

AUDIT REPORT

CITY OF NEW TOWN
New Town, North Dakota

For the Year Ended December 31, 2020

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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For the Year Ended December 31, 2020

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CITY OF NEW TOWN
New Town, North Dakota

CITY OFFICIALS

Dan Uran	Mayor
Jesse Baker	Council Member
Douglas Bratvold	Council Member
Nathaniel Mayer	Council Member
Thomas Nash	Council Member
Eileen Zaun	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

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

Specializing in Governmental Auditing

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of New Town
New Town, 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of New Town, New Town, North Dakota, as of and for the year ended December 31, 2020, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of New Town, New Town, North Dakota, as of December 31, 2020, 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 schedule 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, schedule 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgeting comparison information, schedule of employer's share of net pension liability, schedule of fund activity arising from cash transactions and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 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

July 9, 2021

CITY OF NEW TOWN
New Town, North Dakota

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	New Town Airport Authority
ASSETS:				
Cash and Cash Equivalents	6,379,268.16	5,908,832.58	12,288,100.74	369,948.29
Capital Assets (net of accumulated depreciation):				
Land	560,480.00	346,163.00	906,643.00	
Construction in Progress		5,216,024.00	5,216,024.00	
Buildings and Infrastructure	9,258,023.00	26,099,500.00	35,357,523.00	
Machinery and Vehicles	342,372.00	272,873.00	615,245.00	
Total Capital Assets	10,160,875.00	31,934,560.00	42,095,435.00	-
Total Assets	16,540,143.16	37,843,392.58	54,383,535.74	369,948.29
DEFERRED OUTFLOWS OF RESOURCES:				
Changes in Resources Related to Pensions	864,532.00		864,532.00	
Liabilities:				
Long-Term Liabilities:				
Due Within One Year:				
Loans Payable	28,504.84		28,504.84	
Special Assessment Bonds Payable	19,600.00	50,400.00	70,000.00	
Revenue Bonds Payable	390,000.00	293,598.25	683,598.25	
Due After One Year:				
Loans Payable	216,151.28		216,151.28	
Special Assessment Bonds Payable	159,600.00	410,400.00	570,000.00	
Revenue Bonds Payable	3,080,000.00	7,538,401.75	10,618,401.75	
Net Pension Liability	1,330,478.00		1,330,478.00	
Total Liabilities	5,224,334.12	8,292,800.00	13,517,134.12	-
DEFERRED INFLOWS OF RESOURCES:				
Changes in Resources Related to Pensions	668,315.00		668,315.00	
NET POSITION:				
Net Investment in Capital Assets	6,267,018.88	23,641,760.00	29,908,778.88	
Restricted for:				
Debt Service	1,512,186.04	823,436.18	2,335,622.22	
Construction		1,207,755.34	1,207,755.34	
Special Purposes	216,643.10	270,991.00	487,634.10	
Unrestricted	3,516,178.02	3,606,650.06	7,122,828.08	369,948.29
Total Net Position	11,512,026.04	29,550,592.58	41,062,618.62	369,948.29

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

CITY OF NEW TOWN
New Town, North Dakota

Statement of Activities - Modified Cash Basis
December 31, 2020

Functions/Programs	Net (Expense) Revenue and Change in Net Position						
	Program Revenues			Primary Government			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	New Town Airport Authority
Primary Government							
<u>Governmental Activities:</u>							
General Government	1,914,061.43	178,154.66	3,118.17	(1,732,788.60)		(1,732,788.60)	
Public Safety	1,020,777.02	116,186.81	445,165.50	(459,424.71)		(459,424.71)	
Streets and Public Works	1,063,693.63		173,414.65	(890,278.98)		(890,278.98)	
Urban and Economic Development	34,892.79			(34,892.79)		(34,892.79)	
Culture and Recreation	239,354.38	10,189.18	4,803.00	(224,362.20)		(224,362.20)	
Other	81,722.65			(81,722.65)		(81,722.65)	
Interest on Long-Term Debt	128,368.64		58,660.86	(69,707.78)		(69,707.78)	
Total Governmental Activities	4,482,870.54	304,530.65	685,162.18	(3,493,177.71)		(3,493,177.71)	
<u>Business-Type Activities:</u>							
Water	1,850,506.14	1,515,884.81	1,954,977.83		1,620,356.50	1,620,356.50	
Sewer	281,785.60	166,386.18			(115,399.42)	(115,399.42)	
Garbage	659,588.61	510,534.96			(149,053.65)	(149,053.65)	
Water System Project	185,222.00				(185,222.00)	(185,222.00)	
Water Main Replacement	61,159.40		50,491.52		(10,667.88)	(10,667.88)	
Total Business-Type Activities	3,038,261.75	2,192,805.95	2,005,469.35		1,160,013.55	1,160,013.55	
Total Primary Government	7,521,132.29	2,497,336.60	2,690,631.53	(3,493,177.71)	1,160,013.55	(2,333,164.16)	
Component Unit:							
Airport Authority	132,273.98	4,246.00	165,399.30				37,371.32
<u>General Revenues:</u>							
<u>Taxes:</u>							
Property taxes; levied for general purposes				400,764.25		400,764.25	75,201.63
Property taxes; levied for special purposes				76,525.39		76,525.39	
City sales taxes				801,839.49		801,839.49	
City lodging taxes				34,892.79		34,892.79	
Oil and gas production taxes				2,792,116.78		2,792,116.78	
Cigarette taxes				5,070.62		5,070.62	
Intergovernmental revenue not restricted to specific programs				196,285.88		196,285.88	
Earnings on investments and other revenue				422,130.15	3,466.42	425,596.57	882.79
Gain on trade-in of capital assets				46,350.00		46,350.00	
Transfers				(673,895.67)	673,895.67	-	
Total General Revenues and Transfers				4,102,079.68	677,362.09	4,779,441.77	76,084.42
Change in Net Position				608,901.97	1,837,375.64	2,446,277.61	113,455.74
Net Position - January 1				14,053,893.07	24,562,447.94	38,616,341.01	256,492.55
Prior Period Adjustment (Note 11)				(3,150,769.00)	3,150,769.00	-	-
Net Position - January 1, as Restated				10,903,124.07	27,713,216.94	38,616,341.01	256,492.55
Net Position - December 31				11,512,026.04	29,550,592.58	41,062,618.62	369,948.29

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

CITY OF NEW TOWN
New Town, North Dakota

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

	Major Funds				Total Governmental Funds
	General	Sales Tax	Infrastructure Construction Projects	Other Governmental Funds	
	ASSETS:				
Cash and Cash Equivalents	1,943,985.45	-	215,972.44	4,219,310.27	6,379,268.16
FUND BALANCES:					
Restricted for:					
Public Safety				42,138.17	42,138.17
Street and Public Works				13,917.05	13,917.05
Urban and Economic Development				37,595.78	37,595.78
Culture and Recreation				122,988.17	122,988.17
City Share of Specials				3.93	3.93
Debt Service				1,512,186.04	1,512,186.04
Assigned to:					
Street and Public Works			215,972.44	141,763.83	357,736.27
Building Projects				661,343.84	661,343.84
Interim Fund				987,373.46	987,373.46
Equipment				700,000.00	700,000.00
Unassigned	1,943,985.45				1,943,985.45
Total Fund Balances	1,943,985.45	-	215,972.44	4,219,310.27	6,379,268.16

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

CITY OF NEW TOWN
New Town, North Dakota

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

Total Fund Balances for Governmental Funds		6,379,268.16
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	13,002,617.00	
Less Accumulated Depreciation	<u>(2,841,742.00)</u>	
Net Capital Assets		10,160,875.00
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	864,532.00	
Total Deferred Inflows of Resources	<u>(668,315.00)</u>	
Net Deferred Outflows/Inflows of Resources		196,217.00
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:		
Loan Payable	(244,656.12)	
Special Assessments Bonds Payable	(179,200.00)	
Revenue Bonds Payable	(3,470,000.00)	
Net Pension Liability	<u>(1,330,478.00)</u>	
Total Long-Term Liabilities		<u>(5,224,334.12)</u>
Total Net Position of Governmental Activities		<u>11,512,026.04</u>

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

CITY OF NEW TOWN
New Town, North Dakota

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

	Major Funds				Total Governmental Funds
	General	Sales	Infrastructure	Other	
		Tax	Construction Projects	Governmental Funds	
Revenues:					
Taxes	401,875.70	801,839.49		110,306.73	1,314,021.92
Special Assessments	1,604.01			57,056.85	58,660.86
Licenses, Permits and Fees	109,821.66			2,405.38	112,227.04
Intergovernmental	3,391,980.71			179,753.89	3,571,734.60
Charges for Services	54,472.55				54,472.55
Fines and Forfeits	69,498.06				69,498.06
Miscellaneous	419,815.26		78,886.46	40,001.43	538,703.15
Total Revenues	4,449,067.95	801,839.49	78,886.46	389,524.28	5,719,318.18
Expenditures:					
Current:					
General Government	1,332,850.85				1,332,850.85
Public Safety	920,316.02				920,316.02
Streets and Public Works	163,542.23		758,310.40	278,955.58	1,200,808.21
Urban and Economic Development				34,892.79	34,892.79
Culture and Recreation	38,701.46			126,467.92	165,169.38
Other	15,500.00			66,222.65	81,722.65
Capital Outlay	108,476.00			297,199.00	405,675.00
Debt Service:					
Principal				502,545.92	502,545.92
Interest and Service Charges				128,368.64	128,368.64
Total Expenditures	2,579,386.56	-	758,310.40	1,434,652.50	4,772,349.46
Excess (Deficiency) of Revenue Over Expenditures	1,869,681.39	801,839.49	(679,423.94)	(1,045,128.22)	946,968.72
Other Financing Sources (Uses):					
Transfers In	2,458,179.17		749,303.40	1,221,191.66	4,428,674.23
Transfers Out	(3,792,051.22)	(801,839.51)	(135,610.08)	(373,069.09)	(5,102,569.90)
Total Other Financing Sources (Uses)	(1,333,872.05)	(801,839.51)	613,693.32	848,122.57	(673,895.67)
Net Changes in Fund Balances	535,809.34	(0.02)	(65,730.62)	(197,005.65)	273,073.05
Fund Balance - January 1	1,408,176.11	0.02	281,703.06	4,416,315.92	6,106,195.11
Fund Balance - December 31	1,943,985.45	-	215,972.44	4,219,310.27	6,379,268.16

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

CITY OF NEW TOWN
New Town, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds	273,073.05
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	405,675.00	
Current Year Depreciation Expense	<u>(354,401.00)</u>	51,274.00

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>502,545.92</u>	502,545.92

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	(264,341.00)
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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 financial resources. Thus, the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to increase net position.

	<u>46,350.00</u>
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Change in Net Position of Governmental Activities	<u><u>608,901.97</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF NEW TOWN
New Town, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Enterprise	Water System Project	Water Main Replacement	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	5,657,146.40		251,686.18	5,908,832.58
Noncurrent Assets:				
Capital Assets (net of accumulated depreciation):				
Land	346,163.00			346,163.00
Construction in Progress	5,216,024.00			5,216,024.00
Buildings and Infrastructure	21,632,206.00	3,405,308.00	1,061,986.00	26,099,500.00
Vehicles and Machinery	272,873.00			272,873.00
Total Noncurrent Assets	27,467,266.00	3,405,308.00	1,061,986.00	31,934,560.00
Total Assets	33,124,412.40	3,405,308.00	1,313,672.18	37,843,392.58
LIABILITIES				
Current Liabilities:				
Special Assessment Bonds Payable			50,400.00	50,400.00
Revenue Bonds Payable	233,598.25	60,000.00		293,598.25
Total Current Liabilities	233,598.25	60,000.00	50,400.00	343,998.25
Noncurrent Liabilities:				
Special Assessment Bonds Payable			410,400.00	410,400.00
Revenue Bonds Payable	5,933,401.75	1,605,000.00		7,538,401.75
Total Noncurrent Liabilities	5,933,401.75	1,605,000.00	410,400.00	7,948,801.75
Total Liabilities	6,167,000.00	1,665,000.00	460,800.00	8,292,800.00
NET POSITION				
Net Investment in Capital Assets	21,300,266.00	1,740,308.00	601,186.00	23,641,760.00
Restricted for:				
Debt Service	571,750.00		251,686.18	823,436.18
Construction	1,207,755.34			1,207,755.34
Water Reserves	130,000.00			130,000.00
Sewer Reserves	130,991.00			130,991.00
Garbage/Landfill Reserve	10,000.00			10,000.00
Unrestricted	3,606,650.06			3,606,650.06
Total Net Position	26,957,412.40	1,740,308.00	852,872.18	29,550,592.58

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

CITY OF NEW TOWN
New Town, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Enterprise	Water System Project	Water Main Replacement	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Usage	615,087.41			615,087.41
Water Base	374,635.08			374,635.08
Bulk Water Sales	138,401.86			138,401.86
Rural Water Sales	339,379.73			339,379.73
Sewer	166,286.18			166,286.18
Garbage	487,347.95			487,347.95
Dumpsters	10,750.00			10,750.00
Landfill	12,437.01			12,437.01
Miscellaneous Services/Fees	48,480.73			48,480.73
Total Operating Revenues	2,192,805.95	-	-	2,192,805.95
<u>Operating Expenses:</u>				
Water Plant	750,817.18			750,817.18
Water Distribution	459,100.85			459,100.85
Sewer	251,445.60			251,445.60
Garbage	534,449.26			534,449.26
Repairs and Maintenance	89,277.35			89,277.35
Depreciation	612,908.00	126,122.00	46,061.00	785,091.00
Total Operating Expenses	2,697,998.24	126,122.00	46,061.00	2,870,181.24
Operating Income (Loss)	(505,192.29)	(126,122.00)	(46,061.00)	(677,375.29)
<u>Non-Operating Revenues (Expenses):</u>				
Special Assessments			50,491.52	50,491.52
State Water Commission Grants	425,204.40			425,204.40
USDA Grants	1,529,773.43			1,529,773.43
Interest Income	3,466.42			3,466.42
Other Project Costs	(6,632.11)			(6,632.11)
Debt Service - Interest	(87,250.00)	(59,100.00)	(15,098.40)	(161,448.40)
Total Non-Operating Revenues (Expenses)	1,864,562.14	(59,100.00)	35,393.12	1,840,855.26
Income (Loss) Before Transfers	1,359,369.85	(185,222.00)	(10,667.88)	1,163,479.97
Transfer In	1,477,719.67	103,719.43		1,581,439.10
Transfer Out	(907,543.43)			(907,543.43)
Changes in Net Position	1,929,546.09	(81,502.57)	(10,667.88)	1,837,375.64
Net Position - January 1	21,877,097.31	1,821,810.57	863,540.06	24,562,447.94
Prior Period Adjustment (Note 11)	3,150,769.00			3,150,769.00
Net Position - January 1, as Restated	25,027,866.31	1,821,810.57	863,540.06	27,713,216.94
Net Position - December 31	26,957,412.40	1,740,308.00	852,872.18	29,550,592.58

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

CITY OF NEW TOWN
New Town, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Enterprise	Water System Project	Water Main Replacement	
<u>Cash flows from operating activities:</u>				
Receipts from customers	2,192,805.95			2,192,805.95
Payments to suppliers and employees	(2,085,090.24)			(2,085,090.24)
Net cash provided (used) by operating activities	107,715.71	-	-	107,715.71
<u>Cash flows from noncapital financing activities:</u>				
Transfers in	1,477,719.67	103,719.43		1,581,439.10
Transfers out	(907,543.43)			(907,543.43)
Net cash provided (used) by noncapital financing activities	570,176.24	103,719.43	-	673,895.67
<u>Cash flows from capital and related financing activities:</u>				
Special assessments			50,491.52	50,491.52
State Water Commission grants	425,204.40			425,204.40
USDA grants	1,529,773.43			1,529,773.43
Revenue bonds issued	2,857,000.00			2,857,000.00
Water tower construction project	(542,667.00)			(542,667.00)
Wastewater modification project	(2,065,255.00)			(2,065,255.00)
Other project costs	(6,632.11)			(6,632.11)
Principal payments	(180,000.00)	(60,000.00)	(50,400.00)	(290,400.00)
Interest and service charges	(87,250.00)	(59,100.00)	(15,098.40)	(161,448.40)
Net cash provided (used) by capital and related financing activities	1,930,173.72	(119,100.00)	(15,006.88)	1,796,066.84
<u>Cash flows from investing activities:</u>				
Interest income	3,466.42			3,466.42
Net increase in cash and cash equivalents	2,611,532.09	(15,380.57)	(15,006.88)	2,581,144.64
Cash and cash equivalents, January 1	3,045,614.31	15,380.57	266,693.06	3,327,687.94
Cash and cash equivalents, December 31	5,657,146.40	-	251,686.18	5,908,832.58

Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:

Operating income (Loss)	(505,192.29)	(126,122.00)	(46,061.00)	(677,375.29)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	612,908.00	126,122.00	46,061.00	785,091.00
Net cash provided (used) by operating activities	107,715.71	-	-	107,715.71

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

CITY OF NEW TOWN
New Town, North Dakota

Statement of Fiduciary Assets and Liabilities
Modified Cash Basis - Custodial Funds
December 31, 2020

	<u>Custodial Funds</u>
<u>Assets:</u>	
Cash and Cash Equivalents	<u>2,345.49</u>
<u>Liabilities:</u>	
Due to Other Governments	<u>2,345.49</u>

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

CITY OF NEW TOWN
New Town, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities
Modified Cash Basis - Custodial Fund
December 31, 2020

	<u>Custodial Fund</u>
<u>Additions:</u>	
Property tax collections for other governments	<u>84,896.79</u>
<u>Deductions:</u>	
Payments of property tax to other governments	<u>82,551.30</u>
Net Change in Assets and Liabilities	<u>2,345.49</u>
Assets and Liabilities - January 1	<u>-</u>
Assets and Liabilities - December 31	<u><u>2,345.49</u></u>

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

CITY OF NEW TOWN
New Town, North Dakota

Notes to the Financial Statements
December 31, 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the city's funds. 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.

Sales Tax. This fund accounts for a sales and use tax dedicated for the construction of a municipal fire station and a pool and splash pad. Once these projects have been completed and related financing has been repaid, these funds may be used for capital and general improvements and community development.

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

The city reports the following major enterprise funds:

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

Water System Project. This fund is used to account for resources used to pay principal and interest on revenue bonds related to the construction of the city's water plant.

Water Main Replacement. This fund is used to account for resources used to pay principal and interest on special assessment bonds related to the city's water main replacement project.

The city reports the following type of fiduciary fund:

Custodial Funds: These funds account for assets held by the city in a custodial capacity as an agent on behalf of others. The city's custodial funds are used to account for various deposits of other governments.

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 and Cash Equivalents

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

E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column and the business-type activities column in the government-wide financial statements. Assets are also reported in the proprietary fund statements. Capital assets are defined by the city as assets with an initial individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

F. 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 \$12,290,446 and the bank balance was \$12,580,904. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$12,330,904 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 \$485,874, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2020:

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	560,480			560,480
Construction in Progress	<u>3,486,282</u>	<u>251,762</u>	<u>3,738,044</u>	<u>-</u>
Total	<u>4,046,762</u>	<u>251,762</u>	<u>3,738,044</u>	<u>560,480</u>
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	7,778,433	3,738,044		11,516,477
Machinery and Vehicles	<u>808,047</u>	<u>282,913</u>	<u>165,300</u>	<u>925,660</u>
Total	<u>8,586,480</u>	<u>4,020,957</u>	<u>165,300</u>	<u>12,442,137</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,971,802	286,652		2,258,454
Machinery and Vehicles	<u>598,189</u>	<u>67,749</u>	<u>82,650</u>	<u>583,288</u>
Total	<u>2,569,991</u>	<u>354,401</u>	<u>82,650</u>	<u>2,841,742</u>
Total capital assets being depreciated, net	<u>6,016,489</u>	<u>3,666,556</u>	<u>82,650</u>	<u>9,600,395</u>
Governmental Activities Capital Assets, Net	<u>10,063,251</u>	<u>3,918,318</u>	<u>3,820,694</u>	<u>10,160,875</u>

	Balance January 1	Increases	Decreases	Balance December 31
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	346,163			346,163
Construction in Progress	6,267,692	2,607,922	3,659,590	5,216,024
Total	6,613,855	2,607,922	3,659,590	5,562,187
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	27,730,534	3,659,590		31,390,124
Machinery and Vehicles	530,668			530,668
Total	28,261,202	3,659,590	-	31,920,792
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	4,545,558	745,066		5,290,624
Machinery and Vehicles	217,770	40,025		257,795
Total	4,763,328	785,091	-	5,548,419
Total capital assets being depreciated, net	23,497,874	2,874,499	-	26,372,373
Governmental Activities				
Capital Assets, Net	<u>30,111,729</u>	<u>5,482,421</u>	<u>3,659,590</u>	<u>31,934,560</u>

Depreciation expense was charged to functions/programs of the city as follows for the year ended December 31, 2020:

<u>Governmental Activities:</u>	
General Government	37,914
Public Safety	100,461
Street and Public Works	141,841
Culture and Recreation	74,185
Total Depreciation Expense	<u>354,401</u>
<u>Business-type Activities:</u>	
Water	546,706
Sewer	30,340
Garbage	35,862
Water System Project	126,122
Water Main Replacement Project	46,061
Total Depreciation Expense	<u>785,091</u>

Note 5 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2020, the following changes occurred in liabilities reported in the long-term liabilities:

Governmental Activities:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loans Payable	272,602		27,946	244,656	28,505
Special Assessment Bonds	278,800		99,600	179,200	19,600
Revenue Bonds	3,845,000		375,000	3,470,000	390,000
Total	4,396,402	-	502,546	3,893,856	438,105

Business-type Activities (Proprietary Funds):

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Special Assessment Bonds	511,200		50,400	460,800	50,400
Revenue Bonds	5,215,000	2,857,000	240,000	7,832,000	293,598
Total	5,726,200	2,857,000	290,400	8,292,800	343,998

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

Governmental Activities:

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:

Loans Payable. The city has entered into the following loan agreements to provide funds for the construction of a water park splash pad and fire station.

\$150,000 RDFC Loan payable, due in annual installments of \$16,698.98 through July 24, 2028; payments include interest at 2%.	122,328.06
\$150,000 RDFC Loan payable, due in annual installments of \$16,698.98 through July 24, 2028; payments include interest at 2%.	<u>122,328.06</u>
Total Loans Payable	<u><u>244,656.12</u></u>

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	28,504.84	4,893.12
2022	29,074.94	4,323.02
2023	29,656.44	3,741.52
2024	30,249.56	3,148.40
2025	30,854.56	2,543.40
2026-2028	96,315.78	3,878.06
Total	<u>244,656.12</u>	<u>22,527.52</u>

Special Assessment Bonds Payable. The city has issued special assessment bonds to provide funds for the construction of streets. Special assessment bonds outstanding at December 31, 2020 are as follows:

\$281,400 Refunding Improvement Bonds, Series 2015, due in annual installments of \$7,000 to \$19,600 through May 1, 2036; interest is at 1.75% to 4.1%.	<u>179,200.00</u>
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The annual requirements to amortize the outstanding special assessment bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	19,600.00	5,528.60
2022	18,200.00	5,197.85
2023	18,200.00	4,802.00
2024	19,600.00	4,310.60
2025	9,800.00	3,928.40
2026-2030	44,800.00	14,357.00
2031-2035	42,000.00	5,740.00
2036	7,000.00	143.50
Total	<u>179,200.00</u>	<u>44,007.95</u>

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2020 are as follows:

\$1,850,000 Sales Tax Revenue Bonds, Series 2018A, due in annual installments of \$170,000 to \$215,000 through June 1, 2028; interest is at 3% to 4%.	1,530,000.00
\$2,350,000 Sales Tax Revenue Bonds, Series 2018B, due in annual installments of \$220,000 to \$270,000 through June 1, 2028; interest is at 3% to 3.1%.	<u>1,940,000.00</u>
Total Revenue Bonds Payable	<u><u>3,470,000.00</u></u>

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	390,000.00	102,720.00
2022	400,000.00	90,870.00
2023	410,000.00	78,720.00
2024	430,000.00	66,120.00
2025	440,000.00	53,070.00
2026-2028	<u>1,400,000.00</u>	<u>73,175.00</u>
Total	<u><u>3,470,000.00</u></u>	<u><u>464,675.00</u></u>

Business-Type Activities:

Special Assessment Bonds Payable. The city has issued special assessment bonds to provide funds for the replacement of water/sewer lines. Special assessment bonds outstanding at December 31, 2020 are as follows:

\$723,600 Refunding Improvement Bonds, Series 2015, due in annual installments of \$18,000 to \$50,400 through May 1, 2036; interest is at 1.75% to 4.1%.	<u><u>460,800.00</u></u>
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The annual requirements to amortize the outstanding special assessment bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	50,400.00	14,216.40
2022	46,800.00	13,365.90
2023	46,800.00	12,348.00
2024	50,400.00	11,084.40
2025	25,200.00	10,101.60
2026-2030	115,200.00	36,918.00
2031-2035	108,000.00	14,760.00
2036	<u>18,000.00</u>	<u>369.00</u>
Total	<u><u>460,800.00</u></u>	<u><u>113,163.30</u></u>

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2020 are as follows:

\$5,000,000 Water Revenue Bonds, Series 2016, due in annual installments of \$185,000 to \$260,000 through September 1, 2035; interest is at 2%.	3,310,000.00
\$1,835,000 Revenue Refunding Bonds, Series 2017A, due in annual installments of \$60,000 to \$95,000 through March 1, 2039; interest is at 1.75% to 4%.	1,665,000.00
\$2,857,000 Sewer Revenue Bonds, Series 2020, due in annual installments of \$102,167 through April 7, 2060; interest is at 3.625%.	<u>2,857,000.00</u>
Total Revenue Bonds Payable	<u><u>7,832,000.00</u></u>

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	293,598.25	177,368.75
2022	299,509.47	171,707.53
2023	305,437.77	165,929.23
2024	316,383.48	159,283.52
2025	322,346.92	152,370.08
2026-2030	1,731,830.44	652,954.56
2031-2035	1,948,774.94	447,385.06
2036-2040	818,342.01	258,092.99
2041-2045	470,786.91	149,248.09
2046-2050	401,389.75	109,445.25
2051-2055	440,457.89	70,377.11
2056-2060	483,142.17	27,506.40
Total	<u><u>7,832,000.00</u></u>	<u><u>2,541,668.57</u></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, 2020:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	458,179.17	
2004-1 Street Improvement		8,937.78
NT East Sanitary Truck Main		68,853.33
Water Park		41,369.27
East Ave. Sidewalk		66,756.75
Fire Station Fund		272,262.04
To close capital projects funds.		

General Fund	2,000,000.00	
Oil and Gas Production Tax		2,000,000.00
Highway	155,000.00	
Special Assessment Deficiency	25,000.00	
Emergency	4,124.65	
Cemetery	6,024.97	
Library	70,000.00	
Enterprise	29,615.15	
General Fund		289,764.77

To subsidize expenditures.

4th Street South Improvement	30,536.10	
Wastewater Modification	542,113.52	
Co-op Street Extension	18,764.30	
Bowling/Movie Theater	150,003.00	
40th 41st Improvement	550,000.00	
General Fund		591,413.92
Oil and Gas Production Tax		700,003.00

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

Equipment Reserve	100,000.00	
General Fund		100,000.00

Tot set-aside funds for the purchase of capital assets.

2018A Reserve - Water Park	400,919.77	
2018B Reserve - Fire Station	400,919.74	
Sales Tax		801,839.51

Sinking Fund	50,500.00	
Street Impact Fund	8,702.53	
Special Assessment Deficiency		50,500.00
General Fund		8,702.53

SRF 2015 Reserve	635,000.00	
Water System Project	103,719.43	
Enterprise Operating		738,719.43

To subsidize debt service payments.

Water Supply & Treatment Reserve	100,000.00	
Water Distribution Reserve	10,000.00	
Water Tower Reserve	10,000.00	
Water Plant Reserve	10,000.00	
Sewer Revenue Bonds 2020	102,167.00	
Sewer Revenue Bonds 2020 Reserve	10,224.00	
Sewer Revenue Bonds 2020 Asset Replacement Reserve	18,600.00	
Garbage/Landfill Reserve	10,000.00	
General Fund		102,167.00
Enterprise		130,000.00
Sewer		28,824.00
Garbage		10,000.00

To set-aside funds for debt service/project reserves

Note 7 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 NDRIF for its general liability, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$915,418 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 8 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

The 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 Town reported a liability of \$1,330,478 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 city's proportion of the net pension liability was based on the city'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 city's proportion was .113515 percent, which was an increase of .011757 from its proportion measured as of June 30, 2018.

For the year ended December 31, 2020, the city recognized pension expense of \$346,426. At December 31, 2020 the city 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	788	241,456
Changes in assumptions	497,165	426,859
Net difference between projected and actual earnings on pension plan investments	23,180	
Changes in proportion and differences between employer contributions and proportionate share of contributions	255,703	
City contributions subsequent to the measurement date (see below)	<u>87,696</u>	
Total	<u><u>864,532</u></u>	<u><u>668,315</u></u>

\$87,696 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 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:

Year ended June 30:	
2020	147,625
2021	77,097
2022	2,233
2023	(87,182)
2024	(31,252)
Thereafter	0

Actuarial assumptions. The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.50%
Salary increases	Service at <u>Beginning of Year</u>	<u>Increase Rate</u>
	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 city's proportionate share of the net pension liability to changes in the discount rate. The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the city'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</u> <u>(6.50%)</u>	<u>Current Rate</u> <u>(7.50%)</u>	<u>1% Increase</u> <u>(8.50%)</u>
The city's proportionate share of the net pension liability	1,907,619	1,330,478	845,579

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.

Note 11 PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were made to the Governmental Activities, Business-Type Activities and the Enterprise fund. These adjustments were made to reclassify the Wastewater Modification fund from a Capital Projects fund to be included with the Enterprise fund and to report related capital assets previously reported as construction in progress in the Governmental Activities to construction in progress in the Enterprise fund.

	<u>Governmental Activities</u>
Net Position as previously reported	14,053,893.07
Adjustments to restate the December 31, 2019 balance:	
Construction in Progress	<u>(3,150,769.00)</u>
Net Position, December 31, 2019 as restated	<u>10,903,124.07</u>
	<u>Business-Type Activities</u>
Net Position as previously reported	24,562,447.94
Adjustments to restate the December 31, 2019 balance:	
Construction in Progress	<u>3,150,769.00</u>
Net Position, December 31, 2019 as restated	<u>27,713,216.94</u>
	<u>Enterprise Fund</u>
Net Position as previously reported	21,877,097.31
Adjustments to restate the December 31, 2019 balance:	
Construction in Progress	<u>3,150,769.00</u>
Net Position, December 31, 2019 as restated	<u>25,027,866.31</u>

CITY OF NEW TOWN
New Town, 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	387,103.03	387,103.03	401,875.70	14,772.67
Special Assessments			1,604.01	1,604.01
Licenses, Permits and Fees	99,500.00	99,500.00	109,821.66	10,321.66
Intergovernmental	4,214,600.00	4,214,600.00	3,391,980.71	(822,619.29)
Charges for Services	77,757.00	77,757.00	54,472.55	(23,284.45)
Fines and Forfeits	260,000.00	260,000.00	69,498.06	(190,501.94)
Miscellaneous	186,600.00	186,600.00	419,815.26	233,215.26
Total Revenues	5,225,560.03	5,225,560.03	4,449,067.95	(776,492.08)
Expenditures:				
Current:				
General Government	962,725.00	1,332,850.85	1,332,850.85	-
Public Safety	881,800.00	920,316.02	920,316.02	-
Streets and Public Works	170,000.00	163,542.23	163,542.23	-
Culture and Recreation	68,400.00	38,701.46	38,701.46	-
Other	15,100.00	15,500.00	15,500.00	-
Capital Outlay	52,000.00	108,476.00	108,476.00	-
Total Expenditures	2,150,025.00	2,579,386.56	2,579,386.56	-
Excess (Deficiency) of Revenue Over Expenditures	3,075,535.03	2,646,173.47	1,869,681.39	(776,492.08)
Other Financing Sources (Uses):				
Transfers In	2,000,000.00	2,000,000.00	2,458,179.17	458,179.17
Transfers Out	(6,058,000.00)	(6,058,000.00)	(3,792,051.22)	2,265,948.78
Total Other Financing Sources (Uses)	(4,058,000.00)	(4,058,000.00)	(1,333,872.05)	2,724,127.95
Net Change in Fund Balances	(982,464.97)	(1,411,826.53)	535,809.34	1,947,635.87
Fund Balance - January 1	1,408,176.11	1,408,176.11	1,408,176.11	
Fund Balance - December 31	425,711.14	(3,650.42)	1,943,985.45	1,947,635.87

CITY OF NEW TOWN
New Town, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	550,000.00	550,000.00	801,839.49	251,839.49
<u>Other Financing (Uses):</u>				
Transfers Out	(450,000.00)	(817,465.79)	(801,839.51)	15,626.28
Net Change in Fund Balances	100,000.00	(267,465.79)	(0.02)	267,465.77
Fund Balance - January 1	0.02	0.02	0.02	
Fund Balance - December 31	100,000.02	(267,465.77)	-	267,465.77

CITY OF NEW TOWN
New Town, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2020

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board approved the following amendments to the city's budget during the year ended December 31, 2020:

	Original Budget	Amendment	Amended Budget
		<u>Appropriations</u>	
General Fund	2,150,025	429,362	2,579,387
<u>Special Revenue Funds</u>			
Emergency	15,000	7,500	22,500
Cemetery	1,075	28,529	29,604
Recreation		10,650	10,650
City Lodging Tax	33,500	1,393	34,893
Interim Fund		14,119	14,119
<u>Debt Service Funds</u>			
Street Impact Fund		81,241	81,241
2018 A Reserve - Water Park		234,774	234,774
2018 B Reserve - Fire Station		288,819	288,819
		<u>Transfers Out</u>	
<u>Special Revenue Fund</u>			
Sales Tax	450,000	367,466	817,466

CITY OF NEW TOWN
New Town, 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	0.113515%	0.101758%	0.089008%	0.087586%	0.079743%	0.048755%
City's proportionate share of the net pension liability	1,330,478	1,717,277	1,430,651	853,611	542,239	309,458
City's covered employee payroll	1,167,970	1,057,265	1,040,368	1,012,283	919,267	541,812
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	113.91%	162.43%	137.51%	84.33%	58.99%	57.12%
Plan fiduciary net position as a percentage of the total pension liability	71.60%	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	83,159	75,277	74,074	72,075	65,452	36,375
Contributions in relation to the statutorily required contributions	(83,159)	(75,277)	(74,074)	(72,075)	(65,452)	(36,375)
Contribution deficiency (excess)	0	0	0	0	0	0
City's covered-employee payroll	1,167,970	1,057,265	1,040,368	1,012,283	919,267	541,812
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%	7.12%	6.71%

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

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

CITY OF NEW TOWN
New Town, 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:						
General	655,859.33	1,656,951.17	2,458,179.17	1,092,048.22	2,579,386.56	1,099,554.89
Oil and Gas Production	752,316.78	2,792,116.78		2,700,003.00		844,430.56
Total General Fund	1,408,176.11	4,449,067.95	2,458,179.17	3,792,051.22	2,579,386.56	1,943,985.45
Sales Tax	0.02	801,839.49		801,839.51		-
Infrastructure Construction Projects:						
East Sanitary Truck Main		78,886.46		68,853.33	10,033.13	-
4th Street South Improvement			30,536.10		30,536.10	-
Asphalt Overlay	214,946.31					214,946.31
Co-op Street Extension			18,764.30		18,764.30	-
East Avenue Sidewalk	66,756.75			66,756.75		-
Bowling/Movie Theater			150,003.00		150,003.00	-
40th 41st Improvement			550,000.00		548,973.87	1,026.13
Total Major Governmental Funds	1,689,879.19	5,329,793.90	3,207,482.57	4,729,500.81	3,337,696.96	2,159,957.89
Non-major Governmental Funds						
Highway Distribution	9,594.66	173,714.65	155,000.00		324,392.26	13,917.05
City Share of Specials		3.93				3.93
Special Assessment Deficiency		25,603.02	25,000.00	50,500.00		103.02
Emergency		18,375.35	4,124.65		22,500.00	-
Cemetery	21,876.60	1,702.08	6,024.97		29,603.65	-
Economic Development	37,595.78					37,595.78
Building	661,343.84					661,343.84
Recreation	125,721.06	2.57			10,649.77	115,073.86
Library	7,574.46	46,158.00	70,000.00		115,818.15	7,914.31
Civil Defense	1,544.51					1,544.51
Equipment Reserve	600,000.00		100,000.00			700,000.00
City Lodging Tax		34,892.79			34,892.79	-
Interim Fund	1,001,492.46				14,119.00	987,373.46
Street Improvement District	111,763.83	30,000.00				141,763.83
Grants Fund	40,593.66					40,593.66
Sinking Fund		39,837.78	50,500.00	8,937.78	81,400.00	-
Street Impact Fund		17,219.07	8,702.53		25,921.60	-
2018 A Reserve - Water Park	621,192.72		400,919.77		234,773.98	787,338.51
2018 B Reserve - Fire Station	612,643.75		400,919.74		288,818.98	724,744.51
Water Park Splash Pad	41,369.27			41,369.27		-
Fire Station	522,009.32	2,015.04		272,262.04	251,762.32	-
Total Nonmajor Governmental Funds	4,416,315.92	389,524.28	1,221,191.66	373,069.09	1,434,652.50	4,219,310.27
Total Governmental Funds	6,106,195.11	5,719,318.18	4,428,674.23	5,102,569.90	4,772,349.46	6,379,268.16

(continued)

CITY OF NEW TOWN
New Town, North Dakota

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

	Balance 1/1/2020	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12/31/2020
Major Enterprise Funds						
Enterprise Operating:						
Enterprise	1,213,156.49	1,519,351.23	29,615.15	868,719.43	1,209,918.03	683,485.41
Sewer	115,697.70	166,386.18		28,824.00	251,445.60	1,814.28
Garbage	187,542.02	510,534.96		10,000.00	623,726.61	64,350.37
Wastewater Modification		4,386,773.43	542,113.52		2,071,886.95	2,857,000.00
North West Water Tower	1,325,218.10	425,204.40			542,667.16	1,207,755.34
SRF 2015 Reserve	204,000.00		635,000.00		267,250.00	571,750.00
Water Supply & Treatment Reserve			100,000.00			100,000.00
Water Distribution Reserve			10,000.00			10,000.00
Water Tower Reserve			10,000.00			10,000.00
Water Treatment Plant Reserve			10,000.00			10,000.00
Sewer Revenue Bonds 2020			102,167.00			102,167.00
Sewer Revenue Bonds 2020 Reserve			10,224.00			10,224.00
Sewer Revenue Bonds 2020 Replacement Reserve			18,600.00			18,600.00
Garbage/Landfill Reserve			10,000.00			10,000.00
Water System Project	15,380.57		103,719.43		119,100.00	-
Water Main Replacement Project: Debt Service	266,693.06	50,491.52			65,498.40	251,686.18
Total Major Enterprise Funds	3,327,687.94	7,058,741.72	1,581,439.10	907,543.43	5,151,492.75	5,908,832.58
Fiduciary Fund						
Custodial Fund						
Airport		84,896.79			82,551.30	2,345.49
Total Primary Government	9,433,883.05	12,862,956.69	6,010,113.33	6,010,113.33	10,006,393.51	12,290,446.23
Discretely Presented						
Component Unit						
New Town Airport Authority	256,492.55	245,729.72			132,273.98	369,948.29
Total Reporting Entity	9,690,375.60	13,108,686.41	6,010,113.33	6,010,113.33	10,138,667.49	12,660,394.52

CITY OF NEW TOWN
New Town, North Dakota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Rural Development - Direct Program:			
Water and Waste Disposal Systems for Rural Communities - Loans	10.760		2,857,000.00
Water and Waste Disposal Systems for Rural Communities - Grants	10.760		<u>1,529,773.37</u>
Total Water and Waste Disposal Systems for Rural Communities			<u>4,386,773.37</u>
<u>U.S. Department of Treasury</u>			
Passed Through North Dakota State Treasurer:			
Coronavirus Relief Fund	21.019		<u>396,925.50</u>
Total Expenditures of Federal Awards			<u><u>4,783,698.87</u></u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

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

The de minimis indirect cost rate was not used.

Note 2 - Loans Outstanding

Program Title	Federal CFDA Number	Outstanding Loan Balance
Water and Waste Disposal Systems for Rural Communities	10.760	2,857,000.00

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 Town
New Town, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of New Town, New Town, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated July 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the city's internal control over financial reporting (internal control) 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 audit is 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

July 9, 2021

Rath & Mehrer, P.C.

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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 Town
New Town, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of New Town'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. 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 audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). 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 audit provides a reasonable basis for our opinion on compliance for each major program. However, our audit does 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 year ended December 31, 2020.

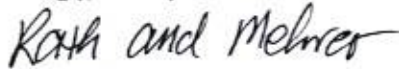
Report on Internal Control Over Compliance

Management of the City of New Town 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 audit 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

July 9, 2021

CITY OF NEW TOWN
New Town, North Dakota

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

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
Discretely Presented Component Unit	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):

CFDA 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. 2019-001

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. 2019-002

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No matters were reported

CITY OF NEW TOWN
New Town, North Dakota

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2020

1. Finding No. 2019-001: 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. 2019-002: 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.



Heart of Lake Sakakawea

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CITY OF NEW TOWN
New Town, North Dakota

Corrective Action Plan
For the Year Ended December 31, 2020

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

Contact Person: Eileen Zaun, City Auditor

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

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

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

Contact Person: Eileen Zaun, City Auditor

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

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