

FINANCIAL STATEMENTS

**CITY OF PARK RIVER
Park River, North Dakota**

For the Year Ended
DECEMBER 31, 2020

Prepared By

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Certified Public Accountants
PO Box 287
Park River, North Dakota 58270

CITY OF PARK RIVER
Park River, North Dakota
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December 31, 2020

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CITY OF PARK RIVER
Park River, North Dakota
LIST OF OFFICIALS
December 31, 2020

| | |
|--------------------|----------------|
| Dan Stenvold | Mayor |
| Derek Pokrzywinski | Council Member |
| Kyle Halvorson | Council Member |
| Dennis Kubat | Council Member |
| Ken Gillespie | Council Member |
| Cory Seim | Council Member |
| Leah Skjerven | Council Member |
| | |
| Nancy Thompson | Auditor |
| | |
| Ann Berg | Deputy Auditor |
| | |
| Dustin Slaamod | City Attorney |



Hurtt, Mortenson & Rygh

Certified Public Accountants

Wally Rygh, CPA
Lynda J. Hurtt, CPA
Richard Mortenson, CPA
Rachel Almen, CPA
Patty Dahlen, Partner

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
City of Park River, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Park River, 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. 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 judgment, 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 entity'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 entity'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.

GRAFTON

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Grafton, ND 58237
(701) 352-2285

PARK RIVER

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P.O. BOX 287
Park River, ND 58270
(701) 284-7616

LANGDON

817 3rd Street
FM Mall
Langdon, ND 58249
(701) 256-2427

STEPHEN

413 5th Street
P.O. BOX 45
Stephen, MN 56757
(218) 478-2880

CAVALIER

206 Dakota Street West
P.O. BOX 33
Cavalier, ND 58220
(701) 265-8644

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 units, each major fund, and the aggregate remaining fund information of the City of Park River, North Dakota, as of December 31, 2020, and the respective changes modified cash basis financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with 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 OF PARK RIVER, North Dakota's basic financial statements. The budgetary comparison information, Schedules of Employer's Share of Net Pension Liability, Schedules of Employer's Contributions - Pensions, Schedule of Employer's Share of Net OPEB Liability, Schedule of Employer's Contributions – OPEB, and Schedule of Fund Activity – Modified Cash Basis are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information, Schedules of Employer's Share of Net Pension Liability, Schedules of Employer's Contributions - Pensions, Schedule of Employer's Share of Net OPEB Liability, Schedule of Employer's Contributions – OPEB, and Schedule of Fund Activity – Modified Cash Basis are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 budgetary comparison information, Schedules of Employer's Share of Net Pension Liability, Schedules of Employer's Contributions - Pensions, Schedule of Employer's Share of Net OPEB Liability, Schedule of Employer's Contributions – OPEB, and Schedule of Fund Activity – Modified Cash Basis are fairly stated, in all material respects, in relation to the modified cash basis 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 June 20, 2022 on our consideration of the City of Park River, North Dakota'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 of Park River, North Dakota's internal control over financial reporting and compliance.

Hurt, Mortenson & Rygh

Hurt, Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

June 20, 2022

BASIC FINANCIAL STATEMENTS

CITY OF PARK RIVER
Park River, North Dakota
Statement of Net Position – Modified Cash Basis
December 31, 2020

| | Primary Government | | | Component Units | |
|--|----------------------------|-----------------------------|----------------------|----------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | Housing Authority | Airport |
| ASSETS: | | | | | |
| CURRENT ASSETS | | | | | |
| Cash & Cash Equivalents | \$ 1,789,027 | \$ 3,239,119 | \$ 5,028,146 | \$ 10,447 | \$ 14,960 |
| Certificates of Deposits | - | 347,469 | 347,469 | 22,935 | - |
| Accounts Receivable | 26,960 | (18) | 26,942 | 25 | - |
| Total Current Assets | 1,815,987 | 3,586,570 | 5,402,556 | 33,407 | 14,960 |
| CAPITAL ASSETS: | | | | | |
| Capital Assets net of Accumulated Depreciation | 4,624,891 | 12,277,796 | 16,902,687 | 764,952 | 1,718,644 |
| Total Capital Assets | 4,624,891 | 12,277,796 | 16,902,687 | 764,952 | 1,718,644 |
| OTHER ASSETS: | | | | | |
| Loans Receivable | 178,657 | - | 178,657 | - | - |
| Total Other Assets | 178,657 | - | 178,657 | - | - |
| Total Assets | <u>\$ 6,619,536</u> | <u>\$ 15,864,365</u> | <u>\$ 22,483,901</u> | <u>\$ 798,359</u> | <u>\$ 1,733,604</u> |
| LIABILITIES AND FUND BALANCE: | | | | | |
| CURRENT LIABILITIES | | | | | |
| Customer Deposits | - | 121,989 | 121,989 | - | - |
| Current Maturity on Long Term Debt | 390,615 | 374,282 | 764,897 | 22,125 | - |
| Total Current Liabilities | 390,615 | 496,271 | 886,886 | 22,125 | - |
| NON CURRENT LIABILITIES | | | | | |
| Bonds Payable | 3,003,834 | 4,767,986 | 7,771,820 | 904,977 | - |
| Notes Payable | 590,522 | - | 590,522 | - | - |
| Less: Current Maturity on Long Term Debt | (390,615) | (374,282) | (764,897) | (22,125) | - |
| Total Non Current Liabilities | 3,203,741 | 4,393,704 | 7,597,445 | 882,852 | - |
| Total Liabilities | 3,594,356 | 4,889,975 | 8,484,331 | 904,977 | - |
| Net Position | | | | | |
| Net investment in capital assets | 1,030,535 | 7,509,810 | 8,540,345 | (140,025) | 1,718,644 |
| Restricted For: | | | | | |
| Debt Service | 246,750 | 1,655,012 | 1,901,762 | 22,935 | - |
| Capital Projects | 903,665 | - | 903,665 | - | - |
| Economic Development | 547,199 | - | 547,199 | - | - |
| Equipment Replacement | 61,771 | 652,167 | 713,938 | - | - |
| Special Revenue Funds | 29,640 | - | 29,640 | - | - |
| Unrestricted | 205,619 | 1,157,402 | 1,363,021 | 10,472 | 14,960 |
| Total Net Position | 3,025,180 | 10,974,391 | 13,999,570 | (106,618) | 1,733,604 |
| Total Liabilities & Net Position | <u>\$ 6,619,536</u> | <u>\$ 15,864,365</u> | <u>\$ 22,483,901</u> | <u>\$ 798,359</u> | <u>\$ 1,733,604</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
Statement of Activities – Modified Cash Basis
December 31, 2020

| Functions/Programs: | Disbursements | Program Receipts | | | Net (Disbursements) Receipts and Change in Net Position | | | | |
|--|---------------------|---|--|--|--|--------------------------------|----------------------|----------------------|---------------------|
| | | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units | |
| | | | | | Governmental Activities | Business Type Activities | Total | Housing Authority | Airport |
| | | | | | | | | | |
| Government Activities: | | | | | | | | | |
| General Government | \$ 162,771 | \$ 13,657 | \$ - | \$ - | \$ (149,114) | \$ - | \$ (149,114) | | |
| Public Safety | 167,234 | - | - | - | (167,234) | - | (167,234) | | |
| Public Works | 301,248 | - | 77,878 | 183,382 | (39,988) | - | (39,988) | | |
| Public Service | 18,755 | - | 6,110 | - | (12,645) | - | (12,645) | | |
| Economic Development | 246,486 | - | - | - | (246,486) | - | (246,486) | | |
| Interest Expense & Fees | 88,795 | - | - | - | (88,795) | - | (88,795) | | |
| Total Government Activities | 985,288 | 13,657 | 83,989 | 183,382 | (704,261) | - | (704,261) | | |
| Business Type Activities: | | | | | | | | | |
| Utility Systems | 3,077,395 | 3,297,951 | - | 970,000 | - | 1,190,557 | 1,190,557 | | |
| Bond Issuance Costs | 36,554 | - | - | - | - | (36,554) | (36,554) | | |
| Total Business Type Activities | 3,113,948 | 3,297,951 | - | 970,000 | - | 1,154,003 | 1,154,003 | | |
| Total Primary Government | \$ 4,099,237 | \$ 3,311,608 | \$ 83,989 | \$ 1,153,382 | \$ (704,261) | \$ 1,154,003 | \$ 449,742 | | |
| Component Units: | | | | | | | | | |
| Housing Authority | \$ 106,334 | \$ 81,775 | \$ - | \$ - | | | | \$ (24,559) | \$ - |
| Airport | 128,985 | - | - | 108,627 | | | | - | (20,358) |
| Total Component Units | \$ 235,319 | \$ 81,775 | \$ - | \$ 108,627 | | | | \$ (24,559) | \$ (20,358) |
| General Receipts: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property taxes, levied for general purposes | | | | | \$ 275,132 | \$ - | \$ 275,132 | \$ - | \$ 10,297 |
| Property taxes, levied for special purposes | | | | | 356,395 | - | 356,395 | - | - |
| Sales taxes | | | | | 451,433 | - | 451,433 | - | - |
| Other taxes | | | | | - | - | - | - | - |
| Federal & State Aid not restricted to special purposes | | | | | 88,355 | - | 88,355 | - | - |
| Earnings on Investments | | | | | 1,884 | 13,442 | 15,326 | 449 | 8 |
| Gain (Loss) on Sale of Assets | | | | | 201 | - | 201 | - | - |
| Other Receipts | | | | | 25,546 | - | 25,546 | - | 9,490 |
| Total General Receipts | | | | | 1,198,948 | 13,442 | 1,212,390 | 449 | 19,795 |
| Transfers - Net | | | | | 28,769 | (28,769) | - | - | - |
| Change in Net Position | | | | | 523,456 | 1,138,676 | 1,662,132 | (24,109) | (563) |
| Net Position - Beginning | | | | | 2,371,809 | 9,835,715 | 12,207,523 | (82,509) | 1,734,167 |
| Restatements | | | | | 129,913 | - | 129,913 | - | - |
| Net Position - Beginning as Restated | | | | | 2,501,723 | 9,835,715 | 12,337,436 | (82,509) | 1,734,167 |
| Net Position - Ending | | | | | \$ 3,025,180 | \$ 10,974,391 | \$ 13,999,568 | \$ (106,618) | \$ 1,733,604 |

The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2020

| | General Fund | 1% Sales Tax Fund | Street Improv Dist 2020-1 | City Shop | Debt Service Funds | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|-----------------|-------------------------|---------------------------------|--------------|--------------------------|--------------------------------|--------------------------------|
| ASSETS: | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash & Cash Equivalents | \$ 63,875 | \$ 706,553 | \$ 30,261 | \$ 79,863 | \$ 445,298 | \$ 463,176 | \$ 1,789,027 |
| Due from Other Governments | 26,960 | - | - | - | - | - | 26,960 |
| Total Current Assets | 90,835 | 706,553 | 30,261 | 79,863 | 445,298 | 463,176 | 1,815,987 |
| OTHER ASSETS | | | | | | | |
| Loan Receivable | - | 178,657 | - | - | - | - | 178,657 |
| Interfund Balances | - | 205,407 | - | - | - | - | 205,407 |
| Total Other Assets & Debits | - | 384,064 | - | - | - | - | 384,064 |
| Total Assets | \$ 90,835 | \$ 1,090,617 | \$ 30,261 | \$ 79,863 | \$ 445,298 | \$ 463,176 | \$ 2,200,051 |
| LIABILITIES AND FUND BALANCE: | | | | | | | |
| LONG-TERM LIABILITIES | | | | | | | |
| Interfund balance | \$ - | \$ - | \$ - | \$ - | \$ 205,407 | \$ - | \$ 205,407 |
| Total Long-Term Liabilities | - | - | - | - | 205,407 | - | 205,407 |
| Total Liabilities | - | - | - | - | 205,407 | - | 205,407 |
| FUND BALANCE | | | | | | | |
| Non-Spendable | | | | | | | |
| Loans Receivable | - | 178,657 | - | - | - | - | 178,657 |
| Restricted For | | | | | | | |
| Debt Service | - | - | - | - | 239,892 | 6,858 | 246,750 |
| Capital Projects | 10,231 | 556,561 | 30,261 | 79,863 | - | 226,749 | 903,665 |
| Economic Development | - | 355,399 | - | - | - | 13,143 | 368,542 |
| Equipment Replacement | - | - | - | - | - | 61,771 | 61,771 |
| Special Revenue Funds | - | - | - | - | - | 29,640 | 29,640 |
| Unassigned, Reported In: | | | | | | | |
| General Fund | 80,604 | - | - | - | - | - | 80,604 |
| Total Fund Balance | 90,835 | 1,090,617 | 30,261 | 79,863 | 239,892 | 463,176 | 1,994,644 |
| Total Liabilities & Fund Balance | \$ 90,835 | \$ 1,090,617 | \$ 30,261 | \$ 79,863 | \$ 445,298 | \$ 463,176 | \$ 2,200,051 |

The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position –
Modified Cash Basis
December 31, 2020

Total *Fund Balance* for Governmental Funds \$ 1,994,644

Total *net position* reported for governmental activities in the statement of net position is different because:

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

| | | |
|--------------------------------|--------------------|-----------|
| Cost of Capital Assets | 5,874,230 | |
| Less: Accumulated Depreciation | <u>(1,249,339)</u> | |
| Net Capital Assets | | 4,624,891 |

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position.

| | | |
|-----------------------------|------------------|-------------|
| Bonds Payable | (3,003,834) | |
| Long Term Notes Payable | <u>(590,522)</u> | |
| Total Long-Term Liabilities | | (3,594,356) |

Taxes and Special Assessments not recognized as revenue at the fund level.

| | |
|--|----------------------------|
| Total Net Position - Governmental Activities | <u><u>\$ 3,025,180</u></u> |
|--|----------------------------|

The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Governmental Funds
December 31, 2020

| | General Fund | 1% Sales Tax Fund | Street Improv Dist 2020-1 | City Shop Const Fund | Debt Service Funds | Other Governmental Funds | Total Governmental Funds |
|---|------------------|-------------------------|---------------------------------|----------------------------|--------------------------|--------------------------------|--------------------------------|
| <u>Receipts:</u> | | | | | | | |
| Property Tax | \$ 264,340 | \$ - | \$ - | \$ - | \$ - | \$ 10,793 | \$ 275,132 |
| Sales Tax | - | 225,717 | - | - | - | 225,717 | 451,433 |
| Special Assessments | - | - | - | - | 356,395 | - | 356,395 |
| Licenses & Permits | 11,275 | - | - | - | - | - | 11,275 |
| Intergovernmental Sources | 224,615 | - | - | - | - | 131,110 | 355,725 |
| Earnings on Investments | 38 | 147 | 61 | 118 | 1,229 | 291 | 1,884 |
| Other Sources | 12,506 | 15,423 | - | - | - | - | 27,928 |
| Total Receipts | \$ 512,774 | \$ 241,286 | \$ 61 | \$ 118 | \$ 357,624 | \$ 367,911 | \$ 1,479,774 |
| <u>Disbursements:</u> | | | | | | | |
| <u>Current:</u> | | | | | | | |
| General Government | \$ 119,793 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 119,793 |
| Public Safety | 157,460 | - | - | - | - | - | 157,460 |
| Public Works | 221,031 | - | - | - | - | - | 221,031 |
| Public Service | 3,310 | - | - | - | - | 15,445 | 18,755 |
| Economic Development | - | 43,586 | - | - | - | - | 43,586 |
| Capital Outlay | 84,304 | - | 580,113 | 363,131 | - | 203,355 | 1,230,903 |
| <u>Debt Service:</u> | | | | | | | |
| Principal | - | 46,858 | - | 27,207 | 280,080 | - | 354,144 |
| Interest | - | 3,962 | - | 4,725 | 80,108 | - | 88,795 |
| Total Disbursements | 585,898 | 94,406 | 580,113 | 395,063 | 360,188 | 218,799 | 2,234,466 |
| Excess Receipts over (under) Disbursements | (73,124) | 146,881 | (580,052) | (394,945) | (2,563) | 149,112 | (754,693) |
| <u>Other Financing Sources (Uses):</u> | | | | | | | |
| Sale of Capital Assets | 201 | - | - | - | - | - | 201 |
| Transfers In | 178,594 | - | 39,366 | 27,059 | 16,940 | 55,000 | 316,959 |
| Bond Proceeds | - | - | 570,947 | 471,246 | - | - | 1,042,194 |
| Transfers Out | (66,366) | (143,230) | - | - | - | (78,594) | (288,190) |
| Total Other Financing Sources (Uses) | 112,429 | (143,230) | 610,313 | 498,305 | 16,940 | (23,594) | 1,071,164 |
| Net Change in Fund Balances | \$ 39,305 | \$ 3,651 | \$ 30,261 | \$ 103,360 | \$ 14,377 | \$ 125,517 | \$ 316,471 |
| Fund Balance - January 1 | 51,529 | 1,086,966 | - | (23,497) | 225,515 | 337,659 | 1,678,173 |
| Fund Balance - December 31 | <u>\$ 90,835</u> | <u>\$ 1,090,617</u> | <u>\$ 30,261</u> | <u>\$ 79,863</u> | <u>\$ 239,892</u> | <u>\$ 463,176</u> | <u>\$ 1,994,644</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balance to the Statement of Activities – Modified Cash Basis
December 31, 2020

Net change in *Fund Balance* - Total Governmental Funds \$ 316,471

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenses. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 *are* capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital capital outlays exceeded depreciation in the current period.

| | | |
|-----------------------------------|------------------|---------|
| Capital Asset Additions | 1,051,046 | |
| Current Year Depreciation Expense | <u>(156,012)</u> | 895,034 |

Repayment of debt principle is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt principal paid during the year. 354,144

| | |
|--|--------------------------|
| Change in Governmental Activities | <u><u>\$ 523,456</u></u> |
|--|--------------------------|

CITY OF PARK RIVER
Park River, North Dakota
Statement of Net Position – Modified Cash Basis - Proprietary Funds
December 31, 2020

| | Electric Fund | Water Fund | Garbage Fund | Sewer Fund | Other Funds | Total Enterprise Funds |
|--|---------------------|----------------------|-------------------|---------------------|-------------------|------------------------------|
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash & Equivalents | \$ 530,505 | \$ 1,732,505 | \$ 114,401 | \$ 452,068 | \$ 409,639 | \$ 3,239,119 |
| Certificate of Deposits | - | 235,947 | - | 111,522 | - | 347,469 |
| Accounts Receivable | - | - | - | - | (18) | (18) |
| Due from Other Funds | - | 3,450 | - | - | - | 3,450 |
| Total Current Assets | 530,505 | 1,971,903 | 114,401 | 563,589 | 409,621 | 3,590,020 |
| Noncurrent Assets | | | | | | |
| Capital Assets net of Accumulated Depreciation | 1,040,015 | 10,636,528 | - | 601,252 | - | 12,277,796 |
| Total Noncurrent Assets | 1,040,015 | 10,636,528 | - | 601,252 | - | 12,277,796 |
| Total Assets | <u>\$ 1,570,521</u> | <u>\$ 12,608,431</u> | <u>\$ 114,401</u> | <u>\$ 1,164,842</u> | <u>\$ 409,621</u> | <u>\$ 15,867,815</u> |
| Liabilities & Net Position: | | | | | | |
| Due to Other Funds | \$ - | \$ 3,450 | \$ - | \$ (0) | \$ - | \$ 3,450 |
| Customer Deposits | 39,680 | 82,309 | - | - | - | 121,989 |
| Current Portion of Long Term Debt | 75,000 | 247,153 | - | 52,129 | - | 374,282 |
| Total Current Liabilities | 114,680 | 332,912 | - | 52,129 | - | 499,721 |
| Non-Current Liabilities | | | | | | |
| Bonds Payable | 300,000 | 4,060,496 | - | 407,490 | - | 4,767,986 |
| Less: Current Portion of Long Term Debt | (75,000) | (247,153) | - | (52,129) | - | (374,282) |
| Total Non Current Liabilities | 225,000 | 3,813,342 | - | 355,362 | - | 4,393,704 |
| Total Liabilities | 339,680 | 4,146,254 | - | 407,490 | - | 4,893,425 |
| Net Position: | | | | | | |
| Invested in Capital Assets, net of related debt | 740,015 | 6,576,033 | - | 193,762 | - | 7,509,810 |
| Restricted For Debt Service | 120,633 | 1,424,299 | - | 110,080 | - | 1,655,012 |
| Restricted for Equipment Replacement | - | 344,792 | - | - | 307,375 | 652,167 |
| Unrestricted Net Position | 370,192 | 117,053 | 114,401 | 453,509 | 102,246 | 1,157,402 |
| Total Net Position | 1,230,840 | 8,462,177 | 114,401 | 757,352 | 409,621 | 10,974,391 |
| Total Liabilities & Net Position | <u>\$ 1,570,521</u> | <u>\$ 12,608,431</u> | <u>\$ 114,401</u> | <u>\$ 1,164,842</u> | <u>\$ 409,621</u> | <u>\$ 15,867,815</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis
Proprietary Funds
December 31, 2020

| | Electric Fund | Water Fund | Garbage Fund | Sewer Fund | Other Funds | Total Enterprise Funds |
|--|------------------|---------------|-----------------|---------------|----------------|------------------------------|
| Operating Receipts | | | | | | |
| Charges for Services | \$ 2,272,010 | \$ 579,632 | \$ 232,986 | \$ 163,005 | \$ 35,021 | \$ 3,282,653 |
| Other Operating Revenue | 2,830 | 1,724 | 10,082 | 458 | 205 | 15,298 |
| Total Operating Receipts | 2,274,840 | 581,356 | 243,067 | 163,463 | 35,226 | 3,297,951 |
| Operating Disbursements | | | | | | |
| Salaries & Benefits | 150,796 | 68,608 | 16,483 | 77,592 | 5,336 | 318,814 |
| Purchased Power/Contract Services | 1,701,430 | - | 219,259 | - | - | 1,920,689 |
| Other Operating Disbursements | 89,540 | 164,899 | 1,517 | 21,098 | 23,265 | 300,319 |
| Depreciation | 52,536 | 328,442 | - | 24,528 | - | 405,506 |
| Total Operating Disbursements | 1,994,302 | 561,949 | 237,260 | 123,217 | 28,601 | 2,945,329 |
| Operating Income | 280,537 | 19,407 | 5,807 | 40,246 | 6,626 | 352,622 |
| Nonoperating Receipts (Disbursements) | | | | | | |
| State Grants | - | 970,000 | - | - | - | 970,000 |
| Interest on Investments | 338 | 6,101 | 21 | 1,325 | 648 | 8,433 |
| Rental Income | - | 1,234 | - | 3,775 | - | 5,009 |
| Bond Premium | | 89,479 | | | | 89,479 |
| Debt Issuance Costs | | (126,033) | | | | (126,033) |
| Interest Expense | (11,250) | (111,134) | - | (9,682) | - | (132,066) |
| Total Nonoperating Receipts (Disbursements) | (10,912) | 829,648 | 21 | (4,582) | 648 | 814,823 |
| Income (Loss) Before Transfers | 269,625 | 849,055 | 5,828 | 35,664 | 7,274 | 1,167,445 |
| Interfund Transfers In | 134,374 | 106,610 | - | - | 58,336 | 299,319 |
| Interfund Transfers (Out) | (323,201) | (300) | - | (4,587) | - | (328,088) |
| Change in Net Position | \$ 80,797 | \$ 955,364 | \$ 5,828 | \$ 31,077 | \$ 65,610 | \$ 1,138,676 |
| Net Position - January 1 | 1,150,043 | 7,506,813 | 108,573 | 726,275 | 344,011 | 9,835,715 |
| Net Position - December 31 | \$ 1,230,840 | \$ 8,462,177 | \$ 114,401 | \$ 757,352 | \$ 409,621 | \$ 10,974,391 |

The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
Statement of Cash Flows – Modified Cash Basis - Proprietary Funds
December 31, 2020

| | Electric Fund | Water Fund | Garbage Fund | Sewer Fund | Other Funds | Total Enterprise Funds |
|--|------------------|---------------|-----------------|---------------|----------------|------------------------------|
| Cash Flows from Operating Activities | | | | | | |
| Receipts from Customers | \$ 2,283,322 | \$ 581,356 | \$ 243,067 | \$ 163,463 | \$ 35,244 | \$ 3,306,452 |
| Payments to Suppliers | (1,790,970) | (161,943) | (223,470) | (21,098) | (23,265) | (2,220,746) |
| Payments to Employees | (150,796) | (68,608) | (16,483) | (77,592) | (5,336) | (318,814) |
| Total Cash Flows from Operating Act. | 341,556 | 350,805 | 3,114 | 64,773 | 6,644 | 766,891 |
| Cash Flows from Noncapital and Financing Activities | | | | | | |
| Transfers In | 134,374 | 106,610 | - | - | 58,336 | 299,319 |
| Other Sources/(Uses) | - | (63,531) | - | (11,935) | - | (75,466) |
| (Inc.)/Decrease in Interfund Balances | 23,497 | 26,022 | - | (26,022) | - | 23,497 |
| Transfers (Out) | (323,201) | (300) | - | (4,587) | - | (328,088) |
| Total Cash Flows from Noncapital Financial Activities | (165,331) | 68,801 | - | (42,544) | 58,336 | (80,738) |
| Cash Flows from Capital and Related Financing Activities | | | | | | |
| Purchases of Capital Assets | (121,604) | (1,677,391) | - | (0) | - | (1,798,995) |
| Interest Expense | (11,250) | (111,134) | - | (9,682) | - | (132,066) |
| Principal Payments on Debt | (73,500) | (1,948,000) | - | (50,415) | - | (2,071,915) |
| Grant Proceeds Received | - | 970,000 | - | - | - | 970,000 |
| Debt Proceeds Received | | 2,599,984 | | | | 2,599,984 |
| Total Cash Flows from Capital, Related Financing Activities, and Equity Changes | (206,354) | (166,541) | - | (60,098) | - | (432,993) |
| Cash Flows From Investing Activities | | | | | | |
| Earnings on Investments | 338 | 7,335 | 21 | 5,100 | 648 | 13,442 |
| Total Cash Flows From Investing Act. | 338 | 7,335 | 21 | 5,100 | 648 | 13,442 |
| Net Increase (Decrease) in Cash & Cash Equivalents | (29,791) | 260,400 | 3,135 | (32,769) | 65,628 | 266,603 |
| Cash and Cash Equivalents - January 1 | \$ 560,296 | \$ 1,708,053 | \$ 111,266 | \$ 596,358 | \$ 344,011 | \$3,319,984 |
| Cash and Cash Equivalents - Dec. 31 | \$ 530,505 | \$ 1,968,453 | \$ 114,401 | \$ 563,589 | \$ 409,639 | \$ 3,586,588 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | | | | | |
| Operating Income | 280,537 | 19,407 | 5,807 | 40,246 | 6,626 | 352,622 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | | | | | |
| Depreciation Expense | 52,536 | 328,442 | - | 24,528 | - | 405,506 |
| (Inc.)/Decrease in Accounts Receivable | - | - | - | - | 18 | 18 |
| Inc./(Decrease) in Accounts Payable | - | - | (2,693) | - | - | (2,693) |
| Inc./(Decrease) in Deposits Payable | 8,483 | 2,956 | - | - | - | 11,439 |
| Total Adjustments | \$ 61,019 | \$ 331,399 | \$ (2,693) | \$ 24,528 | \$ 18 | \$ 414,270 |
| Net Cash Provided/(Used) by Operating Activities | \$ 341,556 | \$ 350,805 | \$ 3,114 | \$ 64,773 | \$ 6,644 | \$ 766,892 |

The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
Statement of Fiduciary Net Position – Fiduciary Funds
December 31, 2020

| | |
|--------------------------------|---------------------|
| | Custodial Fund |
| Assets: | |
| Cash and Investments | <u>\$ 53,228</u> |
| Net Position | |
| Resticted for: | |
| Individuals, organizations and | |
| Other Governments | <u>\$ 53,228</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
December 31, 2020

| | Custodial Funds |
|-------------------------------------|-------------------------|
| Additions: | |
| City of Park River | \$ 4,702 |
| Walsh Rural Water District | 13,501 |
| Interest Income | 28 |
| Total Additions | <u>18,232</u> |
| Deductions | |
| Repairs and Maintenance | <u>18,695</u> |
| Total Deductions | <u>18,695</u> |
| Increase (Decrease) in Net Position | <u>(463)</u> |
| Net Position January 1 | 53,691 |
| Net Position December 31 | <u><u>\$ 53,228</u></u> |

The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

| | |
|---------------|---|
| NOTE 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES |
|---------------|---|

The accounting policy of the City of Park River, North Dakota, is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental 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 of Park River. For financial reporting purposes, the City of Park River's primary government includes all funds, account groups, elected officials, departments, boards, commissions, and authorities that make up the city's legal entity. The City's reporting entity also is comprised of its component units, legally separate organizations for which the City's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 "The Financial Reporting Entity". The criteria include appointing a voting majority of an organization's governing board 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 upon the application of these criteria, the component units discussed below are included within the City's reporting entity because of the significance of the operational or financial relationships with the City.

BLENDING COMPONENT UNITS – None

DISCRETELY PRESENTED COMPONENT UNITS – The component unit columns in the basic financial statements include the financial data of the City's two component units. These units are reported in separate columns to emphasize that they are legally separate from the City.

Park River Housing Authority – The Park River Housing Authority provides affordable housing for City residents. The authority's board is appointed the City Council and the City holds title to the Authority's real estate.

Park River Airport Authority – The Park River Airport Authority manages the local airport facility. The authority's board is appointed by the City Council. The authority is fiscally dependent upon the city because the City Council levies taxes.

EXCLUDED ORGANIZATIONS – The following governmental entities are not included in these financial statements since they do not meet the criteria contained in Statement 14:

Park River Public School District #78 - With different boundaries than the City, the school district does not entirely or exclusively benefit City residents. The City has no authority to appoint board members and has no fiscal responsibilities. The school district can levy taxes and issue debt in its own name.

Park River Park District – The Park District elects its own governing body, levies its own taxes, and approves its own budget and authorizes debt. The City has no authority to govern and has no fiscal responsibility for the Park Board.

The City's basic financial statements include all of City operations. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from City of Park River.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct Expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to entities or individuals who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues, as are internally dedicated resources.

The fund financial statements provide information about the City's funds. Separate financial statements for each fund category, governmental, proprietary, and fiduciary funds, are presented. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide and proprietary financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements, and proprietary financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Governmental funds are reported using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting. Only cash and cash equivalents, long term notes receivable and inter-fund balances are generally included on their balance sheets; however, the governmental funds do recognize liabilities for payroll withholding. 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.

If the City utilized the basis of accounting recognized as generally accepted, the government-wide financials would be presented on the accrual basis of accounting. The fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for business-like fund types would use the accrual basis of accounting. 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.

The City reports the following major governmental funds:

Governmental Funds:

General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

1% Sales Tax Fund – This fund accounts for sales tax money for the City that is used for various economic development and city improvement projects.

Street Improvement Fund 2020-1 – This fund accounts for receipts and disbursements of street repair and construction and related expenditures for the Street Improvement District 2020-1.

City Shop Fund – This fund accounts for receipts and disbursements for the new city shop building project.

Debt Service Fund – This fund accounts for receipts and disbursements for all the City debts.

Proprietary Funds:

Enterprise Funds – This account group provides basic utility service to the City residents. The fund group operates utility systems and borrows money for capital improvements through revenue bonds. Enterprise funds use the modified cash basis of accounting as defined below.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing or delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating receipts of the City's proprietary funds are charges to customers for goods and services. Operating disbursements for proprietary funds include the cost of sales and services, salaries, administrative expenses and depreciation on capital assets. All other receipts or disbursements not meeting this definition are reported as non-operating.

Fiduciary Funds:

The City is the trustee, or fiduciary, for assets that belong to others, such as the Joint Water Treatment Advisory Committee. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The City excludes these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

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

D. Cash and Equivalents

Cash and cash equivalents include amounts in demand deposits, money market accounts and certificates of deposit with maturity of three months or less.

E. Capital Assets

Capital assets include land, buildings and improvements, furniture, and equipment. Capital assets are reported in the government-wide financial statements and in the proprietary funds. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical 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. Buildings & improvements, furniture & equipment, distribution systems and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------------------------|--------------|
| Buildings | 40 |
| Building Improvements | 20-40 |
| Infrastructure | 40 |
| Distribution systems | 40 |
| Furniture & equipment | 10 |
| Vehicles | 5 |
| Computer & electronic equipment | 5 |

F. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

G. Fund Balances and Net Position

Government-wide Financial Statements

Prior to GASB 63, amounts were reported as equity on the statement of net assets in three primary categories, invested in capital assets net of related debt, restricted and unrestricted. Subsequent to GASB 63, the statement of net assets was changed to the statement of net position, and net assets equity was changed to net position. Net position is shown in three primary categories:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Restrictions of net position shown in the statement of net positions are due to constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net positions – All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statement

Beginning with fiscal year 2011, the City implemented GASB Statement 54, Fund Balance Reporting in Governmental Fund Types Definitions. The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the City is bound to honor them. The City first determines and reports non-spendable balances, then restricted, then committed, and so forth. The City's governmental fund balances have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

Non-spendable fund balance – This category includes fund balance amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – This category includes net fund resources that are subject to external constraints that have been placed on the use of resources either (a) imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This category includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the City Council. The commitment can only be removed through the same action. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This category includes Governmental Fund balance that the town intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the City's administration comprised of the City administrative council.

Unassigned fund balance – This category included the residual balances in the governmental fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

H. Interfund Transactions

Quasi-external transactions are accounted for as receipts or disbursements. Transactions that constitute reimbursements to a fund for receipts/disbursements initially made from it that are properly applicable to another fund, are recorded as disbursements in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

I. Use of Estimates in Preparing Financial Statements

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

NOTE 2 LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The City's governing board had no budget amendments during 2020.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with North Dakota statutes, the City maintains deposits in a financial institution situated and doing business within this state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the City to invest in:

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

The City's deposits at balance sheet date were entirely covered by federal depository insurance or by collateral held by the pledging financial institutions' trust department or agent in the City's name. For the purpose of credit-risking, all cash deposits and certificates are considered to be deposits.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. State law requires local governments to deposit funds in financial institutions carrying federal deposit insurance and a pledge of governmental securities for deposits in excess of deposit insurance coverage.

B. Investments

Credit Risk - Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The City's policy for limiting the credit risk of investment is to only invest in certificates of deposit fully insured or collateralized by pledge of governmental securities.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investing only in certificates of deposit that are quite stable in rate of return and relatively short term.

At year ended December 31, 2020, the City's carrying amount of cash & equivalents totaled \$4,899,800 and the bank balances totaled \$5,115,744. Of the bank balances, \$878,650 was covered by Federal Depository Insurance. The remaining bank balances totaling \$4,237,094 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 INTERFUND RECEIVABLES/PAYABLES

The City has the following interfund balances:

| Fund Name | 1/1/2020 Receivable (Payable) | Change | 12/31/2020 Receivable (Payable) |
|--|-------------------------------------|----------|---------------------------------------|
| 1% Sales Tax | 198,407 | 7,000 | 205,407 |
| Street Improv Dist 2018-1 | (33,312) | - | (33,312) |
| Street Improv Dist #2017-2 Green Acres | (2,685) | - | (2,685) |
| North Star Addition TIF | (86,969) | (7,000) | (93,969) |
| Street Improv Dist #2017-1 | (75,441) | - | (75,441) |
| Water Fund | 19,230 | (22,680) | (3,450) |
| Sewer Fund | (14,400) | 14,400 | - |
| Water Bond Fund 2005 | (4,830) | 4,830 | - |
| Water Bond Fund Phase II | | 3,450 | 3,450 |
| Electrical Fund | 8,000 | (8,000) | - |
| Electric Revenue Bonds 2016 | (8,000) | 8,000 | - |
| | - | - | - |

The North Star Addition TIF, Street Improvement Districts 2017-1, 2017-2, and 2018-1 owe the 1% Sales Tax fund \$111,438 for capital improvement expenditures. The amounts are expected to be repaid when funding for the projects is received.

The North Star Addition TIF funds owe \$93,969 to the 1% Sales Tax fund for debt service requirements. The amount is expected to be repaid upon final payment of debt service.

Other interfund balances are allocations of utility revenue to the debt service funds and are expected to be repaid during 2021.

NOTE 5 INTERFUND TRANSFERS***Inter-fund Transfers:***

The inter-fund transfers for the year ended December 31, 2020, were as follows:

| Fund Name | IN | OUT |
|--|-------------------|-------------------|
| General Fund | \$ 178,594 | \$ 66,366 |
| Bike Path Fund | - | - |
| 1% Sales Tax | - | 143,230 |
| Funded Depreciation | 55,000 | 78,594 |
| Street Improv Dist #2020-1 (Hilltop) | 39,366 | - |
| Street Improv Dist #2017-2 Green Acres | 16,940 | - |
| City Shop 2020 | 27,059 | - |
| Water Distribution Fund | - | 300 |
| Electrical Fund | - | 312,682 |
| Sewer Fund | - | 4,587 |
| Depreciation Fund | 58,336 | - |
| Water Improv Dist #2020-1 | 96,090 | - |
| Water Tower Rev Bonds 2014 | 10,520 | - |
| Electric Upgrade 2020 | 134,374 | 10,520 |
| | <u>\$ 616,279</u> | <u>\$ 616,279</u> |

Transfers were made for cash management, fixed asset management needs, and debt service requirements.

NOTE 6 LOANS RECEIVABLE

The city offers loans and grants to businesses for either startup costs or expansion costs. Many of these loans are interest buy downs on Bank of North Dakota FlexPACE loans and payments begin after the Bank of North Dakota PACE loan is paid in full. No allowance has been established for estimated uncollectible loans.

The following summaries loan receivable activity for the year ended December 31, 2020:

| | Balance 1/1/2020 | Loans Issued | Loan Forgiveness | Payments Received | Balance 12/31/2020 |
|----------------------------|---------------------|------------------|---------------------|----------------------|-----------------------|
| Walsh Grain, LLC | \$ 66,315 | \$ - | \$ - | \$ (22,105) | \$ 44,209 |
| Economic Development Loans | 146,558 | 20,577 | (667) | (32,020) | 134,448 |
| Total Loans Receivable | <u>\$ 212,872</u> | <u>\$ 20,577</u> | <u>\$ (667)</u> | <u>\$ (54,125)</u> | <u>\$ 178,657</u> |

During 2013, the City of Park River, along with the Red River Regional Council, Walsh County JDA, The City of Grafton, and Polar Communication granted a loan to Walsh Grain, LLC. The total loan amount is \$760,000 of which \$200,000 was the City of Park River's participation. The loan will be repaid over 10 years in annual installments. The City will receive future principal & interest payments as follows:

| Year | Principal | Interest |
|-------|------------------|-----------------|
| 2021 | \$ 22,105 | \$ 1,326 |
| 2022 | 22,104 | 663 |
| 2023 | - | - |
| Total | <u>\$ 44,209</u> | <u>\$ 1,989</u> |

NOTE 7 CAPITAL ASSETS

The following schedule shows capital asset activity of governmental funds during 2020:

| | Balance 1/1/2020 | Prior Period Adjustments | Increases | Decreases | Balance 12/31/2020 |
|--|---------------------|-----------------------------|-------------------|-------------|-----------------------|
| Governmental Type Assets: | | | | | |
| Non-depreciated assets | | | | | |
| Land | \$ 80,125 | \$ - | \$ - | \$ - | \$ 80,125 |
| Total non-depreciated assets | 80,125 | - | - | - | 80,125 |
| Depreciable assets | | | | | |
| Equipment | 569,048 | - | 78,594 | (24,754) | 622,889 |
| Buildings | 452,784 | 129,913 | 392,338 | - | 975,036 |
| Infrastructure | 3,616,068 | - | 580,113 | - | 4,196,181 |
| Total depreciable assets | 4,637,900 | 129,913 | 1,051,046 | (24,754) | 5,794,105 |
| Less: accumulated depreciation for: | | | | | |
| Equipment | (388,587) | - | (40,658) | 24,754 | (404,491) |
| Buildings | (281,567) | - | (19,640) | - | (301,207) |
| Infrastructure | (447,927) | - | (95,714) | - | (543,641) |
| Total accumulated depreciation | (1,118,081) | - | (156,012) | 24,754 | (1,249,339) |
| Net depreciable assets | 3,519,819 | 129,913 | 895,034 | - | 4,544,766 |
| Net Governmental-Type assets | <u>\$ 3,599,944</u> | <u>\$ 129,913</u> | <u>\$ 895,034</u> | <u>\$ -</u> | <u>\$ 4,624,891</u> |

Depreciation expense was charged to the functions/programs of the City as follows:

| | |
|----------------------------|--------------------------|
| General Government | \$ 42,524 |
| Public Works | 103,714 |
| Public Safety | <u>9,774</u> |
| Total Depreciation Expense | <u><u>\$ 156,012</u></u> |

The following schedule shows capital asset activity of business type funds during 2020:

| | Balance 1/1/2020 | Prior Period Adjustments | Increases | Decreases | Balance 12/31/2020 |
|--|----------------------|-----------------------------|---------------------|-------------|-----------------------|
| Business Type Assets: | | | | | |
| Non-depreciated assets | | | | | |
| Land | \$ 22,400 | \$ - | \$ - | \$ - | \$ 22,400 |
| Total non-depreciated assets | 22,400 | - | - | - | 22,400 |
| Depreciable assets | | | | | |
| Equipment | 1,022,449 | - | 121,604 | - | 1,144,053 |
| Buildings & Distribution Systems | 14,754,389 | - | 1,677,391 | - | 16,431,780 |
| Total depreciable assets | 15,776,838 | - | 1,798,995 | - | 17,575,833 |
| Less: accumulated depreciation for: | | | | | |
| Equipment | (719,929) | 229,715 | (48,540) | - | (538,754) |
| Buildings & Distribution Systems | (4,195,001) | (229,715) | (356,966) | - | (4,781,682) |
| Total accumulated depreciation | (4,914,930) | - | (405,506) | - | (5,320,436) |
| Net depreciable assets | 10,861,908 | - | 1,393,489 | - | 12,255,397 |
| Net Business-Type asset | <u>\$ 10,884,308</u> | <u>\$ -</u> | <u>\$ 1,393,489</u> | <u>\$ -</u> | <u>\$ 12,277,797</u> |

Depreciation expense was charged to the functions/programs of the City as follows:

| | |
|----------------------------|--------------------------|
| Water | \$ 328,442 |
| Electric | 52,536 |
| Sewer | <u>24,528</u> |
| Total Depreciation Expense | <u><u>\$ 405,506</u></u> |

The following schedule shows capital asset activity of the City's component units during 2020:

| | Balance 1/1/2020 | Prior Period Adjustments | Increases | Decreases | Balance 12/31/2020 |
|---|---------------------|-----------------------------|------------|-----------|-----------------------|
| Component Units | | | | | |
| Airport Fixed Assets | | | | | |
| Equipment | \$ 114,530 | \$ - | \$ - | \$ - | \$ 114,530 |
| Buildings & Infrastructure | 2,235,161 | - | 107,926 | - | 2,343,087 |
| Total Assets | 2,349,691 | - | 107,926 | - | 2,457,617 |
| Airport Accumulated Depreciation | | | | | |
| Equipment | (114,530) | - | - | - | (114,530) |
| Buildings & Infrastructure | (533,458) | - | (90,986) | - | (624,444) |
| Total accumulated depreciation | (647,988) | - | (90,986) | - | (738,974) |
| Net Airport Assets | 1,701,703 | - | 16,940 | - | 1,718,643 |
| Housing Authority Fixed Assets | | | | | |
| Furniture & Fixtures | \$ 40,610 | \$ - | \$ 5,000 | \$ - | \$ 45,610 |
| Buildings & Infrastructure | 1,100,000 | - | - | - | 1,100,000 |
| Total Assets | 1,140,610 | - | 5,000 | - | 1,145,610 |
| Housing Authority Accumulated Depreciation | | | | | |
| Furniture & Fixtures | (40,610) | - | (250) | - | (40,860) |
| Buildings & Infrastructure | (289,606) | - | (27,471) | - | (317,077) |
| Total accumulated depreciation | (330,216) | - | (27,721) | - | (357,937) |
| Net Housing Authority Assets | 810,394 | - | (22,721) | - | 787,673 |
| Net Component Unit Assets | \$ 2,512,097 | \$ - | \$ (5,781) | \$ - | \$ 2,506,316 |

NOTE 8 LONG TERM LIABILITIES

During the year ended December 31, 2020, the following changes occurred in long-term liabilities of the city:

| Governmental Activities: | 12/31/2019 | Issued | Paid | 12/31/2020 | Due Within One Year |
|---------------------------------|--------------|--------------|--------------|--------------|------------------------|
| Special Assessment Bonds | 2,051,590 | 570,947 | (233,703) | 2,388,834 | 250,064 |
| Tax Increment Revenue Bonds | 646,000 | - | (31,000) | 615,000 | 32,000 |
| Notes Payable | 208,717 | 471,246 | (89,441) | 590,522 | 108,551 |
| Total Governmental Activities | \$ 2,906,307 | \$ 1,042,194 | \$ (354,144) | \$ 3,594,356 | \$ 390,614 |

| Business-Type Activities: | 12/31/2019 | Issued | Paid | 12/31/2020 | Due Within One Year |
|----------------------------------|--------------|--------------|----------------|--------------|------------------------|
| Revenue Bonds | \$ 4,280,331 | \$ 2,570,000 | \$ (2,082,345) | \$ 4,767,986 | \$ 374,282 |
| Total Business-Type Activities | \$ 4,280,331 | \$ 2,570,000 | \$ (2,082,345) | \$ 4,767,986 | \$ 374,282 |

| Component Unit | 12/31/2019 | Issued | Paid | 12/31/2020 | Due Within One Year |
|-----------------------|------------|--------|-------------|------------|------------------------|
| Revenue Bonds | \$ 927,089 | \$ - | \$ (22,112) | \$ 904,977 | \$ 21,814 |

The City of Park River is obligated to the following bond issues:

GOVERNMENTAL ACTIVITIES:**Special Assessment Bonds****Water & Sewer Improvement District 2012-1**

\$275,000 Refunding Improvement Bonds, Series 2013 were issued to finance water & sewer improvements to the North Star Addition. The bonds are due in annual installments of \$13,750 through 2033. Interest rates range from 2.0% to 4.65%.

Outstanding December 31, 2020 \$178,750

Street Improvement District #2013-1

\$1,600,000 Refunding Improvement Bonds, Series 2014B were issued to finance street improvements made to 135th Ave NE. The City received bond proceeds of \$1,355,000 during 2013 and \$245,000 during 2014. The bonds are due in annual installments of \$160,000 through 2024. Interest rates range from 1.25% to 3.0%.

Outstanding December 31, 2020 \$640,000

Refunding Improvement Bonds Series 2015

\$125,000 Refunding Improvement Bonds, Series 2015 were issued to finance street improvements made to the North Star Addition. The bonds are due in annual installments of \$6,250 through 2035. Interest rates range from 2.00% to 4.65%.

Outstanding December 31, 2020 \$93,750

Street Improvement District #2017-1

The city issued special assessment bonds in the amount of \$634,341 to finance pavement improvements made to Rail Road, Wadge, Code, Harris, and Vivian Avenues. The bonds are due in annual installments of \$28,075 through 2030. The bonds bear an interest rate of 2.00%.

Outstanding December 31, 2020 \$545,387

Refunding Improvement Bonds Series 2018

\$400,000 Refunding Improvement Bonds, Series 2018 were issued to finance street improvements. The bonds are due in annual installments of \$15,000 to 35,000 through 2033. Interest rates range from 2.5% to 3.9%.

Outstanding December 31, 2020 \$360,000

Street Improvement District #2020-1

The city issued special assessment bonds in the amount of \$570,947 to finance pavement improvements made to South Ridge 2nd Addition. The bonds are due in annual installments of \$16,893 through 2045. The bonds bear an interest rate of 2.00%.

Outstanding December 31, 2020 \$570,947

Total Special Assessment Bonds \$2,388,834

Tax Increment Revenue Bonds

Street Improvement District 2012-2

\$760,000 Tax Increment Revenue Bonds were issues to finance street improvements to the North Star Addition. During 2014 the City drew \$420,306 of temporary warrants and the remaining \$339,691 was drawn in 2015. Principal payments started in 2016 at \$27,000 and increase annually until final maturity with a principal payment of \$52,000 in 2035. Interest rates range from 2.0% to 4.65%.

Total Tax Increment Bonds Outstanding December 31, 2020 \$615,000

Notes Payable

The City financed the paving of Green Acres Drive with a note payable to First United Bank. The loan will be with future sales tax revenues. Principal and interest payments are due quarterly until maturity in March 2023. The interest rate is 2.8%.

Notes Payable Outstanding December 31, 2020 \$146,482

BUSINESS-TYPE ACTIVITIES:

Revenue Bonds

Water Revenue Bonds of 2005

The City issued bonds to finance a water pipeline and well system. The bond issue was for \$746,100 and bears interest at 2.5%. Principal payments started in 2006 at \$5,000 and increase throughout the issue to a final payment of \$47,000 in 2025. As of December 31, 2020, the City has \$121,198 in restricted funds set aside for payment of this issue.

Outstanding December 31, 2020 \$229,000

Water Revenue Bonds Series 2006

The City authorized a bond issue to finance Phase II of the water pipeline and well system described above. Phase II consists primarily of improvements to the existing water plant. The bond issue was for \$517,600 and bears interest at 2.5%. Maturity of the issue is September 1, 2026. As of December 31, 2020, the City has \$84,964 in restricted funds set aside for payment of this issue holds:

Outstanding December 31, 2020 \$195,000

Water Revenue Bonds Series 2014

The City authorized a bond issue to finance the construction of a water tower. The bond issue was for \$2,045,000 and bears interest at .75% to 4.25%. Principal payments started in 2015 at \$55,000 and increase throughout the issue to a final payment of \$80,000 in 2036. As of December 31, 2020, the City refinanced this bond with Water Revenue Bond 2020.

Outstanding December 31, 2020 0

Sewer Revenue Bonds Series 2016

The City authorized a bond issue to finance sewer improvements in Green Acres. The bond issue was for \$413,485 and bears interest at 2.00%. Principal and interest payments of \$31,860 started in 2017. Maturity of the issue is December 2023. As of December 31, 2019, the City has \$125,831 in restricted funds set aside for payment of this issue

Outstanding December 31, 2020 \$183,986

Electric Revenue Bonds Series 2016

The City authorized a bond issue to finance the remodel of the substation circuit exit. The bond issue was for \$600,000 and bears interest at 1.50% to 3.00%. Principal payments of \$75,000 started in 2017. Maturity of the issue is September 2024. As of December 31, 2019, the City has \$144,834 in restricted funds set aside for payment of this issue

Outstanding December 31, 2020 \$300,000

Refunding Improvement Bonds Series 2016

\$1,545,000 Refunding Improvement Bonds, Series 2016 were issued to finance utility improvements made to multiple neighborhoods in the City. The bonds are due in annual installments of \$60,000 to \$100,000 through 2036. Interest rates range from 1.00% to 3.00%. As of December 31, 2019, the City has \$153,876 in restricted funds set aside for payment of this issue

Outstanding December 31, 2020 \$1,290,000

Water Revenue Refunding Bonds Series 2020

The City authorized a bond issue to refinance existing debt of Water Revenue Bonds 2014 and finance improvements to the water supply and distribution facilities. The bond issue was for \$2,570,000 and bears interest at 2.125%. Maturity of the issue is September 1, 2050. As of December 31, 2020, the City has \$853,712 in restricted funds set aside for payment of this issue holds:

Outstanding December 31, 2020 \$195,000

Total Revenue Bonds – Business-Type Activities \$4,767,986

Component Unit – Park River Housing Authority

The City's component unit, The Park River Housing Authority, issued housing revenue bonds to finance construction of city-owned condominiums through the creation of the Park River Housing Authority. The units will be rented primarily to retired city residents. The rents collected are expected to cover operating expenses and debt service on the revenue bonds. The bonds were issued in the amount of \$1,100,000 payable at an initial interest rate of 5% payable over 35 years. The rate is reset every five years.

Outstanding December 31, 2020

\$904,977

The annual requirement to amortize all bonds outstanding as of December 31, 2020, including interest payments are as follows:

Governmental Activities

| Year Ending December 31 | Special Assessment Bonds | | Tax Increment Bonds | |
|------------------------------------|---------------------------------|-------------------|----------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2021 | 250,064 | 63,606 | 32,000 | 23,798 |
| 2022 | 253,397 | 54,709 | 33,000 | 22,904 |
| 2023 | 254,373 | 47,832 | 34,000 | 21,983 |
| 2024 | 255,369 | 40,689 | 35,000 | 20,903 |
| 2025 | 96,385 | 35,885 | 37,000 | 19,643 |
| 2026-2030 | 512,900 | 139,001 | 202,000 | 76,466 |
| 2031-2035 | 469,059 | 63,572 | 242,000 | 28,822 |
| 2036-2040 | 192,620 | 18,979 | - | - |
| 2041-2045 | 104,667 | 9,717 | - | - |
| Total | \$ 2,388,834 | \$ 473,989 | \$ 615,000 | \$ 214,519 |

Governmental Activities

| Year Ending December 31 | Note Payable | |
|------------------------------------|---------------------|------------------|
| | Principal | Interest |
| 2021 | \$ 108,551 | \$ 16,473 |
| 2022 | 111,599 | 13,424 |
| 2023 | 62,727 | 10,657 |
| 2024 | 48,022 | 9,242 |
| 2025 | 49,365 | 7,899 |
| 2026-2030 | 239,011 | 17,875 |
| Total | \$ 619,276 | \$ 75,570 |

Business-Type Activities

| Year Ending December 31 | Revenue Bonds | |
|------------------------------------|----------------------|---------------------|
| | Principal | Interest |
| 2021 | 374,282 | 110,535 |
| 2022 | 381,511 | 101,646 |
| 2023 | 383,193 | 92,470 |
| 2024 | 327,000 | 83,105 |
| 2025 | 257,000 | 74,475 |
| 2026-2030 | 1,015,000 | 283,406 |
| 2031-2035 | 1,090,000 | 163,853 |
| 2036-2040 | 610,000 | 57,983 |
| 2041-2045 | 155,000 | 28,575 |
| 2046-2050 | 175,000 | 11,156 |
| Total | \$ 4,767,986 | \$ 1,007,204 |

| Component Unit | | |
|----------------------------|---------------|------------|
| Year Ending December 31 | Revenue Bonds | |
| | Principal | Interest |
| 2021 | 21,814 | 44,805 |
| 2022 | 22,930 | 43,689 |
| 2023 | 24,103 | 42,516 |
| 2024 | 25,336 | 41,282 |
| 2025 | 26,633 | 39,986 |
| 2026-2030 | 155,050 | 178,043 |
| 2031-2035 | 198,985 | 134,109 |
| 2036-2040 | 255,369 | 77,724 |
| 2041-2045 | 174,756 | 13,121 |
| Total | \$ 904,977 | \$ 615,274 |

NOTE 9 CONTINGENT LIABILITIES

The City has sponsored municipal leases on behalf of local non-profits because the non-profits are unable to enter into leases on their own. The City is contingently liable for the lease should the non-profit default on payment. The leases are as follows:

| | |
|--|----------------------------------|
| | Outstanding December 31, 2020 |
| Hillcrest Golf Course to finance the purchase a John Deere Mower | \$5,211 |

NOTE 10 COMPENSATED ABSENCES

The City does not account for compensated absences. The amount of liability cannot be readily ascertained.

NOTE 11 PENSION PLAN

Because the City reports its financial statements on the modified cash basis, as described in Note 1, the net pension liability and related deferred inflows and outflows are not required to be reported in the basic financial statements. The following information is for informational purposes.

Summary of Significant Accounting Policies

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

General Information about the 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 plan is financed through the contributions and investment earnings of the plan.

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was 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 for 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 salaries and wages. 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 Employer reported a liability of \$1,345,333 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer'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, 2020, the Employer's proportion was 0.042763 percent, which was a decrease of 0.000907 percent from its proportion measured as of June 30, 2019.

For the year December 31, 2020, the Employer recognized pension expense of \$231,694. At December 31, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experiences | \$ 5,234 | \$ 68,169 |
| Changes of assumptions | 721,183 | 119,229 |
| Net difference between projected and actual earnings on pension plan investments | 43,421 | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 2,814 | 14,472 |
| *Employer contributions subsequent to the measurement date of July 1, 2020 | 17,257 | - |
| Total | <u>\$ 789,909</u> | <u>\$ 201,870</u> |

*\$17,257 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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 December 31:

| | | |
|------------|----|----------------|
| 2021 | \$ | 169,206 |
| 2022 | | 147,361 |
| 2023 | | 118,431 |
| 2024 | | 135,784 |
| 2025 | | - |
| Thereafter | | - |
| Total | \$ | <u>570,782</u> |

Actuarial Assumption

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|-------------------------------------|
| Inflation | 2.25% |
| Salary increases | 3.50% to 17.75% including inflation |
| Investment rate of return | 7.00%, 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 Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------|-------------------|--|
| Domestic Equity | 30% | 6.30% |
| International Equity | 21% | 6.85% |
| Private Equity | 7% | 9.75% |
| Domestic Fixed Income | 23% | 1.25% |
| Global Real Estate | 19% | 5.01% |
| Cash Equivalents | 0% | 0.00% |

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year.

The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

| | 1% Decrease (3.64%) | Current Discount Rate (4.64%) | 1% Increase (5.64%) |
|---|--------------------------------|--|--------------------------------|
| Employer's proportionate share of the net pension liability | 1,745,469 | 1,345,333 | 1,017,925 |

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of December 31, 2020, the City had no accrued payable for wages attributable to the fiscal year ended December 31, 2020.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

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

At December 31, 2020, the Employer reported a liability of \$3,809 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability

used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2020, the Employer's proportion was 0.04138 percent, which was a increase of 0.001234 percent from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Employer recognized OPEB expense of \$5,022. At December 31, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experiences | \$ 773 | \$ 835 |
| Changes of assumptions | 4,667 | - |
| Net difference between projected and actual earnings on OPEB plan investments | 1,197 | - |
| Changes in proportion and differences between Employer contributions and proportionate share of contributions | 556 | 949 |
| *Employer contributions subsequent to the measurement date of July 1, 2020 | 2,763 | - |
| Total | <u>\$ 9,956</u> | <u>\$ 1,784</u> |

\$2,763 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

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

Year ended December 31:

| | |
|------------|-----------------|
| 2021 | \$ 1,131 |
| 2022 | 1,441 |
| 2023 | 1,384 |
| 2024 | 1,044 |
| 2025 | 397 |
| Thereafter | 12 |
| Total | <u>\$ 5,409</u> |

Actuarial assumptions

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

| | |
|----------------------------|-----------------------------------|
| Inflation | 2.25% |
| Salary increases | Not applicable |
| Investment rate of return | 6.50%, net of investment expenses |
| Cost-of-living adjustments | None |

For active members, inactive members and healthy retirees, mortality rates were based on the 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 Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|-------------------|--|
| Lg Cap Domestic Equities | 33% | 6.10% |
| Sm Cap Domestic Equities | 6% | 7.00% |
| Domestic Fixed Income | 40% | 1.15% |
| International Equities | 21% | 6.45% |

Discount rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|--|------------------------|----------------------------------|------------------------|
| Employer's proportionate share of the net OPEB liability | 45,652 | 34,809 | 25,639 |

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of December 31, 2020, the City had no accrued payable for wages attributable to the fiscal year ended December 31, 2020.

NOTE 13 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 an enforceable lien on 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 14 TAX ABATEMENTS

Walsh County and certain political subdivisions within the county can negotiate property tax abatement agreements with the individuals and various businesses. Walsh County has the following types of tax abatement and tax exemption agreements with various individuals and commercial entities at December 31, 2020.

New or Expanding Business Exemption under NDCC Ch. 40-57.1, provides property tax abatements by assisting in establishing industrial plants, expanding, and retaining existing businesses. A property tax exemption allows for the property to be excluded for up to five years. The property must have prior certification as a primary sector business by the ND Commerce Department. A partial or complete exemption from ad valorem taxation under this section for retail sector projects may receive a partial or complete exemption from the governing body of the city or county.

Public Charity Exemption: Public charities are eligible for property tax exemption if they meet state requirements at NDCC-57-02-08 (8). All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is

occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

Property Tax Exemption of Improvements to Buildings: Improvements to commercial and residential buildings and structures as defined in NDCC 57-02.2-03 may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits.

Property Tax Exemption for Builders of Certain New Single-Family Residential Properties. N.D.C.C. § 57-02-08(35) provides a discretionary exemption for certain new single-family residential properties from property taxes for the taxable year in which construction began and the next two taxable years, if the property remains owned and occupied for the first time, and other conditions are met. Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated is eligible for consideration.

Various businesses and individuals located in Walsh County have received property tax abatements and/or exemptions under the above programs. The value of these abatements and exemptions are currently not calculated by the county, so the resulting reduction to the City's property tax revenues could not be determined.

NOTE 15 RISK MANAGEMENT

The City of Park River is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986, state agencies and political subdivisions joined together to form the North Dakota Insurance

Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence. The City of Park River also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City of Park River pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period.

The State Bonding fund currently provides the City of Park River with blanket fidelity bond coverage in the amount of \$1,500,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The City of Park River also participates in the North Dakota Worker's Compensation Bureau. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 16 DEFICIT FUND BALANCE

The fund balance in the North Star TIF was (\$93,249) and (\$86,969) at December 31, 2020 and 2019 respectively. The cause of the deficit is a timing difference between debt service obligations and tax receipts. The deficit fund balance is expected to be relieved from future tax revenues.

The fund balance in Street Improvement District 2017-1 was (\$13,567) and (\$37,201) at December 31, 2020 and 2019 respectively. The cause of this deficit is a timing difference between project expenditures and the receipt of project funding. The deficit fund balance is expected to be relieved when financing for the project is completed.

| |
|--------------------------------------|
| NOTE 17 SUBSEQUENT EVENT |
|--------------------------------------|

As of June 20, 2022, the date the financial statements were available to be issued, the City was not aware of any subsequent events that needed to be disclosed in the financial statements.

SUPPLEMENTARY INFORMATION

CITY OF PARK RIVER
Park River, North Dakota
Budget Comparison Schedule - Modified Cash Basis
General Fund
December 31, 2020

| | Original Budget | Final Budget | Actual | Variance |
|--|--------------------|--------------------|------------------|------------|
| Receipts: | | | | |
| Taxes | 261,767 | \$ 261,767 | \$ 264,340 | \$ 2,573 |
| Licenses & Permits | 10,360 | 10,360 | 11,275 | 915 |
| Intergovernmental Sources | 141,500 | 141,500 | 224,615 | 83,115 |
| Earnings on Investments | 60 | 60 | 38 | (22) |
| Sale of Property | - | - | 201 | 201 |
| Other Sources | 14,290 | 14,290 | 12,506 | (1,784) |
| Total Receipts | 427,977 | 427,977 | 512,975 | 84,998 |
| Disbursements: | | | | |
| General Government | 133,745 | 133,745 | 119,793 | 13,952 |
| Public Safety | 143,000 | 143,000 | 157,460 | (14,460) |
| Public Works | 231,000 | 231,000 | 221,031 | 9,969 |
| Public Service | 5,600 | 5,600 | 3,310 | 2,290 |
| Capital Outlay | - | - | 84,304 | (84,304) |
| Total Disbursements | 513,345 | 513,345 | 585,898 | (72,553) |
| Excess Receipts over (under) Disbursements | (85,368) | (85,368) | (72,923) | 157,550 |
| Interfund Transfers In | - | - | 178,594 | 178,594 |
| Interfund Transfers (Out) | (25,700) | (25,700) | (66,366) | (40,666) |
| Excess Receipts over (under) Expenditures after Interfund Transfers | (111,068) | (111,068) | \$ 39,305 | \$ 150,373 |
| Fund Balance - January 1 | 51,529 | 51,529 | 51,529 | |
| Fund Balance - December 31 | <u>\$ (59,539)</u> | <u>\$ (59,539)</u> | <u>\$ 90,835</u> | |

CITY OF PARK RIVER
Park River, North Dakota
Schedule of Employer's Share of Net Pension Liability
North Dakota Public Employees Retirement System
Last 10 Fiscal Years*

| Year Ended December 31 | Employer's Proportion Of the Net Pension Liability (Asset) | Employer's Proportionate Share Of the Net Pension Liability (Asset) | Employer's Covered Employee Payroll | Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll | Plan Fiduciary Net Position As a % of the Total Pension Liability |
|-----------------------------------|---|--|--|---|--|
| 2014 | 0.047808% | 303,448 | 402,720 | 75.3% | 77.70% |
| 2015 | 0.045151% | 307,019 | 402,237 | 76.3% | 77.15% |
| 2016 | 0.042845% | 417,566 | 431,772 | 96.7% | 70.46% |
| 2017 | 0.043961% | 706,598 | 448,778 | 157.4% | 61.98% |
| 2018 | 0.044216% | 746,193 | 454,237 | 164.3% | 62.80% |
| 2019 | 0.043067% | 504,776 | 447,973 | 112.7% | 71.66% |
| 2020 | 0.042763% | 1,345,333 | 471,724 | 285.2% | 48.91% |

*Complete data for this schedule is not available prior to 2014.

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

CITY OF PARK RIVER
Park River, North Dakota
Schedule of Employer Contributions
North Dakota Public Employees Retirement System
Last 10 Fiscal Years*

| Year Ended December 31 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|-----------------------------------|--|---|---|--|---|
| 2014 | 28,674 | 28,674 | 0 | 402,720 | 7.12% |
| 2015 | 30,553 | 30,216 | 337 | 402,237 | 7.51% |
| 2016 | 31,260 | 31,440 | (180) | 431,772 | 7.28% |
| 2017 | 32,541 | 31,692 | 849 | 448,778 | 7.06% |
| 2018 | 33,457 | 32,410 | 1,047 | 454,237 | 7.14% |
| 2019 | 32,615 | 31,761 | 854 | 447,973 | 7.09% |
| 2020 | 33,402 | 33,346 | 56 | 471,724 | 7.07% |

*Complete data for this schedule is not available prior to 2014.

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

CITY OF PARK RIVER
Park River, North Dakota
Schedule of Employer's Share of Net OPEB Liability
North Dakota Public Employees Retirement System
Last 10 Fiscal Years*

| Year Ended December 31 | Employer's Proportion Of the Net OPEB Liability (Asset) | Employer's Proportionate Share Of the Net OPEB Liability (Asset) | Employer's Covered Employee Payroll | Employer's Proportionate Share Of the Net OPEB Liability (Asset) as a % of its covered-employee Payroll | Plan Fiduciary Net Position As a % of the Total OPEB Liability |
|-----------------------------------|--|---|--|--|---|
| 2017 | 0.041483% | 32,814 | 448,778 | 7.3% | 59.78% |
| 2018 | 0.041513% | 32,694 | 454,237 | 7.2% | 61.89% |
| 2019 | 0.040146% | 32,245 | 447,973 | 7.2% | 63.13% |
| 2020 | 0.041380% | 34,809 | 471,724 | 7.4% | 63.38% |

*Complete data for this schedule is not available prior to 2017.

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

CITY OF PARK RIVER
Park River, North Dakota
Schedule of Employer Contributions - OPEB
North Dakota Public Employees Retirement System
Last 10 Fiscal Years*

| Year Ended December 31 | Statutorily Required Contribution | Contributions in Relation to the Statutorily Required Contribution | Contribution Deficiency (Excess) | Employer's Covered Employee Payroll | Contributions as a % of Covered Employee Payroll |
|-----------------------------------|--|---|---|--|---|
| 2017 | 5,217 | 5,074 | 143 | 448,778 | 1.13% |
| 2018 | 5,328 | 5,189 | 139 | 454,237 | 1.14% |
| 2019 | 5,210 | 5,085 | 125 | 447,973 | 1.14% |
| 2020 | 5,542 | 5,339 | 203 | 471,724 | 1.13% |

*Complete data for this schedule is not available prior to 2017.

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

CITY OF PARK RIVER
Park River, North Dakota
Schedule of Fund Activity
For the Year Ended December 31, 2020

| | Balance 1/1/20 | Receipts | Transfers In | Other Financing Sources | Transfers Out | Disbursements | Balance 12/31/2020 |
|--------------------------------|-------------------|--------------|-----------------|-------------------------------|------------------|----------------|-----------------------|
| Governmental Funds | | | | | | | |
| Major Funds | | | | | | | |
| General | \$ 51,529 | \$ 512,774 | \$ 178,594 | \$ 201 | \$ (66,366) | \$ (585,898) | \$ 90,835 |
| 1% Sales Tax Fund | 1,086,966 | 241,286 | \$ - | \$ - | \$ (143,230) | \$ (94,406) | \$ 1,090,617 |
| St Improv Dist 2020-1 | - | 61 | \$ 39,366 | \$ 570,947 | \$ - | \$ (580,113) | \$ 30,261 |
| City Shop | (23,497) | 118 | \$ 27,059 | \$ 471,246 | \$ - | \$ (395,063) | \$ 79,863 |
| Debt Service Fund | 225,515 | 357,624 | \$ 16,940 | \$ - | \$ - | \$ (360,188) | \$ 239,892 |
| Total Major Funds | \$ 1,340,514 | \$ 1,111,863 | \$ 261,959 | \$ 1,042,395 | \$ (209,596) | \$ (2,015,667) | \$ 1,531,468 |
| Non-major Funds | | | | | | | |
| Library Fund | 25,503 | 16,422 | - | - | - | (15,445) | 26,481 |
| Economic Development | 13,140 | 4 | - | - | - | - | 13,143 |
| Hospital Sales Tax | 203,910 | 225,740 | - | - | - | (202,901) | 226,749 |
| Special Assessments | 3,122 | 490 | - | - | - | (454) | 3,159 |
| Special Assessments Deficiency | 6,858 | - | - | - | - | - | 6,858 |
| Funded Depreciation | 85,126 | 239 | 55,000 | - | (78,594) | - | 61,771 |
| Municipal Infrastructure Fund | - | 125,015 | - | - | - | - | 125,015 |
| Total Non-major Funds | \$ 337,659 | \$ 367,911 | \$ 55,000 | \$ - | \$ (78,594) | \$ (218,799) | \$ 463,176 |
| Total Governmental Funds | \$ 1,678,173 | \$ 1,479,774 | \$ 316,959 | \$ 1,042,395 | \$ (288,190) | \$ (2,234,466) | \$ 1,994,644 |
| Enterprise Funds | | | | | | | |
| Major Funds | | | | | | | |
| Electric Fund | \$ 1,150,043 | \$ 2,274,840 | \$ 134,374 | \$ 338 | \$ (323,201) | \$ (2,005,552) | \$ 1,230,840 |
| Water Fund | 7,506,813 | 581,356 | 106,610 | 940,781 | (300) | (673,082) | 8,462,177 |
| Garbage Fund | 108,573 | 243,067 | - | 21 | - | (237,260) | 114,401 |
| Sewer Fund | 726,275 | 163,463 | - | 5,100 | (4,587) | (132,899) | 757,352 |
| Total Major Funds | \$ 9,491,704 | \$ 3,262,725 | \$ 240,983 | \$ 946,240 | \$ (328,088) | \$ (3,048,794) | \$ 10,564,770 |
| Non-major Funds | | | | | | | |
| Mosquito Spraying Fund | \$ 95,614 | \$ 35,226 | \$ - | \$ 7 | \$ - | \$ (28,601) | \$ 102,246 |
| Depreciation Fund | 248,397 | - | 58,336 | 641 | - | - | 307,375 |
| Total Non-major Funds | \$ 344,011 | \$ 35,226 | \$ 58,336 | \$ 648 | \$ - | \$ (28,601) | \$ 409,621 |
| Total Enterprise Funds | \$ 9,835,715 | \$ 3,297,951 | \$ 299,319 | \$ 946,888 | \$ (328,088) | \$ (3,077,395) | \$ 10,974,391 |
| Agency Funds | | | | | | | |
| Joint Powers Reserve | \$ 53,691 | \$ 18,232 | \$ - | \$ - | \$ - | \$ (18,695) | \$ 53,228 |
| Total Agency Funds | \$ 53,691 | \$ 18,232 | \$ - | \$ - | \$ - | \$ (18,695) | \$ 53,228 |
| Component Units | | | | | | | |
| Airport | 1,734,167 | 19,795 | - | 108,627 | - | (128,985) | 1,733,604 |
| Housing Authority | (82,509) | 81,775 | - | 449 | - | (106,334) | (106,618) |
| Total Component Units | \$ 1,651,659 | \$ 101,570 | \$ - | \$ 109,077 | \$ - | \$ (235,319) | \$ 1,626,986 |
| Total Reporting Entity | \$ 13,219,238 | \$ 4,897,527 | \$ 616,279 | \$ 2,098,360 | \$ (616,279) | \$ (5,565,875) | \$ 14,649,249 |

CITY OF PARK RIVER
Park River, North Dakota
NOTES TO THE SUPPLEMENTAL INFORMATION
December 31, 2020

NOTE 1 BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statement:

- a)** The final budget must be adopted on or before October 7, and must be filed with the County Auditor by October 10. The budget may be amended during the year, except no amendment changing the taxes levied can be made after October 7.
- b)** The City Council approves total budget appropriations only. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.)
- c)** The budget amounts shown in the financial statements are the final authorized amounts.

The city does not prepare budgets for special assessment debt service funds. Assessments are certified to the county for collection. The city also has some non-major special revenue funds that do not have a tax levy and very minimal expenditures that are not budgeted. Management therefore does not prepare budget to actual comparisons for either the debt service or non-major special revenue fund groups.

The city auditor prepares a preliminary budget for the general and some of the special revenue funds on the cash basis of accounting. Because not all special revenue funds are budgeted, a budget to actual comparison of non-major special revenue funds is not done. The preliminary budget includes proposed expenditures and the means of financing them. The governing body reviews the preliminary budget, may make revisions and approve it on or before September 10. On or before October 7, a public hearing is held for taxpayers to discuss any budgeted items.

The governing body reviews the preliminary budget at the hearing, and may make revisions that do not increase the total budget and prepares the final budget. The governing board adopts an ordinance approving the tax levy requested in the final budget. The final budget is sent to the county auditor by October 10. No expenditure shall be made or liability incurred in excess of the appropriation, except for transfers as authorized by North Dakota Century Code Section 40-40-21. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 7. At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance, except for a special appropriation that does not lapse until the work is completed.

Budgets are prepared on the cash basis of accounting which does not differ significantly from the modified cash method used for financial reporting.

During 2020, expenditures exceeded budgeted amounts in the General Fund by \$72,553. State law requires the city to amend its budget if at any point during the year the City needs to incur expenditures in excess of the budget for that fund. The City did not perform that require action. No remedial action is expected to be taken.

NOTE 2 PENSION PLAN

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

NOTE 3 OTHER POST EMPLOYMENT BENEFITS

Changes of Benefit Terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.



Hurtt, Mortenson & Rygh

Certified Public Accountants

Wally Rygh, CPA
Lynda J. Hurtt, CPA
Richard Mortenson, CPA
Rachel Almen, CPA
Patty Dahlen, Partner

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMANCE IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
City of Park River
Park River, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Park River, North Dakota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise City of Park River, North Dakota's basic financial statements and have issued our report thereon dated June 20, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Park River, North Dakota'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 City of Park River, North Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Park River, North Dakota's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider deficiencies 2020-1 and 2020-3, as described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

GRAFTON

35 W 9th St, Ste A
Grafton, ND 58237
(701) 352-2285

PARK RIVER

1203 Park Street East
P.O. BOX 287
Park River, ND 58270
(701) 284-7616

LANGDON

817 3rd Street
FM Mall
Langdon, ND 58249
(701) 256-2427

STEPHEN

413 5th Street
P.O. BOX 45
Stephen, MN 56757
(218) 478-2880

CAVALIER

206 Dakota Street West
P.O. BOX 33
Cavalier, ND 58220
(701) 265-8644

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2020-2, as described in the accompanying schedule of findings and questioned costs, to be a significant deficiency.

Compliance and Other Matters

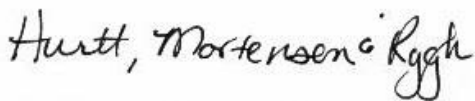
As part of obtaining reasonable assurance about whether the City of Park River, North Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 of Park River, North Dakota's Response to Findings

The City of Park River, North Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Park River, North Dakota'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hurtt, Mortenson & Rygh
Park River, North Dakota
June 20, 2022

CITY OF PARK RIVER
Park River, North Dakota

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2020

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2020-1 Segregation of Duties

Condition:

The City of Park River, North Dakota has a limited number of office administrators for accounting functions and general ledger maintenance.

Effect:

Without adequate fraud risk programs and controls the City of Park River exposes itself to risk of loss of assets, potential liabilities, and damage to reputation, whether due to error or fraud.

Cause:

There is limited segregation of duties due to the small number of personnel responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. One individual is responsible for issuing utility bills, receiving payments from customers, and making the bank deposit. This increases the risk of misstatement of the City of Park River's financial condition.

Criteria:

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the City of Park River.

Recommendation:

If at any time, it becomes economically feasible and appropriate to add sufficient staff to segregate duties, we recommend that the City of Park River do so. We further recommend that the entity implement any controls possible to separate the functions of approval of posting of transactions, reconciliation of accounts, and custody of assets among existing staff. In addition, the governing board's oversight role becomes more important. The governing board should diligently review financial reports and request additional information for any items that may appear unusual before disbursements and financial reports are approved.

Client Response:

The city auditor agrees with the recommendation. The city council and mayor do approve and sign all checks from all bank accounts before release. The financial statements are also reviewed by the city council.

Condition:

Hurt, Mortenson & Rygh assists the City's management in preparing financial statements and disclosures that are presented in accordance with the modified cash basis of accounting.

Effect:

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

Cause:

The City's internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Criteria:

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with the modified cash basis of accounting.

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. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Client Response:

The City Council is aware of this condition and will consider the risks and costs associated with the financial statement preparation. The City will continue to request that Hurt, Mortenson & Rygh assist with preparation of financial statements.

Condition:

Cash transfers received into the various funds did not match cash transfers out of the various funds. In several instances, activity that should have been reported as transfers was inaccurately coded revenues or expenditures, and activity that should have been reported as revenues or expenditures was inaccurately coded as transfers. Management did identify and correct all material errors before the issuance of our report.

Effect:

The City's ability to detect material misstatements to the financial statements in a timely manner could be adversely affected by the lack of accurate monthly or periodic interfund activity reconciliations. Transfer receipts differed from transfer disbursements by \$49,290, so transfer activity between the funds was incorrectly posted as revenues or expenditures.

Criteria:

A strong system of internal control includes timely and accurately prepared monthly or periodic financial statements. The financial statements are not accurately prepared if transfers are out of balance.

Recommendation:

It is already the City's policy to reconcile all cash accounts on a monthly or periodic basis. We recommend that in addition to cash reconciliations, the City also implement a policy to reconcile all transfers, and all interfund receivables and payables on a monthly basis.

Client Response:

Management has since reviewed and corrected the interfund activity for the audit year. A policy has been implemented to reconcile interfund activity on a monthly basis.