total other financing sources and uses	1,114,448	(29,735)	76,767	136,385	295,000	-	-	395,000	1,987,865
Net Change in Fund Balances	386,891	89,707	50,000	26,489	139,508	-	61,613	(216,676)	537,532
Fund Balances - Beginning	1,706,405	(592,501)	-	(49,775)	(66,580)	518,055	210,677	(330,402)	1,395,879
Fund Balances - Ending	$ 2,093,296	$ (502,794)	$ 50,000	$ (23,286)	$ 72,928	$ 518,055	$ 272,290	$ (547,078)	$ 1,933,411

CITY OF VALLEY CITY
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,580,879	$ -	$ 1,580,879
Receivables:			
Accounts receivable, net	8,564	-	8,564
Intergovernmental receivable	369,716	-	369,716
Property taxes	2,778	-	2,778
Total Assets	$ 1,983,601	$ -	$ 1,983,601
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 19,019	$ 1,903	$ 20,922
Due to other funds	1,494	20,170	21,664
Total Liabilities	20,513	22,073	42,586
Deferred Inflows of Resources			
Unavailable revenue - property taxes	2,778	-	2,778
Total Deferred Inflows of Resources:	2,778	-	2,778
FUND BALANCES			
Restricted for Economic Development	1,962,721	-	1,962,721
Unassigned	(2,411)	(22,073)	(24,484)
Total Fund Balances	1,960,310	(22,073)	1,938,237
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,983,601	$ -	$ 1,983,601

CITY OF VALLEY CITY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
REVENUES			
Taxes	$ 319,773	$ -	$ 319,773
Special assessments	393	-	393
Intergovernmental	26,823	-	26,823
Sales Tax	1,800,370	-	1,800,370
Miscellaneous	-	650	650
Total Revenues	2,147,359	650	2,148,009
EXPENDITURES			
Current:			
Culture and recreation	772,557	-	772,557
Community development	753,681	-	753,681
Capital Outlay	26,128	32,735	58,863
Total Expenditures	1,552,366	32,735	1,585,101
Excess (Deficiency) of Revenues over (Under) Expenditures	594,993	(32,085)	562,908
OTHER FINANCING SOURCES (USES)			
Transfers in	-	24,914	24,914
Transfers out	(655,510)	-	(655,510)
Total other financing sources and uses	(655,510)	24,914	(630,596)
Net Change in Fund Balances	(60,517)	(7,171)	(67,688)
Fund Balances - Beginning	2,020,827	(14,902)	2,005,925
Fund Balances - Ending	$ 1,960,310	$ (22,073)	$ 1,938,237

CITY OF VALLEY CITY
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2024

	City Share of Special Assessments	Special Assessment Deficiency	Library	City Sales Tax Economic	City Sales Tax Property	City Sales Tax Image Enhancement
ASSETS						
Cash and cash equivalents	$ -	$ 4,031	$ 611	$ 1,287,700	$ 42,702	$ 112,483
Receivables:						
Accounts receivable, net	-	-	-	-	-	-
Intergovernmental receivable	84	-	629	156,354	55,841	13,168
Property taxes	338	-	2,440	-	-	-
Due from other funds	-	-	-	21,664	-	-
Total Assets	$ 422	$ 4,031	$ 3,680	$ 1,465,718	$ 98,543	$ 125,651
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	$ -	$ -	$ 611	$ -	$ -	$ 300
Due to other funds	1,494	-	-	-	-	-
Total Liabilities	1,494	-	611	-	-	300
Deferred Inflows of Resources						
Unavailable revenue - property taxes	338	-	2,440	-	-	-
Total Deferred Inflows of Resources:	338	-	2,440	-	-	-
FUND BALANCES						
Restricted for Economic Development	-	4,031	629	1,465,718	98,543	125,351
Unassigned	(1,410)	-	-	-	-	-
Total Fund Balances	(1,410)	4,031	629	1,465,718	98,543	125,351
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 422	$ 4,031	$ 3,680	$ 1,465,718	$ 98,543	$ 125,651

CITY OF VALLEY CITY
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS –- CONTINUED
DECEMBER 31, 2024

	City Sales Tax School Bond	Occupancy Tax 1%	Motel Occupancy	Restaurant Tax	American Recovery Plan Act	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and cash equivalents	$ -	$ 2,848	$ 5,695	$ 124,809	$ -	$ 1,580,879
Receivables:						
Accounts receivable, net	-	2,855	5,709	-	-	8,564
Intergovernmental receivable	111,682	-	-	31,958	-	369,716
Property taxes	-	-	-	-	-	2,778
Due from other funds	-	-	-	-	-	21,664
Total Assets	$ 111,682	$ 5,703	$ 11,404	$ 156,767	$ -	$ 1,983,601
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	$ -	$ 5,869	$ 12,239	$ -	$ -	$ 19,019
Due to other funds	-	-	-	-	-	1,494
Total Liabilities	-	5,869	12,239	-	-	20,513
Deferred Inflows of Resources						
Unavailable revenue - property taxes	-	-	-	-	-	2,778
Total Deferred Inflows of Resources:	-	-	-	-	-	2,778
FUND BALANCES						
Restricted for Economic Development	111,682	-	-	156,767	-	1,962,721
Unassigned	-	(166)	(835)	-	-	(2,411)
Total Fund Balances	111,682	(166)	(835)	156,767	-	1,960,310
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 111,682	$ 5,703	$ 11,404	$ 156,767	$ -	$ 1,983,601

CITY OF VALLEY CITY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	City Share of Special Assessments	Special Assessment Deficiency	Library	City Sales Tax Economic	City Sales Tax Property	City Sales Tax Image Enhancement
REVENUES						
Taxes	$ 23,415	$ -	$ 166,511	$ -	$ -	$ -
Special assessments	-	393	-	-	-	-
Intergovernmental	-	-	7,597	-	-	19,226
Sales Tax	-	-	-	646,833	301,411	60,282
Total Revenues	23,415	393	174,108	646,833	301,411	79,508
EXPENDITURES						
Current:						
Culture and recreation	-	-	173,479	-	-	75,230
Community development	-	-	-	753,681	-	-
Capital Outlay	23,881	2,247	-	-	-	-
Total Expenditures	23,881	2,247	173,479	753,681	-	75,230
Excess (Deficiency) of Revenues over (Under) Expenditures	(466)	(1,854)	629	(106,848)	301,411	4,278
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	(39,665)	(295,000)	-
Total other financing sources and uses	-	-	-	(39,665)	(295,000)	-
Net Change in Fund Balances	(466)	(1,854)	629	(146,513)	6,411	4,278
Fund Balances - Beginning	(944)	5,885	-	1,612,231	92,132	121,073
Fund Balances - Ending	$ (1,410)	$ 4,031	$ 629	$ 1,465,718	$ 98,543	$ 125,351

CITY OF VALLEY CITY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS – CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2024

	City Sales Tax School Bond	Occupancy Tax 1%	Motel Occupancy	Restaurant Tax	American Recovery Plan Act	Total Nonmajor Special Revenue Funds
REVENUES						
Taxes	$ -	$ 43,450	$ 86,397	$ -	$ -	$ 319,773
Special assessments	-	-	-	-	-	393
Intergovernmental	-	-	-	-	-	26,823
Sales Tax	602,824	-	-	189,020	-	1,800,370
Total Revenues	602,824	43,450	86,397	189,020	-	2,147,359
EXPENDITURES						
Current:						
Culture and recreation	230,000	43,616	87,232	163,000	-	772,557
Community development	-	-	-	-	-	753,681
Capital Outlay	-	-	-	-	-	26,128
Total Expenditures	230,000	43,616	87,232	163,000	-	1,552,366
Excess (Deficiency) of Revenues over (Under) Expenditures	372,824	(166)	(835)	26,020	-	594,993
OTHER FINANCING SOURCES (USES)						
Transfers out	(320,845)	-	-	-	-	(655,510)
Total other financing sources and uses	(320,845)	-	-	-	-	(655,510)
Net Change in Fund Balances	51,979	(166)	(835)	26,020	-	(60,517)
Fund Balances - Beginning	59,703	-	-	130,747	-	2,020,827
Fund Balances - Ending	$ 111,682	$ (166)	$ (835)	$ 156,767	$ -	$ 1,960,310

CITY OF VALLEY CITY
COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2024

	DOT Misc Projects	Underground Construction	NW & West Storm Sewer	Total Nonmajor Capital Projects Funds
ASSETS				
Receivables:				
Accounts receivable, net	$ -	$ -	$ -	$ -
Unbilled Revenues	-	-	-	-
Intergovernmental receivable	-	-	-	-
Total Assets	$ -	$ -	$ -	$ -
LIABILITIES				
Liabilities				
Accounts payable	$ -	$ 1,903	$ -	$ 1,903
Due to other funds	13,712	6,458	-	20,170
Total Liabilities	13,712	8,361	-	22,073
FUND BALANCES				
Unassigned	(13,712)	(8,361)	-	(22,073)
Total Fund Balances	(13,712)	(8,361)	-	(22,073)
Total Liabilities and Fund Balances	$ -	$ -	$ -	$ -

CITY OF VALLEY CITY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR DECEMBER 31, 2024

	DOT Misc Projects	Underground Construction	NW & West Storm Sewer	Total Nonmajor Capital Projects Funds
REVENUES				
Miscellaneous	$ 650	$ -	$ -	$ 650
Total Revenues	650	-	-	650
EXPENDITURES				
Capital Outlay	-	21,053	10,947	32,735
Total Expenditures	-	21,053	10,947	32,735
Excess (Deficiency) of Revenues over (Under) Expenditures	650	(21,053)	(10,947)	(32,085)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	13,232	10,947	24,914
Total other financing sources and uses	-	13,232	10,947	24,914
Net Change in Fund Balances	650	(7,821)	-	(7,171)
Fund Balances - Beginning	(14,362)	(540)	-	(14,902)
Fund Balances - Ending	$ (13,712)	$ (8,361)	$ -	$ (22,073)

BradyMartz

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Valley City as of and for the year ended December 31, 2024, 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, 2025.

Report on Internal Control over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

Report on Compliance and Other Matters

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

City of Valley City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Valley City's responses to the findings identified in our audit and described in the accompanying schedule of findings and 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

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

September 26, 2025

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, 2024. 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, 2024.

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

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. However, as discussed below, we did identify a certain deficiency in internal control that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

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.

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

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

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

September 26, 2025

CITY OF VALLEY CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

Federal Grantor/Program or Cluster Title	Federal AL Number	Pass-through Grantor Identifying Number	Amount
U.S. Department of Agriculture			
Passed through North Dakota Forest Service			
Cooperative Forestry Assistance	10.664	2023S-ATB-TP012	$ 19,226
Cooperative Forestry Assistance	10.664	2023-CFPA-040	5,742
Total Assistance Listing 10.664			24,968
Total U.S. Department of Agriculture			24,968
U.S. Department of Justice			
Passed through ND Department of Attorney General			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	23219	5,225
Total U.S. Department of Justice			5,225
U.S. Department of Transportation			
Passed through North Dakota Department of Transportation			
State and Community Highway Safety	20.600	OP24050500	433
State and Community Highway Safety	20.600	ID24100200	225
State and Community Highway Safety	20.600	SC4070400	423
State and Community Highway Safety	20.600	DD24110200	420
Total Highway Safety Cluster			1,501
Total U.S. Department of Transportation			1,501
U.S. Department of Health and Human Services			
Direct:			
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912		75,000
Total U.S. Department of Health and Human Services			75,000
U.S. Department of Homeland Security			
Passed through North Dakota Department of Emergency Services			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-DR-4660	153,315
Total U.S. Department of Homeland Security			153,315
U.S. Department of the Treasury			
Passed through ND Office of State Treasurer			
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	1505-0271	999,722
Total U.S. Department of the Treasury			999,722
Total Expenditures of Federal Awards			$ 1,259,731

See Notes to the Schedule of Expenditures of Federal Awards

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, 2024. 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, 2024

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?	_X_ yes ____ no
Significant deficiency(ies) identified?	_X_ yes ____ none reported
Noncompliance material to financial statements noted?	___ yes _X_ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___ yes _X_ no
Significant deficiency(ies) identified?	_X_ 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)?	_X_ yes ___ no

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
21.027	COVID 19 - Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	__ yes _X_ no

Section II – Financial Statement Findings

2024-001 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.

2024-002 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.

Section III – Federal Award Findings and Questioned Costs

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

Criteria
An appropriate system of internal controls requires the approval of employee timecards.

Condition
During testing we noted employee timecards that were not properly approved.

Questioned Costs
None

Context
Out of 40 payroll transactions selected for testing, we noted nine instances where employee timecards were not approved.

Cause
Management oversight.

Effect
There is an increased risk of incorrect wages being charged to the grant program.

Repeat Finding
No

Recommendation
We recommend the City implement policies and procedures whereby all hourly employee timecards are approved.

Views of Responsible Officials
With our online time entry portal, we have approval steps in place for department head to approve all time entered for payroll. All full-time employees are now using the online portal. Payroll detail registers are reviewed by the Finance Director after every payroll to ensure accuracy.

CITY OF VALLEY CITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AS OF DECEMBER 31, 2024

2023-001 MATERIAL JOURNAL ENTRIES 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.

Current Status
Finding was repeated during the current fiscal year as 2024-001.

2023-002 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 notes 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.

Current Status
Finding was repeated during the current fiscal year as 2024-002.

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254 2nd Ave NE
Valley City, ND 58072

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

CORRECTIVE ACTION PLAN
AS OF DECEMBER 31, 2024

2024-001 FINDING

Contact Person – Brenda Klein, Finance Director

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

Completion Date – Ongoing.

2024-002 FINDING

Contact Person – Brenda Klein, Finance Director

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

Completion Date – Ongoing.

2024-003 FINDING

Contact Person – Brenda Klein, Finance Director

Corrective Action Plan – With our online time entry portal, we have approval steps in place for department head to approve all time entered for payroll. All full-time employees are now using the online portal. Payroll detail registers are reviewed by the Finance Director after every payroll to ensure accuracy.

Completion Date – January 1, 2025