

**CITY OF RICHARDTON  
RICHARDTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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**CITY OF RICHARDTON**  
CITY OFFICIALS (UNAUDITED)  
DECEMBER 31, 2020

Tom Roll	Commission President
Jesse Aman	Commissioner
Mark Aman	Commissioner
Ralph Weisenberger	Commissioner
Shannon Chambers	Commissioner
Todd Whitney	Commissioner
Marcy Kuntz	City Auditor

## INDEPENDENT AUDITOR'S REPORT

To the City Commission  
City of Richardton  
Richardton, North Dakota

We have audited the accompanying cash basis financial statements of the governmental activities, business activities, each major fund, and the aggregate remaining fund information of City of Richardton as of December 31, 2020, and the related notes to the financial statements for the year ended December 31, 2020, which collectively comprise the City of Richardton'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 cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Richardton as of December 31, 2020, and the respective changes in cash financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash basis of accounting.

## **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 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 as a whole that collectively comprise the City of Richardton's basic financial statements. The budgetary comparison for the general fund and combining nonmajor governmental schedules are the responsibility of management and are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The schedule of city officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express opinions or provide any assurance on this schedule.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2023 on our consideration of City of Richardton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Richardton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Richardton's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**BISMARCK, NORTH DAKOTA**

July 18, 2023

**CITY OF RICHARDTON**  
**STATEMENT OF NET POSITION – CASH BASIS**  
**DECEMBER 31, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,748,331	\$ 536,089	\$ 2,284,420
Cash and cash equivalents - restricted	210,041	-	210,041
Internal balances	<u>16,553</u>	<u>(16,553)</u>	<u>-</u>
Total assets	<u>1,974,925</u>	<u>519,536</u>	<u>2,494,461</u>
<b>NET POSITION</b>			
Restricted:			
Debt service	617,010	-	617,010
Street	48,163	-	48,163
Business enhancement	58,679	-	58,679
Haliburton related expenses	103,275	-	103,275
Unrestricted	<u>1,147,798</u>	<u>519,536</u>	<u>1,667,334</u>
Total net position	<u>\$ 1,974,925</u>	<u>\$ 519,536</u>	<u>\$ 2,494,461</u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF ACTIVITIES – CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Cash Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 454,889	\$ 37,332	\$ -	\$ -	\$ (417,557)	\$ -	\$ (417,557)
Public works	27,701	-	-	-	(27,701)	-	(27,701)
Culture and recreation	1,832	-	-	-	(1,832)	-	(1,832)
Capital improvements	565,343	-	-	-	(565,343)	-	(565,343)
Principal retirement	250,000	-	-	-	(250,000)	-	(250,000)
Interest and fiscal charges	28,178	-	-	-	(28,178)	-	(28,178)
Total governmental activities	<u>1,327,943</u>	<u>37,332</u>	<u>-</u>	<u>-</u>	<u>(1,290,611)</u>	<u>-</u>	<u>(1,290,611)</u>
Business-type activities:							
Water operating fund	107,557	17,316	-	-	-	(90,241)	(90,241)
Sewer operating fund	175,866	72,884	-	-	-	(102,982)	(102,982)
Garbage operating fund	121,355	117,132	-	-	-	(4,223)	(4,223)
Total business-type activities	<u>404,778</u>	<u>207,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(197,446)</u>	<u>(197,446)</u>
Total primary government	<u>\$ 1,732,721</u>	<u>\$ 244,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,290,611)</u>	<u>(197,446)</u>	<u>(1,488,057)</u>
General Receipts							
Taxes:							
Property taxes					215,690	-	215,690
Cigarette tax					1,394	-	1,394
Sales taxes					158,717	-	158,717
Highway tax					37,442	-	37,442
Oil and gas tax					177,299	-	177,299
State aid					42,642	-	42,642
Interest income					12,320	-	12,320
Miscellaneous					43,483	-	43,483
Total general receipts					<u>688,987</u>	<u>-</u>	<u>688,987</u>
Change in net position					(601,624)	(197,446)	(799,070)
Net position - January 1					2,576,549	716,982	3,293,531
Net position - December 31					<u>\$ 1,974,925</u>	<u>\$ 519,536</u>	<u>\$ 2,494,461</u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**BALANCE SHEET – CASH BASIS – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

	General	Water, Sewer, and Lagoon	Water/Sewer Extension	Non-Major Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,415,828	\$ 96,718	\$ 138,757	\$ 97,028	\$ 1,748,331
Cash and cash equivalents - restricted	103,275	-	106,766	-	210,041
Due from other funds	-	271,539	3,230	9,814	284,583
Total assets	<u>\$ 1,519,103</u>	<u>\$ 368,257</u>	<u>\$ 248,753</u>	<u>\$ 106,842</u>	<u>\$ 2,242,955</u>
<b>LIABILITIES</b>					
Due to other funds	\$ 268,030	-	-	-	\$ 268,030
<b>FUND BALANCES</b>					
Restricted	103,275	368,257	248,753	106,842	827,127
Unassigned	1,147,798	-	-	-	1,147,798
Total fund balances	<u>1,251,073</u>	<u>368,257</u>	<u>248,753</u>	<u>106,842</u>	<u>1,974,925</u>
Total liabilities and fund balances	<u>\$ 1,519,103</u>	<u>\$ 368,257</u>	<u>\$ 248,753</u>	<u>\$ 106,842</u>	<u>\$ 2,242,955</u>

See Notes to the Financial Statements



**CITY OF RICHARDTON**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE – CASH BASIS –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Water, Sewer, and Lagoon	Water/Sewer Extension	Non-Major Governmental Funds	Total
<b>RECEIPTS</b>					
Taxes	\$ 398,177	\$ 107,308	\$ 39,679	\$ 45,378	\$ 590,542
Licenses, permits and fees	9,732	-	-	27,600	37,332
Intergovernmental	42,642	-	-	-	42,642
Interest income	12,320	-	-	-	12,320
Miscellaneous	25,172	-	15,881	2,430	43,483
Total receipts	<u>488,043</u>	<u>107,308</u>	<u>55,560</u>	<u>75,408</u>	<u>726,319</u>
<b>DISBURSEMENTS</b>					
Current:					
General government	454,889	-	-	-	454,889
Public works	-	-	-	27,701	27,701
Culture and recreation	-	-	-	1,832	1,832
Capital improvements	565,343	-	-	-	565,343
Debt service:					
Principal retirement	150,000	100,000	-	-	250,000
Interest and fiscal charges	2,000	26,105	73	-	28,178
Total expenditures	<u>1,172,232</u>	<u>126,105</u>	<u>73</u>	<u>29,533</u>	<u>1,327,943</u>
Excess of receipts over (under) disbursements	(684,189)	(18,797)	55,487	45,875	(601,624)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	<u>727</u>	<u>(727)</u>	-	-	-
Excess of receipts and other sources over (under) disbursements	(683,462)	(19,524)	55,487	45,875	(601,624)
Fund balance - January 1	<u>1,934,535</u>	<u>387,781</u>	<u>193,266</u>	<u>60,967</u>	<u>2,576,549</u>
Fund balance - December 31	<u>\$ 1,251,073</u>	<u>\$ 368,257</u>	<u>\$ 248,753</u>	<u>\$ 106,842</u>	<u>\$ 1,974,925</u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF NET POSITION – CASH BASIS – PROPRIETARY FUNDS**  
**DECEMBER 31, 2020**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 313,562	\$ 160,104	\$ 62,423	\$ 536,089
Due from other funds	72,244	-	79,110	151,354
Total assets	<u>\$ 385,806</u>	<u>\$ 160,104</u>	<u>\$ 141,533</u>	<u>\$ 687,443</u>
<b>LIABILITIES</b>				
Due to other funds	\$ -	\$ 167,907	\$ -	\$ 167,907
<b>NET POSITION</b>				
Unrestricted	385,806	(7,803)	141,533	519,536
Total liabilities and net position	<u>\$ 385,806</u>	<u>\$ 160,104</u>	<u>\$ 141,533</u>	<u>\$ 687,443</u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET POSITION**  
**– CASH BASIS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<b>OPERATING RECEIPTS</b>				
Charges for sales and services:				
Water operations	\$ 225,968	\$ -	\$ -	\$ 225,968
Sewer operations	-	72,884	-	72,884
Garbage operations	-	-	117,132	117,132
Other operating receipts	5,441	-	-	5,441
Total operating receipts	<u>231,409</u>	<u>72,884</u>	<u>117,132</u>	<u>421,425</u>
<b>OPERATING DISBURSEMENTS</b>				
Water	107,557	-	-	107,557
Sewer	-	25,866	-	25,866
Garbage	-	-	121,355	121,355
Total operating disbursements	<u>107,557</u>	<u>25,866</u>	<u>121,355</u>	<u>254,778</u>
Operating income	<u>123,852</u>	<u>47,018</u>	<u>(4,223)</u>	<u>166,647</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>				
Debt Service				
Capital outlay	(214,093)	-	-	(214,093)
Pincipal	-	(150,000)	-	(150,000)
Total non-operating income (expenses)	<u>(214,093)</u>	<u>(150,000)</u>	<u>-</u>	<u>(364,093)</u>
Net income (loss) before transfers	<u>(90,241)</u>	<u>(102,982)</u>	<u>(4,223)</u>	<u>(197,446)</u>
Change in net position	(90,241)	(102,982)	(4,223)	(197,446)
Net position - January 1	<u>476,047</u>	<u>95,179</u>	<u>145,756</u>	<u>716,982</u>
Net position - December 31	<u>\$ 385,806</u>	<u>\$ (7,803)</u>	<u>\$ 141,533</u>	<u>\$ 519,536</u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF CASH FLOWS – CASH BASIS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water	Garbage	Sewer	
<u>Cash flows from operating activities:</u>				
Receipts from customers	\$ 231,409	\$ 72,884	\$ 117,132	\$ 421,425
Payments to suppliers	<u>(107,557)</u>	<u>(25,866)</u>	<u>(121,355)</u>	<u>(254,778)</u>
Net cash provided (used) by operating activities	<u>123,852</u>	<u>47,018</u>	<u>(4,223)</u>	<u>166,647</u>
<u>Cash flows from capital and related financing activities:</u>				
Principal paid on capital debt	-	(150,000)	-	(150,000)
Purchase of capital assets	<u>(214,093)</u>	<u>-</u>	<u>-</u>	<u>(214,093)</u>
Net cash used by capital and related financing activities	<u>(214,093)</u>	<u>(150,000)</u>	<u>-</u>	<u>(364,093)</u>
Net change in cash and cash equivalents	(90,241)	(102,982)	(4,223)	(197,446)
Cash and cash equivalents, January 1	<u>403,803</u>	<u>263,086</u>	<u>66,646</u>	<u>733,535</u>
Cash and cash equivalents, December 31	<u>\$ 313,562</u>	<u>\$ 160,104</u>	<u>\$ 62,423</u>	<u>\$ 536,089</u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Richardton, North Dakota, was incorporated under the laws of the State of North Dakota and operates under a city commission form of government. The accounting policy of the City of Richardton is to maintain the accounting records on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The City does not maintain capital asset records or related debt for the governmental and business-type activities. Since capital asset records are not maintained, depreciation is not recognized and recorded as an expense. 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.

As discussed further in the "Measurement Focus" and "Basis of Accounting" sections in Note 1, these financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

**Financial Reporting Entity**

The accompanying financial statements present the activities of the City of Richardton. The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. Based upon the application of these criteria, the City is not includable as a component unit within another reporting entity and the City does not have a component unit.

**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 of the non-fiduciary activities of the primary government of the City of Richardton. 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 services.

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

**CITY OF RICHARDTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

**Fund Financial Statements**

The fund financial statements provide information about the City's funds including its blended component units. Separate statements for each fund category-governmental and proprietary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The City reports the following major governmental funds:

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

*Water, Sewer, and Lagoon.* This is a capital projects fund used to account for revenues received to pay off the Refunding Improvement bonds issued, the proceeds of the Refunding Improvement bonds, and costs of the Water and Sewer District #8 project.

*Water / Sewer Extension.* This fund is used to account for sales tax received for the water and sewer extension project.

The City reports the following major enterprise funds:

*Water Fund.* This fund is used to account for customer receipts for water fees and operating expenditures for water services.

*Garbage Fund.* This fund is used to account for customer receipts for garbage fees and operating expenditures for garbage services.

*Sewer Fund.* This fund is used to account for customer receipts for sewer fees and operating expenditures for sewer services.

**Measurement Focus and Basis of Accounting**

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

Measurement Focus

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

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

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

- a) All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available expendable financial resources during a given period. These funds use fund balance as their measure of available expendable financial resources at the end of the period.
- b) The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported on a cash basis. Proprietary fund equity is classified as net position.

**Basis of Accounting**

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The City’s financial statements are prepared under the cash basis of accounting.

In the government-wide statements of net position and statement of activities and the fund financial statements, both governmental and business-type activities are presented using the cash basis of accounting. This basis recognizes assets and net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions in the government-wide statements, and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

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

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits.

**CITY OF RICHARDTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

**Fund Balance Classifications**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Commission—the City’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Commission removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Commission and City Auditor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

*Unassigned* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the City’s preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

The City does not have a minimum fund balance policy.

**Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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



**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. However, since the statements are prepared on a cash basis, management does not consider there to be any significant estimates.

**NOTE 2 LEGAL COMPLIANCE - BUDGETS**

Budgetary Information

The City Commission adopts an annual budget on a basis consistent with the cash basis of accounting for the general fund, each special revenue fund and each debt service fund of the municipality. The City is required to present the adopted and final amended revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- On or before August 10 of the preceding fiscal year, the City prepares a preliminary budget for the next succeeding year beginning January 1. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing which is to be held after September 7 but before October 7, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

Budget Amendments

The City's governing board did not amend the budgets during the year ended December 31, 2020.

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 3 DEPOSITS**

In accordance with North Dakota Statutes, the City maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, irrevocable standby letters of credit issued by federal home loan banks of a rating of AA or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body, and bonds issued by another state of the United States or such other securities approved by the banking board.

The City maintains cash on deposit at a financial institution. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2020, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and authorized collateral through local financial institutions.

**Credit Risk**

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

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

As of December 31, 2020, the City had no investments.

**Concentration of Credit Risk**

The City does not have a limit on the amount the City may invest in any one issuer. The City does not have an investment policy that specifically addresses credit risk.

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 4 CASH AND CASH EQUIVALENTS – RESTRICTED**

The City has \$210,041 reported as cash and cash equivalents – restricted as of December 31, 2020. The amount is made up of \$103,275 of cash from Halliburton and \$106,766 of cash held in reserve as part of bond agreements. Cash received from Halliburton is restricted to use as follows: to cover expenses directly incurred by the City for legal counsel, engineering reports, and other costs associated with the zoning, annexation, roadway construction, and railway development issues. Cash held in reserve is restricted in use for principal and interest payment on the Sales Tax Revenue Bonds of 2013 and Refunding Improvement Bonds of 2014 if collections of sales tax and special assessments are not sufficient to make the payment.

**NOTE 5 PROPERTY TAXES**

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on 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 6 DUE TO/DUE FROM OTHER FUNDS**

The due to and due from other funds consist of long-term loans between funds and not expected to be paid within one year. Interfund balances are as follows as of December 31, 2020:

<u>Fund</u>	<u>Due to Fund</u>	<u>Due from Fund</u>
<b>Governmental Funds</b>		
General	\$ 268,030	\$ -
Water, Sewer, and Lagoon	-	271,539
Water / Sewer Extension	-	3,230
Nonmajor Governmental	-	9,814
<b>Enterprise Funds</b>		
Water	-	72,244
Sewer	167,907	-
Garbage	-	79,110
Total all funds	<u>\$ 435,937</u>	<u>\$ 435,937</u>

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**NOTE 7 LONG-TERM DEBT**

Below is a summary of long-term debt owed by the City. This information is not included in the financial statements, as the financial statements are prepared on a cash basis.

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

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Sales Tax Revenue Bonds of 2013	\$ 300,000	\$ -	\$ 300,000	\$ -	\$ -
Refunding Improvement Bonds of 2014	<u>850,000</u>	<u>-</u>	<u>100,000</u>	<u>750,000</u>	<u>100,000</u>
Total	<u>\$1,150,000</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>\$ 750,000</u>	<u>\$ 100,000</u>

Long-term debt of the governmental activities at December 31, 2020 consisted of the following issues:

**Sales Tax Revenue Bonds of 2013**

\$400,000 sales tax revenue bonds series 2013 due in annual payments of \$20,000 through 2029 and \$25,000 annually through 2033. This bond was paid off early and the last payment on the bond occurred during the year. Interest payments are made semiannually in May and November with an annual interest rate of 2.85%.

The City is required to maintain a cash reserve in connection with the sales tax revenue bonds. The City is required to have an amount of at least the minimum of the following in reserve: 10% of the stated principal of the bond, the maximum annual principal and interest payment requirements of the bonds, or 125% of the average annual debt service requirements of the bond. As this bond was completely paid off during the year, there is currently no amount shown as cash and cash equivalents – restricted on the basic financial statements to meet this requirement.

**Refunding Improvement Bonds of 2014**

\$1,350,000 refunding improvement bonds due in annual payments ranging from \$95,000 to \$110,000 through 2028. Interest payments are made semiannually in May and November with an annual interest rate ranging from 0.50-4.00%.

The City is required to maintain a cash reserve in connection with the refunding improvement bonds revenue bonds. The City is required to have an amount of at least the minimum of the following in reserve: 10% of the stated principal of the bond, the maximum annual principal and interest payment requirements of the bonds, or 125% of the average annual debt service

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

requirements of the bond. There is currently \$106,766 shown as cash and cash equivalents – restricted on the basic financial statements to meet this requirement.

The principal maturities on debt for the years ending December 31<sup>st</sup> are as follows:

Year Ending December 31	Principal	Interest
2021	\$ 100,000	\$ 24,010
2022	95,000	22,010
2023	95,000	19,493
2024	95,000	16,975
2025	95,000	13,888
2026-2028	270,000	21,600
Total	\$ 750,000	\$ 117,976

**NOTE 8 NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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 provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The annual 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

**CITY OF RICHARDTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2020

the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of 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 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

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

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

At June 30, 2020, if City of Richardton were to report on the full accrual basis, a liability of \$279,776 for its proportionate share of the net pension liability would have been reported. 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 0.008893 percent. There were no deferred inflows or outflows of resources reported on the City's financial statements as they are reporting on the cash basis.

**Actuarial Assumptions**

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

Inflation	2.25%
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 Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
Global Real Assets	19%	5.01%

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**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 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director - NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

**NOTE 9 OTHER POST EMPLOYMENT BENEFITS**

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

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

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



**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

**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 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 June 30, 2020, if the City of Richardton were to report on the full accrual basis, a liability of \$7,239 would have been reported. The net OPEB liability was measured at 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 0.008605 percent. There were no deferred inflows or outflows of resources reported on the District's financial statements as they are reporting on the cash basis.

**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	3.50% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	36%	6.10%
Small 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 6.50%. 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.

**NOTE 10 RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of Richardton pays an annual premium to NDIRF for its general liability, auto, and equipment insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability.

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2020**

The City of Richardton also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$119,900 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City of Richardton has workers compensation with the Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance for its full time employee.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

**NOTE 11 FUND BALANCES**

At December 31, 2020, a summary of the governmental fund balance classifications is as follows:

	General	Street	Water, Sewer, and Lagoon	Business Enhancement	Water/Sewer Extension	Total
Restricted for:						
Debt service	\$ -	\$ -	\$ 368,257	\$ -	\$ 248,753	\$ 617,010
Street	-	48,163	-	-	-	48,163
Business enhancement	-	-	-	58,679	-	58,679
Haliburton related expenses*	103,275	-	-	-	-	103,275
Unassigned	1,147,798	-	-	-	-	1,147,798
	<u>\$ 1,251,073</u>	<u>\$ 48,163</u>	<u>\$ 368,257</u>	<u>\$ 58,679</u>	<u>\$ 248,753</u>	<u>\$ 1,974,925</u>

\* See Note 4 for further information regarding amounts restricted for Haliburton related expenses.

**NOTE 12 EXCESS OF EXPENDITURES OVER BUDGET**

The following funds had expenditures in excess of budget for the year ended December 31, 2020:

- General Fund (\$410,162)

**NOTE 13 SUBSEQUENT EVENTS**

In March 2022, the City entered into a contract for street repairs. The total amount of the contact was \$5.9 million.

In June 2022, the City issued a certificate of indebtedness for \$2.8 million. Interest on the certificate is at variable rate equal to the one-month Federal Home Loan Bank of Des Moines Fixed Advance Rate (adjusted each month), plus 1.40%. At no time shall the interest rate be less than 1.75% and the rate will not increase more than 1.00% per year.

Subsequent events have been evaluated through July 18, 2023, which is the date these financial statements were available to be issued.

**CITY OF RICHARDTON**  
**BUDGETARY COMPARISON SCHEDULE – CASH BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Original & Final Budget	Actual	Variance with Final Budget
<b>RECEIPTS</b>			
Taxes	\$ 125,000	\$ 398,177	\$ 273,177
Licenses, permits and fees	9,650	9,732	82
Intergovernmental	47,850	42,642	(5,208)
Interest income	36,500	12,320	(24,180)
Miscellaneous	3,300	25,172	21,872
	<u>222,300</u>	<u>488,043</u>	<u>265,743</u>
<b>DISBURSEMENTS</b>			
Current:			
General government	334,600	454,889	(120,289)
Public safety	16,000	-	16,000
Health and welfare	127,900	-	127,900
Culture and recreation	17,100	-	17,100
Capital improvements	-	565,343	(565,343)
Debt service:			
Principal retirement	-	150,000	(150,000)
Interest and fiscal charges	-	2,000	(2,000)
	<u>495,600</u>	<u>1,172,232</u>	<u>(676,632)</u>
Excess of receipts and other sources over disbursements	<u>\$ (273,300)</u>	(683,462)	<u>\$ (410,162)</u>
Fund balance - January 1		<u>1,934,535</u>	
Fund balance - December 31		<u>\$ 1,251,073</u>	

**CITY OF RICHARDTON**  
**COMBINING BALANCE SHEET – CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

	Street	Business Enhancement	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 41,716	\$ 55,312	\$ 97,028
Due from other funds	6,447	3,367	9,814
Total assets	\$ 48,163	\$ 58,679	\$ 106,842
 <b>FUND BALANCES</b>			
Restricted	48,163	58,679	106,842
Unassigned	-	-	-
Total fund balances	48,163	58,679	106,842
Total liabilities and fund balances	\$ 48,163	\$ 58,679	\$ 106,842

**CITY OF RICHARDTON**  
**COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND**  
**BALANCE – CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Street</u>	<u>Business Enhancement</u>	<u>Total</u>
<b>RECEIPTS</b>			
Taxes	\$ 37,442	\$ 7,936	\$ 45,378
Licenses, permits and fees	27,600	-	27,600
Miscellaneous	2,430	-	2,430
	<u>67,472</u>	<u>7,936</u>	<u>75,408</u>
<b>DISBURSEMENTS</b>			
Current:			
Public works	27,701	-	27,701
Culture and recreation	-	1,832	1,832
	<u>27,701</u>	<u>1,832</u>	<u>29,533</u>
Excess of receipts over (under) disbursements	39,771	6,104	45,875
Fund balance - January 1	8,392	52,575	60,967
Fund balance - December 31	<u>\$ 48,163</u>	<u>\$ 58,679</u>	<u>\$ 106,842</u>

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

To the City Commission  
City of Richardton  
Richardton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richardton, as of and for the year ended December 31, 2020, and the related notes to the financial statements which collectively comprise the City of Richardton's basic financial statements and have issued our report thereon dated July 18, 2023.

### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2020-001, 2020-002, 2020-003, that we consider to be material weaknesses.

## Compliance and Other Matters

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

## City of Richardton's Responses to Findings

City of Richardton's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Richardton's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## 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.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**BISMARCK, NORTH DAKOTA**

July 18, 2023



**CITY OF RICHARDTON**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**2020-001 Auditor Preparation of Financial Statements – Material Weakness**

Criteria

An appropriate system of internal control requires the entity to prepare financial statements in compliance with accounting principles generally accepted in the United States of America, as applied under the cash basis of accounting.

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the City currently does not prepare financial statements, including accompanying note disclosures, as required by the cash basis of accounting. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The City elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the City's financial statements.

Recommendation

We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The auditing firm will continue to prepare yearly financial statements. The City Auditor provides the Commission financial statements including Balance Sheets, Payroll Reports, Bank Reconciliation Reports, Expenditure Reports, and Revenue Reports, including budget details.

**CITY OF RICHARDTON**  
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2020

**2020-002 Segregation of Duties – Material Weakness**

Criteria

Generally, a system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

Size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

The areas should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the board.

Views of Responsible Officials and Planned Corrective Actions

We continue to have only one Employee in charge of all office duties, we have taken action to utilize Commissioners to assist in reviewing reports, including bank statements which are mailed directly from the banking institution to the Commissioners residence. Utility billing reports are reviewed at Commission meetings, including Profit and Loss details for garbage services.

**CITY OF RICHARDTON**  
SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2020

**2020-003** Journal Entries Proposed by Auditors – Material Weakness

Criteria

The City is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with the cash basis of accounting.

Condition

During our audit, adjusting journal entries were proposed in order to properly reflect the financial statements in accordance with the cash basis of accounting.

Cause

The City's internal controls have not been designed to address the specific training needs that are required to maintain the general ledger accounts on the cash basis of accounting.

Effect

An appropriate system of internal controls is not present to make a determination that the general ledger accounts are properly adjusted in compliance with the cash basis of accounting prior to the audit.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. We recommend that the City reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally.

Views of Responsible Officials and Planned Corrective Actions

Adjustments will continue to be made by the auditing firm, when necessary. Periodic adjusting entries made by the City Auditor will be recorded and presented for review, to the auditing firm.