

AUDIT REPORT

CITY OF NEW ROCKFORD
New Rockford, North Dakota

For the Years Ended December 31, 2020 and 2019

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS
For the Years Ended December 31, 2020 and 2019

	<u>Page (s)</u>
Officials	1
Independent Auditor's Report	2 – 3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position – Modified Cash Basis	4, 5
Statement of Activities – Modified Cash Basis	6, 7
Balance Sheet – Modified Cash Basis – Governmental Funds	8, 9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – Modified Cash Basis	10, 11
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	12, 13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Modified Cash Basis	14, 15
Statement of Net Position – Modified Cash Basis – Proprietary Funds	16, 17
Statement of Revenues, Expenses and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds	18, 19
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds	20, 21
Statement of Fiduciary Net Position – Modified Cash Basis – Fiduciary Fund	22, 23
Statement of Changes in Fiduciary Net Position– Modified Cash Basis – Fiduciary Fund	24, 25
Notes to the Financial Statements	26 –43
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules – Modified Cash Basis	
General Fund	44, 45
Street Fund	46, 47
Notes to the Budgetary Comparison Schedules	48
Schedule of Employer's Share of Net Pension Liability ND Public Employees Retirement System	498
Schedule of Fund Activity Arising from Cash Transactions	50– 51
Schedule of Expenditures of Federal Awards	52
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	53 – 54
Report on Compliance for each Major Program and Report on Internal Control over Compliance Required by the Uniform Guidance	55 – 56
Schedule of Findings and Responses	57 – 58
Schedule of Prior Audit Findings	59
Corrective Action Plan	

CITY OF NEW ROCKFORD
New Rockford, North Dakota

CITY OFFICIALS

Stuart Richter	Commission President
James Belquist	Commissioner
Ryan Hager	Commissioner
Kelly McKnight	Commissioner
Justin Ystaas	Commissioner
George Ritzke	Auditor

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of New Rockford
New Rockford, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New Rockford, New Rockford, North Dakota, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the city's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New Rockford, New Rockford, North Dakota, as of December 31, 2020 and 2019, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information, schedule of employer's share of net pension liability and the schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The budgeting comparison information, schedule of employer's share of net pension liability, schedules of fund activity arising from cash transactions and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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, schedule of employer's share of net pension liability, schedules 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2021 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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

September 3, 2021

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	1,910,542.34	969,348.78	2,879,891.12
Capital Assets (net of accumulated depreciation):			
Land		30,000.00	30,000.00
Construction in Progress		7,121,835.00	7,121,835.00
Buildings and Infrastructure	1,109,705.00	645,300.00	1,755,005.00
Machinery and Vehicles	225,014.00	117,595.00	342,609.00
	<hr/>		
Total Capital Assets	1,334,719.00	7,914,730.00	9,249,449.00
	<hr/>		
Total Assets	3,245,261.34	8,884,078.78	12,129,340.12
	<hr/>		
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	125,517.00		125,517.00
	<hr/>		
Liabilities:			
Long-Term Liabilities:			
Due Within One Year:			
General Obligation Bonds Payable	40,000.00		40,000.00
Revenue Bonds Payable		99,248.00	99,248.00
Due After One Year:			
General Obligation Bonds Payable	665,000.00		665,000.00
Revenue Bonds Payable		4,849,752.00	4,849,752.00
Net Pension Liability	243,803.00		243,803.00
	<hr/>		
Total Liabilities	948,803.00	4,949,000.00	5,897,803.00
	<hr/>		
DEFERRED INFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	127,087.00		127,087.00
	<hr/>		
NET POSITION:			
Net Investment in Capital Assets	629,719.00	2,965,730.00	3,595,449.00
Restricted for:			
Debt Service	419,608.73		419,608.73
Special Purposes	1,027,370.50		1,027,370.50
Unrestricted	218,190.11	969,348.78	1,187,538.89
	<hr/>		
Total Net Position	2,294,888.34	3,935,078.78	6,229,967.12
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The accompanying notes are an integral part of these financial statements.

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	1,554,229.46	5,197,929.63	6,752,159.09
Capital Assets (net of accumulated depreciation):			
Land		30,000.00	30,000.00
Construction in Progress		1,389,257.00	1,389,257.00
Buildings and Infrastructure	1,257,756.00	693,982.00	1,951,738.00
Machinery and Vehicles	233,607.00	124,830.00	358,437.00
	<hr/>		
Total Capital Assets	1,491,363.00	2,238,069.00	3,729,432.00
	<hr/>		
Total Assets	3,045,592.46	7,435,998.63	10,481,591.09
	<hr/>		
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	156,965.00		156,965.00
	<hr/>		
Liabilities:			
Long-Term Liabilities:			
Due Within One Year:			
General Obligation Bonds Payable	40,000.00		40,000.00
Revenue Bonds Payable		4,746,000.00	4,746,000.00
Due After One Year:			
General Obligation Bonds Payable	705,000.00		705,000.00
Revenue Bonds Payable		215,000.00	215,000.00
Net Pension Liability	343,361.00		343,361.00
	<hr/>		
Total Liabilities	1,088,361.00	4,961,000.00	6,049,361.00
	<hr/>		
DEFERRED INFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	25,362.00		25,362.00
	<hr/>		
NET POSITION:			
Net Investment in Capital Assets	746,363.00	1,606,637.97	2,353,000.97
Restricted for:			
Debt Service	225,462.57		225,462.57
Special Purposes	983,118.22		983,118.22
Unrestricted	133,890.67	868,360.66	1,002,251.33
	<hr/>		
Total Net Position	2,088,834.46	2,474,998.63	4,563,833.09
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The accompanying notes are an integral part of these financial statements.

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Activities - Modified Cash Basis
December 31, 2020

Functions/Programs	Net (Expense) Revenue and Change in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
<u>Governmental Activities:</u>						
General Government	218,116.97	118,518.15		(99,598.82)		(99,598.82)
Public Safety	158,458.98	250.00	4,019.05	(154,189.93)		(154,189.93)
Streets and Public Works	310,722.82	162,607.81	82,343.89	(65,771.12)		(65,771.12)
Culture and Recreation	145,020.76		69,291.53	(75,729.23)		(75,729.23)
Urban and Economic Development	90,041.60			(90,041.60)		
Other	24,993.12			(24,993.12)		(24,993.12)
Interest on Long-Term Debt	24,632.50		1,447.61	(23,184.89)		(23,184.89)
Total Governmental Activities	971,986.75	281,375.96	157,102.08	(533,508.71)		(443,467.11)
<u>Business-Type Activities:</u>						
Water	329,800.99	271,461.40	55,658.00		(2,681.59)	(2,681.59)
Water System Project	187,495.64		1,497,249.35		1,309,753.71	1,309,753.71
Sewer	88,433.63	81,832.66			(6,600.97)	(6,600.97)
Garbage	234,952.74	264,248.26			29,295.52	29,295.52
Total Business-Type Activities	840,683.00	617,542.32			1,329,766.67	1,329,766.67
Total Primary Government	1,812,669.75	898,918.28	157,102.08	(533,508.71)	1,329,766.67	886,299.56
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				208,609.97		208,609.97
Property taxes; levied for special purposes				69,043.01		69,043.01
Sales taxes				303,890.35		303,890.35
Cigarette taxes				3,664.02		3,664.02
Intergovernmental revenue not restricted to specific programs				84,494.79		-
Earnings on investments and other revenue				173,997.45	14,313.48	188,310.93
Gain on trade-in of capital assets				11,863.00		11,863.00
Transfers				(116,000.00)	116,000.00	-
Total General Revenues and Transfers				739,562.59	130,313.48	785,381.28
Change in Net Position				206,053.88	1,460,080.15	1,666,134.03
Net Position - January 1				2,088,834.46	2,474,998.63	4,563,833.09
Net Position - December 31				2,294,888.34	3,935,078.78	6,229,967.12

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Activities - Modified Cash Basis
December 31, 2019

Functions/Programs	Net (Expense) Revenue and Change in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
<u>Governmental Activities:</u>						
General Government	239,696.68	66,661.47		(173,035.21)		(173,035.21)
Public Safety	156,095.47	505.33		(155,590.14)		(155,590.14)
Streets and Public Works	391,435.91	149,678.41	97,028.13	(144,729.37)		(144,729.37)
Culture and Recreation	135,661.80		61,766.65	(73,895.15)		(73,895.15)
Urban and Economic Development	79,068.48			(79,068.48)		
Other	111,483.86			(111,483.86)		(111,483.86)
Interest on Long-Term Debt	25,441.50		1,402.41	(24,039.09)		(24,039.09)
Total Governmental Activities	1,138,883.70	216,845.21	160,197.19	(761,841.30)		(682,772.82)
<u>Business-Type Activities:</u>						
Water	275,965.44	260,177.46			(15,787.98)	(15,787.98)
Water System Project	32,325.24				(32,325.24)	(32,325.24)
Sewer	84,737.53	77,570.05			(7,167.48)	(7,167.48)
Garbage	222,014.74	253,690.51			31,675.77	31,675.77
Total Business-Type Activities	615,042.95	591,438.02			(23,604.93)	(23,604.93)
Total Primary Government	1,753,926.65	808,283.23	160,197.19	(761,841.30)	(23,604.93)	(706,377.75)
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				202,043.77		202,043.77
Property taxes; levied for special purposes				72,199.42		72,199.42
Sales taxes				234,548.74		234,548.74
Cigarette taxes				3,662.37		3,662.37
Intergovernmental revenue not restricted to specific programs				93,998.02		93,998.02
Earnings on investments and other revenue				47,169.59	12,546.02	59,715.61
Transfers				(368,302.08)	368,302.08	-
Total General Revenues and Transfers				285,319.83	380,848.10	666,167.93
Change in Net Position				(476,521.47)	357,243.17	(119,278.30)
Net Position - January 1				2,565,355.93	2,117,755.46	4,683,111.39
Net Position - December 31				2,088,834.46	2,474,998.63	4,563,833.09

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2020

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Street		
ASSETS:				
Cash, Cash Equivalents and Investments	326,411.49	198,689.31	1,385,441.54	1,910,542.34
FUND BALANCES:				
Restricted for:				
Public Safety			59,260.59	59,260.59
Street and Public Works		198,689.31	421,435.42	620,124.73
Urban and Economic Development			2,778.57	2,778.57
Emergency Purposes			7,128.92	7,128.92
Airport			338,077.69	338,077.69
Debt Service			419,608.73	419,608.73
Assigned to:				
Public Safety			4,409.60	4,409.60
Street and Public Works			132,742.02	132,742.02
Unassigned	326,411.49			326,411.49
Total Fund Balances	326,411.49	198,689.31	1,385,441.54	1,910,542.34

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2019

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Street		
ASSETS:				
Cash, Cash Equivalents and Investments	233,894.20	217,064.88	1,103,270.38	1,554,229.46
FUND BALANCES:				
Restricted for:				
Public Safety			47,726.41	47,726.41
Street and Public Works		217,064.88	388,520.11	605,584.99
Urban and Economic Development			2,678.57	2,678.57
Emergency Purposes			7,128.92	7,128.92
Airport			319,999.33	319,999.33
Debt Service			225,462.57	225,462.57
Assigned to:				
Public Safety			5,686.48	5,686.48
Street and Public Works			106,067.99	106,067.99
Unassigned	233,894.20			233,894.20
Total Fund Balances	233,894.20	217,064.88	1,103,270.38	1,554,229.46

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2020

Total Fund Balances for Governmental Funds		1,910,542.34
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	3,638,192.00	
Less Accumulated Depreciation	<u>(2,303,473.00)</u>	
Net Capital Assets		1,334,719.00
The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.		
Total Deferred Outflows of Resources	125,517.00	
Total Deferred Inflows of Resources	<u>(127,087.00)</u>	
Net Deferred Outflows/Inflows of Resources		(1,570.00)
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, 2020 are:		
General Obligation Bonds Payable	(705,000.00)	
Net Pension Liability	<u>(243,803.00)</u>	
Total Long-Term Liabilities		<u>(948,803.00)</u>
Total Net Position of Governmental Activities		<u>2,294,888.34</u>

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2019

Total Fund Balances for Governmental Funds 1,554,229.46

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	3,629,870.00	
Less Accumulated Depreciation	<u>(2,138,507.00)</u>	
Net Capital Assets		1,491,363.00

The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	156,965.00	
Total Deferred Inflows of Resources	<u>(25,362.00)</u>	
Net Deferred Outflows/Inflows of Resources		131,603.00

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, 2020 are:

General Obligation Bonds Payable	(745,000.00)	
Net Pension Liability	<u>(343,361.00)</u>	
Total Long-Term Liabilities		<u>(1,088,361.00)</u>

Total Net Position of Governmental Activities 2,088,834.46

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2020

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Street		
<u>Revenues:</u>				
Taxes	250,816.96		330,726.37	581,543.33
Special Assessments	1,447.61			1,447.61
Licenses, Permits and Fees	16,608.47			16,608.47
Intergovernmental	136,126.64	107,686.64	125,000.00	368,813.28
Charges for Services	101,909.68	24,757.73	137,850.08	264,517.49
Fines and Forfeits	250.00			250.00
Miscellaneous	10,097.76	5,399.80	33,499.89	48,997.45
Total Revenues	517,257.12	137,844.17	627,076.34	1,282,177.63
<u>Expenditures:</u>				
Current:				
General Government	182,872.97			182,872.97
Public Safety	156,782.10		1,676.88	158,458.98
Streets and Public Works		149,219.74	57,676.08	206,895.82
Culture and Recreation	84,884.76			84,884.76
Urban and Economic Development			90,041.60	90,041.60
Other			13,793.12	13,793.12
Capital Outlay			8,285.00	8,285.00
Debt Service:				
Principal			40,000.00	40,000.00
Interest and Service Charges			24,632.50	24,632.50
Total Expenditures	424,539.83	149,219.74	236,105.18	809,864.75
Excess (Deficiency) of Revenue Over Expenditures	92,717.29	(11,375.57)	390,971.16	472,312.88
<u>Other Financing Sources (Uses):</u>				
Transfers In			33,200.00	33,200.00
Transfers Out	(200.00)	(7,000.00)	(142,000.00)	(149,200.00)
Total Other Financing Sources (Uses)	(200.00)	(7,000.00)	(108,800.00)	(116,000.00)
Net Changes in Fund Balances	92,517.29	(18,375.57)	282,171.16	356,312.88
Fund Balance - January 1	233,894.20	217,064.88	1,103,270.38	1,554,229.46
Fund Balance - December 31	326,411.49	198,689.31	1,385,441.54	1,910,542.34

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2019

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General	Street		
<u>Revenues:</u>				
Taxes	239,107.11		269,684.82	508,791.93
Special Assessments	1,402.41			1,402.41
Licenses, Permits and Fees	18,521.12			18,521.12
Intergovernmental	135,727.53	120,727.64		256,455.17
Charges for Services	48,140.35	19,382.68	130,295.73	197,818.76
Fines and Forfeits	505.33			505.33
Miscellaneous	11,152.63	6,187.00	29,829.96	47,169.59
Total Revenues	454,556.48	146,297.32	429,810.51	1,030,664.31
<u>Expenditures:</u>				
Current:				
General Government	193,027.68			193,027.68
Public Safety	156,095.47			156,095.47
Streets and Public Works		160,979.99	128,798.92	289,778.91
Culture and Recreation	75,525.80			75,525.80
Urban and Economic Development			79,068.48	79,068.48
Other			100,283.86	100,283.86
Capital Outlay			7,600.00	7,600.00
Debt Service:				
Principal			40,000.00	40,000.00
Interest and Service Charges			25,441.50	25,441.50
Total Expenditures	424,648.95	160,979.99	381,192.76	966,821.70
Excess (Deficiency) of Revenue Over Expenditures	29,907.53	(14,682.67)	48,617.75	63,842.61
<u>Other Financing Sources (Uses):</u>				
Transfers In			33,700.00	33,700.00
Transfers Out	(200.00)	(7,500.00)	(394,302.08)	(402,002.08)
Total Other Financing Sources (Uses)	(200.00)	(7,500.00)	(360,602.08)	(368,302.08)
Net Changes in Fund Balances	29,707.53	(22,182.67)	(311,984.33)	(304,459.47)
Fund Balance - January 1	204,186.67	239,247.55	1,415,254.71	1,858,688.93
Fund Balance - December 31	233,894.20	217,064.88	1,103,270.38	1,554,229.46

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

CITY OF NEW ROCKFORD
New Rockford, 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, 2020

Net Change in Fund Balances - Total Governmental Funds	356,312.88
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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 depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	8,285.00	
Current Year Depreciation Expense	<u>(176,792.00)</u>	(168,507.00)

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 repayment of debt exceeded debt proceeds.

Debt Proceeds	-	
Repayment of Debt	<u>40,000.00</u>	40,000.00

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase to Pension Expense	(33,615.00)
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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 capital resources. Thus, the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to increase net position

	<u>11,863.00</u>
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Change in Net Position of Governmental Activities	<u><u>206,053.88</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF NEW ROCKFORD
New Rockford, 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, 2019

Net Change in Fund Balances - Total Governmental Funds (304,459.47)

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 depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	7,600.00	
Current Year Depreciation Expense	<u>(174,622.00)</u>	(167,022.00)

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 repayment of debt exceeded debt proceeds.

Debt Proceeds	-	
Repayment of Debt	<u>40,000.00</u>	40,000.00

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase to Pension Expense		<u>(45,040.00)</u>
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Change in Net Position of Governmental Activities		<u><u>(476,521.47)</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2020

	<u>Major Enterprise Funds</u>		Other Enterprise Funds	Total Enterprise Funds
	Water Department	Water System Project		
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash and Cash Equivalents	630,040.26	895.55	338,412.97	969,348.78
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depreciation):				
Land		30,000.00		30,000.00
Construction in Progress		7,121,835.00		7,121,835.00
Buildings and Infrastructure	645,300.00			645,300.00
Machinery and Vehicles	44,046.00		73,549.00	117,595.00
Total Noncurrent Assets	689,346.00	7,151,835.00	73,549.00	7,914,730.00
Total Assets	1,319,386.26	7,152,730.55	411,961.97	8,884,078.78
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Revenue Bonds Payable	12,000.00	4,734,000.00		4,746,000.00
<u>Noncurrent Liabilities:</u>				
Revenue Bonds Payable	203,000.00			203,000.00
Total Liabilities	215,000.00	4,734,000.00	-	4,949,000.00
<u>NET POSITION</u>				
Net Investment in Capital Assets	474,346.00	2,417,835.00	73,549.00	2,965,730.00
Unrestricted	630,040.26	895.55	338,412.97	969,348.78
Total Net Position	1,104,386.26	2,418,730.55	411,961.97	3,935,078.78

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2019

	<u>Major Enterprise Funds</u>		Other Enterprise Funds	Total Enterprise Funds
	Water Department	Water System Project		
ASSETS				
Current Assets:				
Cash and Cash Equivalents	596,593.85	4,281,719.84	319,615.94	5,197,929.63
Noncurrent Assets:				
Capital Assets (net of accumulated depreciation):				
Land		30,000.00		30,000.00
Construction in Progress		1,389,257.00		1,389,257.00
Buildings and Infrastructure	693,982.00			693,982.00
Machinery and Vehicles	46,493.00		78,337.00	124,830.00
Total Noncurrent Assets	740,475.00	1,419,257.00	78,337.00	2,238,069.00
Total Assets	1,337,068.85	5,700,976.84	397,952.94	7,435,998.63
LIABILITIES				
Current Liabilities:				
Revenue Bonds Payable	12,000.00	4,734,000.00		4,746,000.00
Noncurrent Liabilities:				
Revenue Bonds Payable	215,000.00			215,000.00
Total Liabilities	227,000.00	4,734,000.00	-	4,961,000.00
NET POSITION				
Net Investment in Capital Assets	513,475.00	1,014,825.97	78,337.00	(2,722,931.00)
Unrestricted	596,593.85	(47,849.13)	319,615.94	5,197,929.63
Total Net Position	1,110,068.85	966,976.84	397,952.94	2,474,998.63

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2020

	Major Enterprise Funds		Other Enterprise Funds	Total Enterprise Funds
	Water Department	Water System Project		
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Sales	262,345.63			262,345.63
Water Plant Sales	3,709.65			3,709.65
Sewer Charges			81,770.66	81,770.66
Garbage Collections			255,728.82	255,728.82
Other Services	5,406.12		8,581.44	13,987.56
Total Operating Revenues	271,461.40	-	346,080.92	617,542.32
<u>Operating Expenses:</u>				
Salaries	55,817.42		52,080.93	107,898.35
Health Insurance	30,618.54		34,234.72	64,853.26
Retirement	11,029.96		4,506.32	15,536.28
Utilities	16,325.89		6,088.55	22,414.44
Operations and Maintenance	90,507.91	47,166.19	26,674.23	164,348.33
Oil and Gas			2,486.78	2,486.78
Chemicals	45,922.13			45,922.13
Water Meters	21,941.14			21,941.14
Garbage Contract			192,526.84	192,526.84
Miscellaneous	834.00			834.00
Depreciation	51,129.00		4,788.00	55,917.00
Total Operating Expenses	324,125.99	47,166.19	323,386.37	694,678.55
Operating Income (Loss)	(52,664.59)	(47,166.19)	22,694.55	(77,136.23)
<u>Non-Operating Revenues (Expenses):</u>				
USDA Grant		1,497,249.35		
Eddy County Grant	55,658.00			55,658.00
Interest Income	6,999.00		7,314.48	14,313.48
Debt Service				
Interest	(4,540.00)	(140,329.45)		(144,869.45)
Service Charges	(1,135.00)			(1,135.00)
Total Non-Operating Revenues (Expenses)	56,982.00	1,356,919.90	7,314.48	(76,032.97)
Income (Loss) Before Transfers	4,317.41	1,309,753.71	30,009.03	1,344,080.15
Transfer In		142,000.00		142,000.00
Transfer Out	(10,000.00)		(16,000.00)	(26,000.00)
Changes in Net Position	(5,682.59)	1,451,753.71	14,009.03	1,460,080.15
Net Position - January 1	1,110,068.85	966,976.84	397,952.94	2,474,998.63
Net Position - December 31	1,104,386.26	2,418,730.55	411,961.97	3,935,078.78

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2019

	Major Enterprise Funds		Other Enterprise Funds	Total Enterprise Funds
	Water Department	Water System Project		
<u>Operating Revenues:</u>				
<u>Charges for Sales and Services:</u>				
Water Sales	253,902.05			253,902.05
Water Plant Sales	1,225.34			1,225.34
Sewer Charges			77,437.46	77,437.46
Garbage Collections			245,150.81	245,150.81
Other Services	5,050.07		8,672.29	13,722.36
Total Operating Revenues	260,177.46	-	331,260.56	591,438.02
<u>Operating Expenses:</u>				
Salaries	53,751.85		51,439.82	105,191.67
Health Insurance	29,246.76		22,980.90	52,227.66
Retirement	10,833.84		4,520.04	15,353.88
Utilities	15,401.15		6,717.86	22,119.01
Operations and Maintenance	43,549.52	32,325.24	20,232.72	96,107.48
Oil and Gas			3,155.73	3,155.73
Chemicals	36,361.52			36,361.52
Water Meters	28,943.09			28,943.09
Garbage Contract			192,917.20	192,917.20
Miscellaneous	798.71			798.71
Depreciation	51,129.00		4,788.00	55,917.00
Total Operating Expenses	270,015.44	32,325.24	306,752.27	609,092.95
Operating Income (Loss)	(9,837.98)	(32,325.24)	24,508.29	(17,654.93)
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	5,516.00		7,030.02	12,546.02
Debt Service				
Interest	(4,760.00)			(4,760.00)
Service Charges	(1,190.00)			(1,190.00)
Total Non-Operating Revenues (Expenses)	(434.00)	-	7,030.02	6,596.02
Income (Loss) Before Transfers	(10,271.98)	(32,325.24)	31,538.31	(11,058.91)
Transfer In	394,302.08	999,302.08		1,393,604.16
Transfer Out	(1,009,302.08)		(16,000.00)	(1,025,302.08)
Changes in Net Position	(625,271.98)	966,976.84	15,538.31	357,243.17
Net Position - January 1	1,735,340.83		382,414.63	2,117,755.46
Net Position - December 31	1,110,068.85	966,976.84	397,952.94	2,474,998.63

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year ended December 31, 2020

	Major Funds		Other Enterprise Funds	Total Enterprise Funds
	Water Department	Water System Project		
<u>Cash flows from operating activities:</u>				
Receipts from customers	271,461.40	-	346,080.92	617,542.32
Payments to employees	(97,465.92)	-	(90,821.97)	(188,287.89)
Payments to suppliers	(175,531.07)	(47,166.19)	(227,776.40)	(450,473.66)
Net cash provided (used) by operating activities	(1,535.59)	(47,166.19)	27,482.55	(21,219.23)
<u>Cash flows from noncapital financing activities:</u>				
Transfers in	-	142,000.00	-	142,000.00
Transfers out	(10,000.00)	-	(16,000.00)	(26,000.00)
Net cash provided (used) by noncapital financing activities	(10,000.00)	142,000.00	(16,000.00)	116,000.00
<u>Cash flows from capital and related financing activities:</u>				
USDA grant received		1,497,249.35		1,497,249.35
Eddy County grant received	55,658.00			55,658.00
Water system project		(5,732,578.00)		(5,732,578.00)
Revenue bonds issued		4,734,000.00		4,734,000.00
Principal payments	(12,000.00)	(4,734,000.00)		(4,746,000.00)
Interest payments	(4,540.00)	(140,329.45)		(144,869.45)
Service charges	(1,135.00)			(1,135.00)
Net cash provided (used) by capital and related financing activities	37,983.00	(4,375,658.10)	-	(4,337,675.10)
<u>Cash flows from investing activities:</u>				
Interest income	6,999.00		7,314.48	14,313.48
Net increase in cash and cash equivalents	33,446.41	(4,280,824.29)	18,797.03	(4,242,894.33)
Cash and cash equivalents, January 1	596,593.85	4,281,719.84	319,615.94	5,197,929.63
Cash and cash equivalents, December 31	630,040.26	895.55	338,412.97	969,348.78
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (Loss)	(52,664.59)	(47,166.19)	22,694.55	(77,136.23)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	51,129.00		4,788.00	55,917.00
Net cash provided (used) by operating activities	(1,535.59)	(47,166.19)	27,482.55	(21,219.23)

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year ended December 31, 2019

	Major Funds		Other Enterprise Funds	Total Enterprise Funds
	Water Department	Water System Project		
<u>Cash flows from operating activities:</u>				
Receipts from customers	260,177.46	-	331,260.56	591,438.02
Payments to employees	(93,832.45)	-	(78,940.76)	(172,773.21)
Payments to suppliers	(125,053.99)	(32,325.24)	(223,023.51)	(380,402.74)
Net cash provided (used) by operating activities	41,291.02	(32,325.24)	29,296.29	38,262.07
<u>Cash flows from noncapital financing activities:</u>				
Transfers in	394,302.08	999,302.08	-	1,393,604.16
Transfers out	(1,009,302.08)	-	(16,000.00)	(1,025,302.08)
Net cash provided (used) by noncapital financing activities	(615,000.00)	999,302.08	(16,000.00)	368,302.08
<u>Cash flows from capital and related financing activities:</u>				
Water system project	(48,940.00)	(1,419,257.00)		(1,468,197.00)
Revenue bonds issued		4,734,000.00		4,734,000.00
Principal payments	(11,000.00)			(11,000.00)
Interest payments	(4,760.00)			(4,760.00)
Service charges	(1,190.00)			(1,190.00)
Net cash provided (used) by capital and related financing activities	(65,890.00)	3,314,743.00	-	3,248,853.00
<u>Cash flows from investing activities:</u>				
Interest income	5,516.00		7,030.02	12,546.02
Net increase in cash and cash equivalents	(634,082.98)	4,281,719.84	20,326.31	3,655,417.15
Cash and cash equivalents, January 1	1,230,676.83	-	299,289.63	1,529,966.46
Cash and cash equivalents, December 31	596,593.85	4,281,719.84	319,615.94	5,197,929.63
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (Loss)	(9,837.98)	(32,325.24)	24,508.29	(17,654.93)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	51,129.00		4,788.00	55,917.00
Net cash provided (used) by operating activities	41,291.02	(32,325.24)	29,296.29	38,262.07

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2020

	<u>Custodial Fund</u>
<u>Assets:</u>	
Cash and Investments	<u>18,082.57</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>18,082.57</u>
Net Position	<u><u>0.00</u></u>

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2019

	<u>Custodial Fund</u>
<u>Assets:</u>	
Cash and Investments	<u>10,578.85</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>10,578.85</u>
Net Position	<u><u>0.00</u></u>

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Changes in Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2020

	<u>Custodial Fund</u>
<u>Additions:</u>	
Property tax collections for other governments	29,110.42
State aid collections for other governments	800.00
Contributions from city	<u>8,900.00</u>
 Total Additions	 <u>38,810.42</u>
 <u>Deductions:</u>	
Payments made for the purpose of public service	<u>38,810.42</u>
 Change in Net Position	 <u>0.00</u>
 Net Position - January 1	 <u>0.00</u>
 Net Position - December 31	 <u><u>0.00</u></u>

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Statement of Changes in Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2019

	<u>Custodial Fund</u>
<u>Additions:</u>	
Property tax collections for other governments	24,500.56
State aid collections for other governments	2,487.60
Contributions from city	<u>7,800.00</u>
 Total Additions	 <u>34,788.16</u>
 <u>Deductions:</u>	
Payments made for the purpose of public service	<u>34,788.16</u>
 Change in Net Position	 <u>0.00</u>
 Net Position - January 1	 <u>0.00</u>
 Net Position - December 31	 <u><u>0.00</u></u>

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

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Notes to the Financial Statements
December 31, 2020 and 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of New Rockford operates under a city commission 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 following is a brief review of each potential component unit addressed defining the government's reporting entity

Included within the reporting entity:

New Rockford Airport Authority. This unit provides services to residents, generally within the geographic boundaries of the city, and its governing board is appointed by the city's governing body. The city's governing body has the authority to disapprove, amend or approve the budget of this unit. The city maintains all the accounting records of this unit within its accounting system and, therefore, this fund is blended with the city's special revenue funds.

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 Rockford. 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 investments 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.

Street. This fund accounts for the state highway distribution tax used for street repairs and maintenance.

The city reports the following major enterprise funds:

Water Fund. This fund accounts for the activities of the city's water distribution system.

Water System Project This fund accounts for the accumulation of resources to be used for the payment of long-term debt principal and interest related to the Refunding Improvement Bonds of 2020.

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 various deposits of the Eddy New Rockford Library.

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 financials would be presented on the accrual basis of accounting.

D. Cash, Cash Equivalents and Investments

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.

Investments consist of certificates of deposit stated at cost.

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 100 years
Machinery and Vehicles	10 to 20 years

F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

G. 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.

H. Pension

For purposes of measuring 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); 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.

I. 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.

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.

J. Interfund Transactions

In the governmental and proprietary fund 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.

K. 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, 2020 the city's carrying amount of deposits was \$2,879,974 and the bank balance was \$3,076,334. Of the bank balance, \$325,665 was covered by Federal Depository Insurance. The remaining balance of \$2,750,669 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2019 the city's carrying amount of deposits was \$6,762,738 and the bank balance was \$7,840,548. Of the bank balance, \$326,031 was covered by Federal Depository Insurance. The remaining balance of \$7,514,517 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, 2020, the city held certificates of deposit in the amount of \$981,102, which are all considered deposits.

At December 31, 2019, the city held certificates of deposit in the amount of \$1,391,720, 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.

	<u>2020</u>			Balance December 31
	Balance December 31	Increases	Decreases	
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	30,000			30,000
Construction in Progress	1,389,257	5,732,578		7,121,835
Total	1,419,257	5,732,578	-	7,151,835
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,973,000			1,973,000
Machinery and Vehicles	199,580			199,580
Total	2,172,580	-	-	2,172,580
Less accumulated depreciation for:				
Buildings and Infrastructure	1,279,018	48,682		1,327,700
Machinery and Vehicles	74,750	7,235		81,985
Total capital assets being depreciated, net	1,353,768	55,917	-	1,409,685
Business-Type Activities				
Capital Assets, Net	2,238,069	5,676,661	-	7,914,730

	<u>2019</u>			Balance December 31
	Balance January 1	Increases	Decreases	
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land		30,000		30,000
Construction in Progress		1,389,257		1,389,257
Total	-	1,419,257	-	1,419,257
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,973,000			1,973,000
Machinery and Vehicles	150,640	48,940		199,580
Total	2,123,640	48,940	-	2,172,580
Less accumulated depreciation for:				
Buildings and Infrastructure	1,230,336	48,682		1,279,018
Machinery and Vehicles	67,515	7,235		74,750
Total capital assets being depreciated, net	1,297,851	55,917	-	1,353,768
Business-Type Activities				
Capital Assets, Net	825,789	1,412,280	-	2,238,069

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

	<u>2020</u>	<u>2019</u>
<u>Governmental Activities:</u>		
General Government	1,629	1,629
Streets and Public Works	103,827	101,657
Culture and Recreation	60,136	60,136
Other	11,200	11,200
Total	<u>176,792</u>	<u>174,622</u>
<u>Business-type Activities:</u>		
Water	51,129	55,129
Sewer	4,788	4,788
Total	<u>55,917</u>	<u>59,917</u>

Note 5 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2020 and 2019, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities

	Balance January 1	Increases	<u>2020</u> Decreases	Balance December 31	Due Within One Year
General Obligation Bonds	<u>745,000</u>		<u>40,000</u>	<u>705,000</u>	<u>40,000</u>
	Balance January 1	Increases	<u>2019</u> Decreases	Balance December 31	Due Within One Year
General Obligation Bonds	<u>785,000</u>		<u>40,000</u>	<u>745,000</u>	<u>40,000</u>

Business-type Activities:

	Balance January 1	Increases	<u>2020</u> Decreases	Balance December 31	Due Within One Year
Revenue Bonds Payable	<u>4,961,000</u>	<u>4,734,000</u>	<u>4,746,000</u>	<u>4,949,000</u>	<u>99,248</u>
	Balance January 1	Increases	<u>2019</u> Decreases	Balance December 31	Due Within One Year
Revenue Bonds Payable	<u>238,000</u>	<u>4,734,000</u>	<u>11,000</u>	<u>4,961,000</u>	<u>4,746,000</u>

Outstanding debt at December 31, 2020 consists of the following:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2020 is as follows:

General Obligation Bonds. The city issued general obligation bonds to provide funds for the construction of a new swimming pool. General obligation bonds outstanding at December 31, 2020 are as follows:

\$900,000 General Obligation Bonds, Series 2015 due in annual installments of \$40,000 to \$55,000 through May 1, 2035; interest is at 1.5% to 3.5%.	705,000.00
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The annual requirements to amortize the outstanding general obligation bond debt are as follows:

Year Ending December 31	Principal	Interest
2021	40,000.00	22,537.50
2022	40,000.00	21,537.50
2023	40,000.00	20,537.50
2024	40,000.00	19,387.50
2025	45,000.00	18,006.25
2026 - 2030	235,000.00	67,237.50
2031 - 2035	265,000.00	23,712.50
Total	705,000.00	192,956.25

Business-type Activities (Proprietary Funds):

Revenue bonds payable. 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, 2020 are as follows:

\$270,000 Water Revenue Bonds, Series 2016, due in annual installments of \$11,000 to \$17,000 through September 1, 2035; interest is at 2%.	215,000.00
\$4,734,000 Water System Revenue Bonds, Series 2020, due in annual installments of \$158,258.00 through September 24, 2059 and a final payment of \$157,492.76 on September 24, 2060; interest is at 1.5%.	4,734,000.00
Total	4,949,000.00

The annual requirements to amortize the outstanding revenue bonds payable are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	99,248.00	75,310.00
2022	100,556.72	73,761.28
2023	102,885.07	72,192.93
2024	104,233.35	70,584.65
2025	105,601.85	68,956.15
2026 - 2030	556,266.08	319,403.92
2031 - 2035	601,692.09	274,477.91
2036 - 2040	562,010.56	229,279.44
2041 - 2045	605,444.98	185,845.02
2046 - 2050	652,236.19	139,053.81
2051 - 2055	702,643.62	88,646.38
2056 - 2060	756,181.49	34,343.27
 Total	 <u>4,949,000.00</u>	 <u>1,631,854.76</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:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2020</u>		
Siren	200.00	
General		200.00
To subsidize expenditures.		
Equipment	33,000.00	
Street		7,000.00
Water Department		10,000.00
Sewer Maintenance		3,000.00
Sanitation Department		13,000.00
To set-aside funds for equipment reserve.		
Water System Project	142,000.00	
Infrastructure Improvement		142,000.00
To set-aside funds for water system project.		

December 31, 2019

Water	394,302.08	
Infrastructure Improvement		21,816.69
Improvement District 2001-01		340,063.22
Improvement District 2001-02		32,422.17
To set-aside funds for equipment reserve.		
Siren	200.00	
General		200.00
To subsidize expenditures.		
Water System Project	999,302.08	
Water		999,302.08
Water System Project	33,500.00	
Street		7,500.00
Water Department		10,000.00
Sewer Maintenance		3,000.00
Sanitation Department		13,000.00
To set-aside funds for water system project.		

Note 7 RISK MANAGEMENT

The City of New Rockford 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 \$727,308 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 \$1,281,796 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.

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

North Dakota Public Employees Retirement System (Main 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 NDPERS plan is financed by investment income and contributions.

Responsibility for administration of the NDPERS benefits program 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 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.

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.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 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 covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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, 2020, the City of New Rockford reported a liability of \$243,803 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The district's proportion of the net pension liability was based on the district's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019 the district's proportion was .020801 percent, which was an increase of .000455 from its proportion measured as of June 30, 2018.

For the year ended December 31, 2020, the district recognized pension expense of \$49,211. At December 31, 2020 the district reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	143	44,246
Changes in assumptions	91,103	78,220
Net difference between projected and actual earnings on pension plan investments	4,248	
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,240	4,621
City contributions subsequent to the measurement date (see below)	<u>15,783</u>	
Total	<u>125,517</u>	<u>127,087</u>

\$15,783 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

<u>Year ended June 30:</u>	
2020	12,840
2021	3,683
2022	(6,187)
2023	(20,963)
2024	(6,726)
Thereafter	0

Actuarial assumptions. The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.50%

Salary increases

Service at Beginning of Year	Increase Rate
0	15.00%
1	10.00%
2	8.00%
Age *	
Under 30	10.00%
30 - 39	7.50%
40 - 49	6.75%
50 - 59	6.50%
60+	5.25%

* Age-based salary increase rates apply for employees with three or more years of service.

Investment rate of return

7.50%, net of investment expenses

Cost-of-living adjustments

None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2019 funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2019. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Equity Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

Discount rate. For PERS, GASB 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 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

Sensitivity of the district's proportionate share of the net pension liability to changes in the discount rate. The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 4.64%, as well as what the district's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
The city's proportionate share of the net pension liability	349,561	243,803	154,948

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 city is required to implement GASB Statement No. 75, Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions. The effect of this statement is not material to the city's financial statements.

Note 10 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, 2020.

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	199,122.00	199,122.00	250,816.96	51,694.96
Special Assessments			1,447.61	1,447.61
Licenses, Permits and Fees	18,050.00	18,050.00	16,608.47	(1,441.53)
Intergovernmental	171,600.00	171,600.00	136,126.64	(35,473.36)
Charges for Services	5,900.00	5,900.00	101,909.68	96,009.68
Fines and Forfeits	150.00	150.00	250.00	100.00
Miscellaneous	8,875.00	8,875.00	10,097.76	1,222.76
Total Revenues	403,697.00	403,697.00	517,257.12	113,560.12
Expenditures:				
Current:				
General Government	183,992.00	183,992.00	182,872.97	1,119.03
Public Safety	162,703.00	162,703.00	156,782.10	5,920.90
Culture and Recreation	84,350.00	84,350.00	84,884.76	(534.76)
Total Expenditures	431,045.00	431,045.00	424,539.83	6,505.17
Excess (Deficiency) of Revenue Over Expenditures	(27,348.00)	(27,348.00)	92,717.29	120,065.29
Other Financing (Uses):				
Transfers Out			(200.00)	(200.00)
Net Change in Fund Balances	(27,348.00)	(27,348.00)	92,517.29	119,865.29
Fund Balance - January 1	233,894.20	233,894.20	233,894.20	
Fund Balance - December 31	206,546.20	206,546.20	326,411.49	119,865.29

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	203,726.00	203,726.00	239,107.11	35,381.11
Special Assessments			1,402.41	1,402.41
Licenses, Permits and Fees	18,415.00	18,415.00	18,521.12	106.12
Intergovernmental	158,383.00	158,383.00	135,727.53	(22,655.47)
Charges for Services	6,000.00	6,000.00	48,140.35	42,140.35
Fines and Forfeits	500.00	500.00	505.33	5.33
Miscellaneous	4,400.00	4,400.00	11,152.63	6,752.63
Total Revenues	391,424.00	391,424.00	454,556.48	63,132.48
Expenditures:				
Current:				
General Government	173,816.00	173,816.00	193,027.68	(19,211.68)
Public Safety	154,934.00	154,934.00	156,095.47	(1,161.47)
Culture and Recreation	88,095.00	88,095.00	75,525.80	12,569.20
Total Expenditures	416,845.00	416,845.00	424,648.95	(7,803.95)
Excess (Deficiency) of Revenue Over Expenditures	(25,421.00)	(25,421.00)	29,907.53	55,328.53
Other Financing (Uses):				
Transfers Out			(200.00)	(200.00)
Net Change in Fund Balances	(25,421.00)	(25,421.00)	29,707.53	55,128.53
Fund Balance - January 1	204,186.67	204,186.67	204,186.67	
Fund Balance - December 31	178,765.67	178,765.67	233,894.20	55,128.53

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Street Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	119,000.00	119,000.00	107,686.64	(11,313.36)
Charges for Services	20,000.00	20,000.00	24,757.73	4,757.73
Miscellaneous	5,900.00	5,900.00	5,399.80	(500.20)
Total Revenues	144,900.00	144,900.00	137,844.17	(7,055.83)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	161,767.00	161,767.00	149,219.74	12,547.26
Excess (Deficiency) of Revenue Over Expenditures	(16,867.00)	(16,867.00)	(11,375.57)	5,491.43
<u>Other Financing (Uses):</u>				
Transfers Out			(7,000.00)	(7,000.00)
Net Change in Fund Balances	(16,867.00)	(16,867.00)	(18,375.57)	(1,508.57)
Fund Balance - January 1	217,064.88	217,064.88	217,064.88	
Fund Balance - December 31	200,197.88	200,197.88	198,689.31	(1,508.57)

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Street Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	114,200.00	114,200.00	120,727.64	6,527.64
Charges for Services	17,000.00	17,000.00	19,382.68	2,382.68
Miscellaneous	860.00	860.00	6,187.00	5,327.00
Total Revenues	132,060.00	132,060.00	146,297.32	14,237.32
<u>Expenditures:</u>				
Current:				
Streets and Public Works	161,187.00	161,187.00	160,979.99	207.01
Total Expenditures	161,187.00	161,187.00	160,979.99	207.01
Excess (Deficiency) of Revenue Over Expenditures	(29,127.00)	(29,127.00)	(14,682.67)	14,444.33
<u>Other Financing (Uses):</u>				
Transfers Out			(7,500.00)	(7,500.00)
Net Change in Fund Balances	(29,127.00)	(29,127.00)	(22,182.67)	6,944.33
Fund Balance - January 1	239,247.55	239,247.55	239,247.55	
Fund Balance - December 31	210,120.55	210,120.55	217,064.88	6,944.33

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2020 and 2019

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

The governing board did not amend the budgets during the years ended December 31, 2020 and 2019.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
General		7,803.95
<u>Special Revenue Funds</u>		
Economic Development	10,041.60	288.48
Siren	1,051.88	

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.020801%	0.020346%	0.019730%	0.018948%	0.020899%	0.017368%
City's proportionate share of the net pension liability	243,803	343,361	317,126	184,667	142,110	110,238
City's covered employee payroll	216,367	209,015	201,409	190,953	186,183	185,977
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	112.68%	164.28%	157.45%	96.71%	76.33%	59.28%
Plan fiduciary net position as a percentage of the total pension liability	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years *

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	15,405	14,882	14,340	13,596	13,256	12,344
Contributions in relation to the statutorily required contributions	(15,405)	(14,882)	(14,340)	(13,596)	(13,256)	(12,344)
Contribution deficiency (excess)	0	0	0	0	0	0
City's covered-employee payroll	216,367	209,015	201,409	190,953	186,183	185,977
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%	7.12%	6.64%

* Complete date for this schedule is not available prior to 2015.

- For changes of benefit terms and assumptions, see Note 8 to the financial statements.

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2020

	Balance 1/1/2020	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12/31/2020
Major Governmental Funds						
General Fund	233,894.20	517,257.12		200.00	424,539.83	326,411.49
Street	217,064.88	137,844.17		7,000.00	149,219.74	198,689.31
Total Major Governmental Funds	450,959.08	655,101.29	-	7,200.00	573,759.57	525,100.80
Non-Major Governmental Funds						
Emergency	7,128.92					7,128.92
Special Assessment Deficiency	92,234.71	2,022.00				94,256.71
Airport	319,999.33	31,871.48			13,793.12	338,077.69
Economic Development	2,678.57	90,041.60			90,041.60	2,678.57
Infrastructure Improvements:						
General	231,221.11	107,591.39		142,000.00	57,676.08	139,136.42
Reserve	157,299.00					157,299.00
Municipal		125,000.00				125,000.00
Siren	5,686.48	200.00	200.00		1,676.88	4,409.60
Equipment	106,067.99	1,959.03	33,000.00		8,285.00	132,742.02
Fire Department Equipment and Building	47,726.41	11,534.18				59,260.59
Community Development		100.00				100.00
Swimming Pool	21,232.09	59,458.60			64,632.50	16,058.19
Improvement District 2019	111,995.77	197,298.06				309,293.83
Total Non-Major Governmental Funds	1,103,270.38	627,076.34	33,200.00	142,000.00	236,105.18	1,385,441.54
Major Enterprise Funds						
Water Department	596,593.85	334,118.40		10,000.00	290,671.99	630,040.26
Water System Project	4,281,719.84	6,231,249.35	142,000.00		10,654,073.64	895.55
Total Major Enterprise Funds	4,878,313.69	6,565,367.75	142,000.00	10,000.00	10,944,745.63	630,935.81
Non-Major Enterprise Funds						
Sewer Maintenance	97,456.98	84,030.66		3,000.00	83,645.63	94,842.01
Sanitation Department	222,158.96	269,364.74		13,000.00	234,952.74	243,570.96
Total Non-Major Enterprise Funds	319,615.94	353,395.40	-	16,000.00	318,598.37	338,412.97
Total Enterprise Funds	5,197,929.63	6,918,763.15	142,000.00	26,000.00	11,263,344.00	969,348.78
Fiduciary Fund						
Custodial Fund						
Eddy New Rockford Library	10,578.85	38,810.42			31,306.70	18,082.57
Total All Funds	6,762,737.94	8,239,751.20	175,200.00	175,200.00	12,104,515.45	2,897,973.69

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2019

	Balance 1/1/2019	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12/31/2019
Major Governmental Funds						
General Fund	204,186.67	454,556.48		200.00	424,648.95	233,894.20
Street	239,247.55	146,297.32		7,500.00	160,979.99	217,064.88
Total Major Governmental Funds	443,434.22	600,853.80	-	7,700.00	585,628.94	450,959.08
Non-Major Governmental Funds						
Emergency	7,128.92					7,128.92
Special Assessment Deficiency	90,670.71	1,564.00				92,234.71
Airport	341,760.22	71,343.17			93,104.06	319,999.33
Economic Development	2,678.57	79,068.48			79,068.48	2,678.57
Infrastructure Improvements:						
General	170,898.44	84,337.28		21,816.69	2,197.92	231,221.11
Reserve	283,700.00				126,401.00	157,299.00
Siren	5,306.28	200.00	200.00		19.80	5,686.48
Equipment	85,775.99	1,752.00	33,500.00		14,960.00	106,067.99
Fire Department Equipment and Building	37,346.87	10,379.54				47,726.41
Swimming Pool	23,445.65	63,227.94			65,441.50	21,232.09
Improvement District 2001-1	334,538.22	5,525.00		340,063.22		-
Improvement District 2001-2	32,004.84	417.33		32,422.17		-
Improvement District 2019		111,995.77				111,995.77
Total Non-Major Governmental Funds	1,415,254.71	429,810.51	33,700.00	394,302.08	381,192.76	1,103,270.38
Major Enterprise Funds						
Water Department	1,230,676.83	265,693.46	394,302.08	1,009,302.08	284,776.44	596,593.85
Water System Project		4,686,660.00	999,302.08		1,404,242.24	4,281,719.84
Total Major Enterprise Funds	1,230,676.83	4,952,353.46	1,393,604.16	1,009,302.08	1,689,018.68	4,878,313.69
Non-Major Enterprise Funds						
Sewer Maintenance	100,359.46	80,047.05		3,000.00	79,949.53	97,456.98
Sanitation Department	198,930.17	258,243.53		13,000.00	222,014.74	222,158.96
Total Non-Major Enterprise Funds	299,289.63	338,290.58	-	16,000.00	301,964.27	319,615.94
Total Enterprise Funds	1,529,966.46	5,290,644.04	1,393,604.16	1,025,302.08	1,990,982.95	5,197,929.63
Fiduciary Fund						
Custodial Fund						
Eddy New Rockford Library	9,732.33	34,788.16			33,941.64	10,578.85
Total All Funds	3,398,387.72	6,356,096.51	1,427,304.16	1,427,304.16	2,991,746.29	6,762,737.94

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Schedule of Expenditures of Federal Awards
For the Years Ended December 31, 2020 and 2019

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	2020	2019
<u>U.S. Department of Agriculture</u>				
Rural Development - Direct Program:				
Water and Waste Disposal Systems for Rural Communities - Loans	10.760	N/A	4,329,568.97	404,431.03
Water and Waste Disposal Systems for Rural Communities - Grants	10.760	N/A	<u>1,497,249.35</u>	
Total Water and Waste Disposal Systems for Rural Communities			<u>5,826,818.32</u>	<u>404,431.03</u>
<u>U.S. Department of Treasury</u>				
Passed Through North Dakota State Treasurer:				
Coronavirus Relief Fund	21.019	N/A	<u>4,019.05</u>	
Total Expenditures of Federal Awards			<u>5,830,837.37</u>	<u>404,431.03</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.

Note 2 - Loans Outstanding

Program Title	Federal Assistance Listing Number	Outstanding Loan Balance
Water and Waste Disposal Systems for Rural Communities	10.760	4,734,000.00

Rath & Mehrer, P.C.

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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 Rockford
New Rockford, 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, each major fund and the aggregate remaining fund information of the City of New Rockford, New Rockford, North Dakota, as of and for the year ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated September 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the city's internal control over financial reporting (internal control) to determine the 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. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002, that we consider to be significant deficiencies.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The city's response to the findings identified in our audits are 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

September 3, 2021

Rath & Mehrer, P.C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of New Rockford
New Rockford, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of New Rockford's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the city's major federal programs for the years ended December 31, 2020 and 2019. The city's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the city's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the city's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major program. However, our audits do not provide a legal determination of the city's compliance.

Opinion on Each Major Federal Program

In our opinion, the city complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2020 and 2019.

Report on Internal Control Over Compliance

Management of the City of New Rockford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered the city's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

September 3, 2021

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2020 and 2019

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor’s Report Issued:

Governmental Activities	Unmodified-Modified Cash Basis
Business-Type Activities	Unmodified-Modified Cash Basis
Major Governmental Funds	Unmodified-Modified Cash Basis
Major Business-Type Funds	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

Internal control over financial reporting:

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

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X 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 X No

Identification of major program(s):

Federal Assistance Listing Number

Name of Federal Program

10.760

Water and Waste Disposal Systems for Rural Communities

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

\$750,000

Auditee qualified as a low-risk auditee?

_____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2020-001 – 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. 2018-001

2. 2020-002- 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. 2018-002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No matters were reported

CITY OF NEW ROCKFORD
New Rockford, North Dakota

Summary Schedule of Prior Audit Findings
For the Years Ended December 31, 2020 and 2019

1. Finding No. 2018-001: Segregation of Duties

Status: This finding is repeated and updated in the Schedule of Findings and Responses as No. 2020-001.

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. 2018-002: Financial Statement Preparation

Status: This finding is repeated and updated in the Schedule of Findings and Responses as No. 2020-002.

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.



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CITY OF NEW ROCKFORD
New Rockford, North Dakota

Corrective Action Plan
For the Years Ended December 31, 2020 and 2019

1. Finding No. 2020-001: Segregation of Duties

Contact Person: George Ritzke, 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 Rockford will implement when it becomes cost effective.

2. Finding No. 2020-002: Financial Statement Preparation

Contact Person: George Ritzke, 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 Rockford will implement when it becomes cost effective.