

AUDIT REPORT

CITY OF NEW TOWN
New Town, North Dakota

For the Year Ended December 31, 2024

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF NEW TOWN
New Town, North Dakota

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**CITY OF NEW TOWN
New Town, North Dakota**

**CITY OFFICIALS
December 31, 2024**

Jay Standish	Mayor
Jesse Baker	Council President
Douglas Bratvold	Council Vice President
Nathaniel Mayer	Council Member
Frank Sillitti	Council Member
Eileen Zaun	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of New Town
New Town, North Dakota

Report on the Audit of Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of New Town as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the city as of December 31, 2024, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 judgement made by a reasonable user based on the financial statements.

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information, the schedule of fund activity arising from cash transactions and the 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 budgeting comparison information, the schedule of fund activity arising from cash transactions 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 on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2025 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

May 9, 2025

CITY OF NEW TOWN
New Town, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	New Town Airport Authority
ASSETS:				
Cash and Cash Equivalents	18,898,791.21	2,560,514.19	21,459,305.40	537,682.95
Capital Assets (net of accumulated depreciation):				
Land	560,480.00	346,163.00	906,643.00	
Construction in Progress	10,905,168.00		10,905,168.00	
Buildings and Infrastructure	8,725,767.00	27,963,956.00	36,689,723.00	
Machinery and Vehicles	1,124,742.00	194,740.00	1,319,482.00	
Total Capital Assets	21,316,157.00	28,504,859.00	49,821,016.00	-
Total Assets	40,214,948.21	31,065,373.19	71,280,321.40	537,682.95
Liabilities:				
Long-Term Liabilities:				
Due Within One Year:				
Revenue Bonds Payable	130,000.00	257,346.92	387,346.92	
Due After One Year:				
Revenue Bonds Payable	4,596,247.00	4,939,724.11	9,535,971.11	
Total Liabilities	4,726,247.00	5,197,071.03	9,923,318.03	-
NET POSITION:				
Net Investment in Capital Assets	16,589,910.00	23,307,787.97	39,897,697.97	
Restricted for:				
Debt Service	1,218.04	153,287.00	154,505.04	
Special Purposes	3,010,122.92	1,196,497.82	4,206,620.74	
Unrestricted	15,887,450.25	1,210,729.37	17,098,179.62	537,682.95
Total Net Position	35,488,701.21	25,868,302.16	61,357,003.37	537,682.95

The accompanying notes are an integral part of these financial statements.

CITY OF NEW TOWN
New Town, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2024

	Net (Expense) Revenue and Change in Net Position						Component
	Program Revenues			Primary Government			Unit
	Charges for	Operating Grants	Governmental	Business-Type			New Town
	Expenses	Services	and Contributions	Activities	Activities	Total	Airport
							Authority
Functions/Programs							
Primary Government							
<u>Governmental Activities:</u>							
General Government	1,388,926.80	126,798.87		(1,262,127.93)		(1,262,127.93)	
Public Safety	1,624,854.32	399,821.96	401,028.80	(824,003.56)		(824,003.56)	
Streets and Public Works	2,927,235.74	1,003,562.66	2,149,448.36	225,775.28		225,775.28	
Urban and Economic Development	40,616.38			(40,616.38)		(40,616.38)	
Culture and Recreation	454,822.59	7,004.41	3,193.34	(444,624.84)		(444,624.84)	
Other	7,164.42			(7,164.42)		(7,164.42)	
Total Governmental Activities	6,443,620.25	1,537,187.90	2,553,670.50	(2,352,761.85)		(2,352,761.85)	
<u>Business-Type Activities:</u>							
Water	1,778,856.93	1,874,497.75			95,640.82	95,640.82	
Sewer	343,896.03	343,802.85			(93.18)	(93.18)	
Garbage	303,778.14	266,667.71			(37,110.43)	(37,110.43)	
Water System Project	46,061.00				(46,061.00)	(46,061.00)	
Water Main Replacement	126,122.00				(126,122.00)	(126,122.00)	
Total Business-Type Activities	2,598,714.10	2,484,968.31	-		(113,745.79)	(113,745.79)	
Total Primary Government	9,042,334.35	4,022,156.21	2,553,670.50	(2,352,761.85)	(113,745.79)	(2,466,507.64)	
Component Unit							
Airport Authority	1,192,174.90	7,600.00	1,197,871.61				13,296.71
<u>General Revenues:</u>							
<u>Taxes:</u>							
Property taxes; levied for general purposes				413,755.92		413,755.92	95,104.89
Property taxes; levied for special purposes				53,728.77		53,728.77	
City sales taxes				2,050,884.51		2,050,884.51	
City lodging taxes				40,616.38		40,616.38	
Oil and gas production taxes				5,876,500.59		5,876,500.59	
Cigarette taxes				4,422.60		4,422.60	
Intergovernmental revenue not restricted to specific programs				267,960.51		267,960.51	
Earnings on investments and other revenue				1,352,592.22	9,731.05	1,362,323.27	14,762.18
Sale of capital assets					100,000.00	100,000.00	
Gain on trade-in of capital assets				66,000.00	5,500.00	71,500.00	
Total General Revenues				10,126,461.50	115,231.05	10,241,692.55	109,867.07
Change in Net Position				7,773,699.65	1,485.26	7,775,184.91	123,163.78
Net Position - January 1				27,715,001.56	25,866,816.90	53,581,818.46	414,519.17
Net Position - December 31				35,488,701.21	25,868,302.16	61,357,003.37	537,682.95

The accompanying notes are an integral part of these financial statements.

CITY OF NEW TOWN
New Town, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2024

	Major Funds				
		Sales	Infrastructure	Other	Total
	General	Tax	Construction	Governmental	Governmental
			Projects	Funds	Funds
ASSETS:					
Cash and Cash Equivalents	10,503,858.65	2,855,795.38	4,188,739.56	1,350,397.62	18,898,791.21
FUND BALANCES:					
Restricted for:					
Capital and General Improvement		1,030,697.02			1,030,697.02
Infrastructure Improvement		1,825,098.36			1,825,098.36
Emergency Services				59,620.70	59,620.70
Culture and Recreation				70,603.35	70,603.35
Cemetery				24,103.49	24,103.49
Debt Service				1,218.04	1,218.04
Assigned to:					
Street and Public Works			1,577,508.46	171,523.23	1,749,031.69
Building Projects			1,611,231.10		1,611,231.10
Land			1,000,000.00		1,000,000.00
Interim Fund				987,373.46	987,373.46
Equipment				35,955.35	35,955.35
Fire Department Truck	300,000.00				300,000.00
Unassigned	10,203,858.65				10,203,858.65
Total Fund Balances	10,503,858.65	2,855,795.38	4,188,739.56	1,350,397.62	18,898,791.21

The accompanying notes are an integral part of these financial statements.

CITY OF NEW TOWN
New Town, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
December 31, 2024

Total Fund Balances for Governmental Funds	18,898,791.21
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Total net position reported for governmental activities in the statement of net position is different because:

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

Cost of Capital Assets	25,374,682.00	
Less Accumulated Depreciation	<u>(4,058,525.00)</u>	
Net Capital Assets		21,316,157.00

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2024 are:

Revenue Bonds Payable	<u>(4,726,247.00)</u>
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Total Net Position of Governmental Activities	<u><u>35,488,701.21</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF NEW TOWN
New Town, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2024

	Major Funds				
		Sales	Infrastructure	Other	Total
	General	Tax	Construction	Governmental	Governmental
			Projects	Funds	Funds
Revenues:					
Taxes	413,755.92	2,050,884.51		94,345.15	2,558,985.58
Special Assessments	3,562.66				3,562.66
Licenses, Permits and Fees	91,048.87			3,079.41	94,128.28
Intergovernmental	6,234,040.18		1,969,093.74	381,540.28	8,584,674.20
Charges for Services	86,209.98		1,000,000.00		1,086,209.98
Fines and Forfeits	317,536.98				317,536.98
Miscellaneous	1,385,122.38		48,879.20	72,220.64	1,506,222.22
Total Revenues	8,531,276.97	2,050,884.51	3,017,972.94	551,185.48	14,151,319.90
Expenditures:					
Current:					
General Government	1,333,901.80		5,000.00		1,338,901.80
Public Safety	1,467,872.65			42,211.67	1,510,084.32
Streets and Public Works	188,670.31		1,852,165.77	494,610.66	2,535,446.74
Urban and Economic Development				40,616.38	40,616.38
Culture and Recreation	73,232.18			307,405.41	380,637.59
Other				7,164.42	7,164.42
Capital Outlay			10,894,100.00	1,056,010.00	11,950,110.00
Total Expenditures	3,063,676.94	-	12,751,265.77	1,948,018.54	17,762,961.25
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	5,467,600.03	2,050,884.51	(9,733,292.83)	(1,396,833.06)	(3,611,641.35)
Other Financing Sources (Uses):					
Transfers In	2,051,007.15		5,479,661.16	679,510.87	8,210,179.18
Transfers Out	(7,619,172.03)			(591,007.15)	(8,210,179.18)
Revenue Bonds Issued			4,726,247.00		4,726,247.00
Total Other Financing Sources (Uses)	(5,568,164.88)	-	10,205,908.16	88,503.72	4,726,247.00
Net Changes in Fund Balances	(100,564.85)	2,050,884.51	472,615.33	(1,308,329.34)	1,114,605.65
Fund Balance - January 1	10,604,423.50	804,910.87	3,716,124.23	2,658,726.96	17,784,185.56
Fund Balance - December 31	10,503,858.65	2,855,795.38	4,188,739.56	1,350,397.62	18,898,791.21

The accompanying notes are an integral part of these financial statements.

CITY OF NEW TOWN
New Town, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2024

Net Change in Fund Balances - Total Governmental Funds	1,114,605.65
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	11,950,110.00	
Current Year Depreciation Expense	<u>(630,769.00)</u>	11,319,341.00

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded repayment of debt.

Debt Proceeds	(4,726,247.00)	
Repayment of Debt	<u>-</u>	(4,726,247.00)

In the statement of activities, only the gain on the trade-in/disposal of capital assets is reported, whereas in the governmental funds, the result of this transaction has no effect on financial resources. Thus, the net effect of transactions involving capital assets (i.e. sales, trade-ins) is to increase net position.

	<u>66,000.00</u>
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Change in Net Position of Governmental Activities	<u><u>7,773,699.65</u></u>
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CITY OF NEW TOWN
New Town, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2024

	Major Enterprise Fund
	<u>Enterprise</u>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	<u>2,560,514.19</u>
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depreciation):	
Land	346,163.00
Buildings and Infrastructure	27,963,956.00
Machinery and Vehicles	<u>194,740.00</u>
Total Noncurrent Assets	<u>28,504,859.00</u>
Total Assets	<u>31,065,373.19</u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Revenue Bonds Payable	<u>257,346.92</u>
<u>Noncurrent Liabilities:</u>	
Revenue Bonds Payable	<u>4,939,724.11</u>
Total Liabilities	<u>5,197,071.03</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	23,307,787.97
Restricted for:	
Debt Service	153,287.00
Water Reserves	1,073,497.82
Sewer Reserves	93,000.00
Garbage/Landfill Reserve	30,000.00
Unrestricted	<u>1,210,729.37</u>
Total Net Position	<u><u>25,868,302.16</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEW TOWN
New Town, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2024

	Major Enterprise Fund
	<u>Enterprise</u>
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Water Usage	655,814.67
Water Base	546,163.14
Bulk Water Sales	318,979.62
Rural Water Sales	312,676.94
Sewer	343,802.85
Garbage	231,906.52
Landfill	34,761.19
Deposits	16,050.00
Miscellaneous Services/Fees	24,813.38
	<u>2,484,968.31</u>
Total Operating Revenues	<u>2,484,968.31</u>
<u>Operating Expenses:</u>	
Water Plant	788,584.65
Water Distribution	255,451.11
Sewer	128,196.51
Garbage	269,702.14
Meters	120,715.17
Depreciation	916,781.00
	<u>2,479,430.58</u>
Total Operating Expenses	<u>2,479,430.58</u>
Operating Income (Loss)	<u>5,537.73</u>
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	9,731.05
Sale of Capital Assets	100,000.00
Gain on Trade-in of Capital Assets	5,500.00
Debt Service - Interest	(119,283.52)
	<u>(4,052.47)</u>
Total Non-Operating Revenues (Expenses)	<u>(4,052.47)</u>
Income (Loss) Before Transfers	<u>1,485.26</u>
Transfers In	588,791.00
Transfers Out	(588,791.00)
	<u>1,485.26</u>
Changes in Net Position	<u>1,485.26</u>
Net Position - January 1	<u>25,866,816.90</u>
Net Position - December 31	<u><u>25,868,302.16</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEW TOWN
New Town, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year ended December 31, 2024

	Major Enterprise Fund
	<u>Enterprise</u>
<u>Cash flows from operating activities:</u>	
Receipts from customers	2,484,968.31
Payments to employees	(405,109.79)
Payments on behalf of employees	(101,820.59)
Payments to suppliers	(1,055,719.20)
Net cash provided (used) by operating activities	<u>922,318.73</u>
<u>Cash flows from noncapital financing activities:</u>	
Transfers in	588,791.00
Transfers out	(588,791.00)
Net cash provided (used) by noncapital financing activities	<u>-</u>
<u>Cash flows from capital and related financing activities:</u>	
Sale of capital assets	100,000.00
Purchase of capital assets	(63,767.00)
Principal payments	(251,383.48)
Interest and service charges	(119,283.52)
Net cash provided (used) by capital and related financing activities	<u>(334,434.00)</u>
<u>Cash Flows from investing activities:</u>	
Interest income	<u>9,731.05</u>
Net increase (decrease) in cash and cash equivalents	<u>597,615.78</u>
Cash and cash equivalents, January 1	<u>1,962,898.41</u>
Cash and cash equivalents, December 31	<u><u>2,560,514.19</u></u>
 <u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>	
Operating income (Loss)	5,537.73
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>	
Depreciation expense	<u>916,781.00</u>
Net cash provided (used) by operating activities	<u><u>922,318.73</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEW TOWN
New Town, North Dakota

Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2024

	Custodial Fund
<u>Assets:</u>	
Cash and Cash Equivalents	-
<u>Net Position:</u>	
Restricted For:	
Organizations and Other Governments	-

The accompanying notes are an integral part of these financial statements.

CITY OF NEW TOWN
New Town, North Dakota

Statement of Changes in Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
For the Year Ended December 31, 2024

	<u>Custodial Fund</u>
<u>Additions:</u>	
Property tax collections for other governments	<u>103,408.35</u>
<u>Deductions:</u>	
Payments of property tax to other governments	<u>103,408.35</u>
Change in Net Position	<u>-</u>
Net Position - January 1	<u>-</u>
Net Position - December 31	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEW TOWN
New Town, North Dakota

Notes to the Financial Statements
December 31, 2024

Note 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of New Town operates under a city council form of government. The financial statements of the city have been prepared on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the 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 Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the 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.

Based on these criteria, the component unit discussed below is included within the city's reporting entity because of the significance of its operational or financial relationships with the city.

Discretely Presented Component Unit: The component unit column in the basic financial statements include the financial data of the city's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the city.

New Town Airport Authority: The New Town Airport Authority's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the airport authority budget. The airport authority has the authority to issue its own debt.

The financial statements of the discretely presented component unit is presented in the basic financial statements.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the City of New Town and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental and business-type* activities of the city. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 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.

Fund Financial Statements: The fund financial statements provide information about the city's funds, including its fiduciary fund. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The city reports the following major governmental funds:

General Fund. This is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Sales Tax. This fund accounts for a sales and use tax dedicated for capital and general improvements and infrastructure improvement.

Infrastructure Construction Projects. This fund accounts for monies set-aside by the city to be used to fund various infrastructure projects.

The city reports the following major enterprise funds:

Enterprise. This fund accounts for the activities of the city's water distribution system, sewage collection system and garbage collection system.

Additionally, the city reports the following type of fiduciary fund:

Custodial Fund. This fund accounts for assets held by the city in a custodial capacity as an agent on behalf of others. The city's custodial fund is used to account for property tax collections of the New Town Airport Authority.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the city utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of three months or less.

E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column and the business-type activities column in the government-wide financial statements. Assets are also reported in the proprietary fund statements. Capital assets are defined by the city as assets with an initial individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	5 to 30 years

F. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt 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 are reported as debt service expenditures.

G. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the city is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the city council through the adoption of a resolution. The city council also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the city council or by an official to which the city council delegates authority.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The city reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the city's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the city's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the city has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

H. Interfund Transactions

In the governmental and proprietary fund financial statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another

fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

I. Use of Estimates

The preparation of financial statements in conformity with the special purpose framework (SPF) used by the city requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 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 with 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 any 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 other securities approved by the banking board.

At December 31, 2024 the city's carrying amount of deposits was \$21,459,305 and the bank balance was \$21,739,753. Of the bank balance, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$21,239,753 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

- (1) 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.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

At December 31, 2024, the city held certificates of deposit in the amount of \$7,213,495, which are all considered deposits.

Concentration of Credit Risk

The city does not have a limit on the amount the city may invest in any one issuer.

Note 3 PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on the property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and 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 on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

Note 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2024:

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	560,480			560,480
Construction in Progress		10,905,168		10,905,168
Total	560,480	10,905,168	-	11,465,648
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	11,576,477	575,159		12,151,636
Machinery and Vehicles	1,647,694	535,783	426,079	1,757,398
Total	13,224,171	1,110,942	426,079	13,909,034
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	3,122,696	303,173		3,425,869
Machinery and Vehicles	731,139	327,596	426,079	632,656
Total	3,853,835	630,769	426,079	4,058,525
Total capital assets being depreciated, net	9,370,336	480,173	-	9,850,509
Governmental Activities Capital Assets, Net	9,930,816	11,385,341	-	21,316,157

	Balance January 1	Increases	Decreases	Balance December 31
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	346,163			346,163
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	36,773,148			36,773,148
Machinery and Vehicles	430,739	69,267	25,000	475,006
Total	37,203,887	69,267	25,000	37,248,154
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	7,929,550	879,642		8,809,192
Machinery and Vehicles	268,127	37,139	25,000	280,266
Total	8,197,677	916,781	25,000	9,089,458
Total capital assets being depreciated, net	29,006,210	(847,514)	-	28,158,696
Business-type Activities Capital Assets, Net	29,352,373	(847,514)	-	28,504,859

Depreciation expense was charged to functions/programs of the city as follows for the year ended December 31, 2024:

Governmental Activities:

General Government	50,025
Public Safety	114,770
Street and Public Works	391,789
Culture and Recreation	74,185

Total Depreciation Expense	630,769
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Business-type Activities:

Water Operating	545,606
Sewer Operating	164,916
Garbage Operating	34,076
Water System Project	126,122
Water Main Replacement Project	46,061

Total Depreciation Expense	916,781
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Note 5 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2024, the following changes occurred in liabilities reported in the long-term liabilities:

Governmental Activities:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Revenue Bonds		4,726,247		4,726,247	130,000

Business-type Activities (Proprietary Funds):

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Revenue Bonds	5,448,455		251,383	5,197,071	257,347

Outstanding debt at December 31, 2024 consists of the following:

Governmental Activities:

Other Current Funding. The city has issued the Sales Tax Revenue Bonds, Series 2024A and Series 2024B to provide funds for various infrastructure projects. The following is a description of these long-term debt issues:

The city has received funding as part of the Drinking Water State Revolving Fund program, from the North Dakota Public Finance Authority. The city is in the process of constructing water lines and issued Sales Tax Revenue Bonds, Series 2024A in the total amount of \$1,437,000. As of December 31, 2024, the city had requested drawdowns of \$1,247,437. The project was not completed as of December 31, 2024 and a final debt service repayment schedule is not available since the city had not yet received the full amount of the drawdowns under this agreement. The outstanding balance at December 31, 2024 was \$1,247,437. The city has \$189,563 still available as of December 31, 2024.

The city has also received funding as part of the Clean Water State Revolving Fund program, from the North Dakota Public Finance Authority. The city is in the process of constructing sewer lines and issued Sales Tax Revenue Bonds, Series 2024B in the total amount of \$3,638,000. As of December 31, 2024, the city had requested drawdowns of \$3,478,810. The project was not completed as of December 31, 2024 and a final debt service repayment schedule is not available since the city had not yet received the full amount of the drawdowns under this agreement. The outstanding balance at December 31, 2024 was \$3,478,810. The city has \$159,190 still available as of December 31, 2024.

Business-Type Activities:

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2024 are as follows:

\$5,000,000 Water Revenue Bonds, Series 2016, due in annual installments of \$200,000 to \$260,000 through September 1, 2035; interest is at 2%.	2,540,000.00
\$2,857,000 Sewer Revenue Bonds, Series 2020, due in annual installments of \$102,167 through April 7, 2060; interest is at 1.875%.	2,657,071.03
Total Revenue Bonds Payable	5,197,071.03

The annual requirements to amortize the outstanding revenue bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2025	257,346.92	100,620.08
2026	263,328.42	95,538.58
2027	269,328.33	90,338.67
2028	275,346.99	85,020.01
2029	281,384.74	79,582.26
2029-2033	1,503,183.99	312,151.01
2034-2038	587,206.88	188,828.12
2039-2043	359,054.64	151,780.36
2044-2048	394,002.21	116,832.79
2049-2053	432,351.30	78,483.70
2054-2058	474,432.98	36,402.02
2059-2060	100,103.63	1,876.94
Total	<u>5,197,071.03</u>	<u>1,337,454.54</u>

Note 6 TRANSFERS

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:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	591,007.15	
Economic Development		37,595.78
Building		551,866.86
Civil Defense		1,544.51
To close funds.		
General Fund	1,235,000.00	
Oil and Gas Production Tax		1,235,000.00
Highway Distribution	268,313.95	
Equipment Reserve	205,000.00	
Library	163,082.08	
Highway Distribution Legacy Fund	1,126.89	
Grants Fund	41,987.95	
General Fund		679,510.87
To subsidize expenditures/set-aside funds for equipment reserve.		
Enterprise:		
SRF 2015 Reserve	268,500.00	
Water Operating		268,500.00
Sewer Revenue Bonds 2020	102,167.00	
Sewer Operating		102,167.00
To subsidize debt service payments.		

Infrastructure Construction Projects:

Reverse Osmosis Procurement	50,000.00	
Phase 2 Street Utility Improvement	356,250.00	
Sandhill Ground Storage	28,478.10	
Outdoor Venue	1,000,000.00	
Core and Main Meters	6,831.97	
New City Hall	1,000,000.00	
Elbowwoods Sewer	508,000.00	
College Drive/7th/Marina Paving	704,000.00	
Golf Course, Bike Trail	61,296.54	
5 Year Capital Infrastructure	58,000.00	
2024 Employee Housing	700,000.00	
2024 High School Paving W/E	6,804.55	
Land Purchase	1,000,000.00	
Oil and Gas Production Tax		5,479,661.16

To subsidize infrastructure projects or to set-aside funds for future projects.

Fire Department Truck Reserve	225,000.00	
General Fund		225,000.00

Enterprise:

Water Supply & Treatment Reserve	100,000.00	
Water Distribution Reserve	25,000.00	
Water Tower Reserve	54,000.00	
Water Treatment Plant Reserve	10,300.00	
Sewer Revenue Bonds 2020 Res.	10,224.00	
Sewer Revenue Bonds 2020		
Replacement Reserve	18,600.00	
Water Operating		189,300.00
Sewer Operating		28,824.00

To set-aside funds for debt service/project reserves.

Note 7 **RISK MANAGEMENT**

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

In 1986, 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, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$1,470,615 for public assets.

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 \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the city with a blanket fidelity

bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The city has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance and additional fidelity bond coverage.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 8 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

The city provides benefits for all of its full-time employees through the North Dakota Public Employees Retirement System (NDPERS).

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 NDPERS plan is financed through the contributions and investment earnings of the plan.

Pension Benefits

Benefits are set by statute. NDPERS has no provision 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 will 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.

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, 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.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 8.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 9.26% of covered compensation. During the year ended December 31, 2024, the city contributed \$134,438.24.

Note 9 TAX ABATEMENTS

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the year ended December 31, 2024.

CITY OF NEW TOWN
New Town, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	408,684.49	408,684.49	413,755.92	5,071.43
Special Assessments	2,000.00	2,000.00	3,562.66	1,562.66
Licenses, Permits and Fees	140,850.00	140,850.00	91,048.87	(49,801.13)
Intergovernmental	5,485,000.00	5,485,000.00	6,234,040.18	749,040.18
Charges for Services	12,750.00	12,750.00	86,209.98	73,459.98
Fines and Forfeits	95,500.00	95,500.00	317,536.98	222,036.98
Miscellaneous	247,500.00	247,500.00	1,385,122.38	1,137,622.38
Total Revenues	6,392,284.49	6,392,284.49	8,531,276.97	2,138,992.48
<u>Expenditures:</u>				
Current:				
General Government	1,266,775.00	1,408,205.28	1,333,901.80	74,303.48
Public Safety	1,136,700.00	1,527,199.13	1,467,872.65	59,326.48
Street and Public Works	230,000.00	230,000.00	188,670.31	41,329.69
Culture and Recreation	54,850.00	73,232.18	73,232.18	-
Total Expenditures	2,688,325.00	3,238,636.59	3,063,676.94	174,959.65
Excess (Deficiency) of Revenue Over (Under) Expenditures	3,703,959.49	3,153,647.90	5,467,600.03	2,313,952.13
<u>Other Financing Sources (Uses):</u>				
Transfers In	1,460,000.00	1,460,000.00	2,051,007.15	591,007.15
Transfers Out	(12,174,000.00)	(12,174,000.00)	(7,619,172.03)	4,554,827.97
Total Other Financing Sources (Uses)	(10,714,000.00)	(10,714,000.00)	(5,568,164.88)	5,145,835.12
Net Change in Fund Balances	(7,010,040.51)	(7,560,352.10)	(100,564.85)	7,459,787.25
Fund Balance - January 1	10,604,423.50	10,604,423.50	10,604,423.50	
Fund Balance - December 31	3,594,382.99	3,044,071.40	10,503,858.65	7,459,787.25

CITY OF NEW TOWN
New Town, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Sales Tax Fund
For the Year Ended December 31, 2024

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	1,400,000.00	2,050,884.51	650,884.51
<u>Other Financing Sources (Uses):</u>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	1,400,000.00	2,050,884.51	650,884.51
Fund Balance - January 1	804,910.87	804,910.87	
Fund Balance - December 31	2,204,910.87	2,855,795.38	650,884.51

CITY OF NEW TOWN
New Town, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2024

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Based upon available financial information and requests by the governing board, the city auditor prepares the preliminary budget. The city budget is prepared for the general, special revenue and debt service funds by function and activity on the cash basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year end.

The governing board holds a public hearing where any taxpayer may testify in favor of, or against, any proposed expenditures or tax levies requested in the preliminary budget. After the budget hearing and on or before October 7, the board adopts the final budget. The final budget must be filed with the county auditor by October 10. No expenditure shall be made, or liability incurred, in excess of the total appropriation by fund except as authorized by North Dakota Century Code Section 40-40-18. However, the governing board may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the official proceedings of the board.

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board approved the following amendments to the city's budget during the year ended December 31, 2024:

	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
		<u>Appropriations</u>	
General Fund	2,688,325	550,312	3,238,637
<u>Special Revenue Funds</u>			
Highway Distribution	466,450	9,876	476,326
Highway Distribution Legacy Fund	-	56,771	56,771
American Recovery Plan Act	-	409,818	409,818
Civil Defense	-	176,409	176,409
Recreation	-	65,287	65,287
Library	173,660	68,459	242,119
City Lodging Tax	25,000	15,616	40,616
Grants Fund	-	79,082	79,082

CITY OF NEW TOWN
New Town, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2024

	Balance 1-1-2024	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2024
Major Governmental Funds						
General Fund:						
General	4,524,174.16	2,564,288.65	1,826,007.15	904,510.87	2,952,635.36	5,057,323.73
Oil and Gas Production Tax	6,005,249.34	5,966,988.32		6,714,661.16	111,041.58	5,146,534.92
Fire Department Truck Reserve	75,000.00		225,000.00			300,000.00
Total General Fund	10,604,423.50	8,531,276.97	2,051,007.15	7,619,172.03	3,063,676.94	10,503,858.65
Sales Tax:						
Capital and General Improvement	5,254.77	1,025,442.25				1,030,697.02
Infrastructure Improvement	799,656.10	1,025,442.26				1,825,098.36
Infrastructure Construction Projects:						
Construction Fund					250.00	(250.00)
Reverse Osmosis Procurement			50,000.00		43,383.50	6,616.50
Asphalt Overlay	75,778.49					75,778.49
Phase 2 Street Utility Improvement			356,250.00		356,250.00	-
40th 41st Improvement	12.36					12.36
2023 Water/Sewer/Street Improvement	3,640,333.38	7,696,757.74			9,995,008.04	1,342,083.08
Sandhill Ground Storage			28,478.10		28,478.10	-
Outdoor Venue			1,000,000.00		127,388.04	872,611.96
Core and Main Meters			6,831.97		6,831.97	-
New City Hall			1,000,000.00		537,153.38	462,846.62
Elbowwoods Sewer			508,000.00		461,446.12	46,553.88
College Drive/7th/Marina Paving		47,462.20	704,000.00		676,133.70	75,328.50
Golf Course, Bike Trail			61,296.54		61,296.54	-
5 Year Capital Infrastructure			58,000.00		26,614.35	31,385.65
2024 Employee Housing			700,000.00		424,227.48	275,772.52
2024 High School Paving W/E			6,804.55		6,804.55	-
Land Purchase			1,000,000.00			1,000,000.00
Total Major Governmental Funds	15,125,458.60	18,326,381.42	7,530,668.31	7,619,172.03	15,814,942.71	17,548,393.59
Non-major Governmental Funds						
Highway Distribution	23,178.05	184,810.46	268,313.95		476,302.46	-
Special Assessment Deficiency	814.87	403.17				1,218.04
Emergency	43,611.09	16,009.61				59,620.70
Cemetery	25,059.53	6,208.38			7,164.42	24,103.49
Economic Development	37,595.78			37,595.78		-
Building	551,866.86			551,866.86		-
Highway Distribution Legacy Fund	55,643.61		1,126.89		56,770.50	-
Recreation	115,073.86	12,786.90			65,286.90	62,573.86
Library	10,218.06	76,847.86	163,082.08		242,118.51	8,029.49
Civil Defense	1,544.51	176,409.00		1,544.51	176,409.00	-
Equipment Reserve	225,299.05		205,000.00		394,343.70	35,955.35
City Lodging Tax		40,616.38			40,616.38	-
Interim Fund	987,373.46					987,373.46
Street Improvement District	171,630.23				107.00	171,523.23
American Recovery Plan Act	409,818.00				409,818.00	-
Grants Fund		37,093.72	41,987.95		79,081.67	-
Total Nonmajor Governmental Funds	2,658,726.96	551,185.48	679,510.87	591,007.15	1,948,018.54	1,350,397.62
Total Governmental Funds	17,784,185.56	18,877,566.90	8,210,179.18	8,210,179.18	17,762,961.25	18,898,791.21

(continued)

CITY OF NEW TOWN
New Town, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2024
(continued)

	Balance 1-1-2024	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2024
<u>Major Enterprise Fund</u>						
Enterprise:						
Water Operating	611,779.28	1,884,228.80		457,800.00	1,130,936.38	907,271.70
Sewer Operating	153,213.76	343,802.85		130,991.00	128,196.51	237,829.10
Garbage Operating	32,430.00	366,667.71			333,469.14	65,628.57
SRF 2015 Reserve			268,500.00		268,500.00	-
Water Supply & Treatment Reserve	381,012.37		100,000.00		33,814.55	447,197.82
Water Distribution Reserve	110,000.00		25,000.00			135,000.00
Water Tower Reserve	172,000.00		54,000.00			226,000.00
Water Treatment Plant Reserve	255,000.00		10,300.00			265,300.00
Sewer Revenue Bonds 2020	102,167.00		102,167.00		102,167.00	102,167.00
Sewer Revenue Bonds 2020 Reserve	40,896.00		10,224.00			51,120.00
Sewer Revenue Bonds 2020						
Replacement Reserve	74,400.00		18,600.00			93,000.00
Garbage/Landfill Reserve	30,000.00					30,000.00
Total Major Enterprise Fund	1,962,898.41	2,594,699.36	588,791.00	588,791.00	1,997,083.58	2,560,514.19
<u>Fiduciary Fund</u>						
<u>Custodial Fund</u>						
Airport		103,408.35			103,408.35	-
Total Primary Government	19,747,083.97	21,575,674.61	8,798,970.18	8,798,970.18	19,863,453.18	21,459,305.40
<u>Discretely Presented</u>						
<u>Component Unit</u>						
New Town Airport Authority	414,519.17	1,315,338.68			1,192,174.90	537,682.95
Total Reporting Entity	20,161,603.14	22,891,013.29	8,798,970.18	8,798,970.18	21,055,628.08	21,996,988.35

CITY OF NEW TOWN
New Town, North Dakota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Treasury</u>			
Passed Through North Dakota State Treasurer:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	NA	<u>409,818.00</u>
Passed Through Mountrail County:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	NA	<u>197,992.32</u>
Total Coronavirus and Local Fiscal Recovery Funds			<u>607,810.32</u>
<u>Environmental Protection Agency</u>			
Passed Through the ND Public Finance Authority:			
Capitalization Grants for Drinking Water State Revolving Fund	66.468	3100744-02	<u>1,247,437.00</u>
Total Expenditures of Federal Awards			<u><u>1,855,247.32</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified cash basis of accounting.

The de minimis indirect cost rate was not used.

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

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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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of New Town
New Town, 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, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of New Town, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated May 9, 2025.

Report on Internal Control Over Financial Reporting

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

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the city's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

May 9, 2025

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

Specializing in Governmental Auditing

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of New Town
New Town, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of New Town'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 the city's major federal programs for the year ended December 31, 2024. The city's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

In our opinion, the city 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the city 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 the city'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 the city'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 the city'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 GAAS, *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 the city's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the city'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 the city'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 the city's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable

possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

May 9, 2025

CITY OF NEW TOWN
New Town, North Dakota

Schedule of Findings and Responses
For the Year Ended December 31, 2024

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities
Business-Type Activities
Discretely Presented Component Unit
Major Governmental Funds
Major Business-Type Funds
Aggregate Remaining Fund Information

Unmodified-Modified Cash Basis
Unmodified-Modified Cash Basis
Unmodified-Modified Cash Basis
Unmodified-Modified Cash Basis
Unmodified-Modified Cash Basis
Unmodified-Modified Cash Basis

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major program(s):

Unmodified

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

☐ Yes ☒ No

Identification of major program(s):

Federal Assistance Listing Number

Name of Federal Program

66.468

Capitalization Grants for Drinking Water
State Revolving Fund

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

\$750,000

Auditee qualified as a low-risk auditee?

☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2024-001 – Segregation of Duties

Criteria: To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliation.

Condition: The city has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

Cause: The city does not have a large enough staff to properly segregate all duties.

Effect: A lack of segregation of duties leads to a limited degree of internal control.

Recommendation: We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

Views of Responsible Officials: The city is aware of the condition and segregates duties whenever possible.

Repeat Finding from Prior Year: Yes, prior year finding No. 2023-001

2. 2024-002- Financial Statement Preparation

Criteria: A good system of internal controls requires the city to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The city's financial statements, including the accompanying note disclosures, are prepared by the city's external auditors.

Cause: The city feels that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

Effect: Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation: We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to external distribution.

Views of Responsible Officials: The city will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.

Repeat Finding from Prior Year: Yes, prior year finding No. 2023-002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No matters were reported

CITY OF NEW TOWN
New Town, North Dakota

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2024

1. Finding No. 2023-001: Segregation of Duties

Status: This finding is repeated and updated in the Schedule of Findings and Responses as No. 2024-001.

Reasons for Recurrence and Corrective Action Plan: The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties. See Corrective Action Plan.

2. Finding No. 2023-002: Financial Statement Preparation

Status: This finding is repeated and updated in the Schedule of Findings and Responses as No. 2024-002.

Reasons for Recurrence and Corrective Action Plan: The city feels it is more cost effective to have their external auditors prepare the financial statements and note disclosures. See Corrective Action Plan.



Heart of Lake Sakakawea

City of New Town

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New Town, North Dakota 58763

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CITY OF NEW TOWN
New Town, North Dakota

Corrective Action Plan
For the Year Ended December 31, 2024

1. Finding No. 2024-001: Segregation of Duties

Contact Person: Eileen Zaun, City Auditor

Corrective Action Plan: The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties.

Completion Date: The City of New Town will implement when it becomes cost effective.

2. Finding No. 2024-002: Financial Statement Preparation

Contact Person: Eileen Zaun, City Auditor

Corrective Action Plan: The city feels that it is more cost effective to have their external auditors prepare the financial statements and note disclosures.

Completion Date: The City of New Town will implement when it becomes cost effective.