

**CITY OF RIVERDALE
RIVERDALE, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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CITY OF RIVERDALE
CITY OFFICIALS
DECEMBER 31, 2020

Elected Officials

Ken Skuza	Mayor
Jerry Orth	President
Dick Cheatley	Vice President
Garth Zimbelman	Council Member
Jonna Taylor	Council Member

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Riverdale
Riverdale, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Riverdale, 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 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Riverdale, North Dakota, as of December 31, 2020, and, the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 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 modified cash basis financial statements that collectively comprise the City of Riverdale's basic financial statements. The combining fund schedules and budgetary comparison schedule are presented for purposes of additional analysis and are not required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining fund schedules, budgetary comparison schedule, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 combining fund schedules, budgetary schedule, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The listing of city officials has not been subjected to 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2022, on our consideration of the City of Riverdale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Riverdale's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Riverdale's internal controls over financial reporting and compliance.



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

March 7, 2022

CITY OF RIVERDALE
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,115,607	\$ 535,617	\$ 1,651,224
Interfund balances	(621,180)	621,180	-
Capital assets, not being depreciated:			
Construction in progress	-	1,382,834	1,382,834
Capital assets (net of depreciation)	2,916,914	9,026,877	11,943,791
Total assets	<u>3,411,341</u>	<u>11,566,508</u>	<u>14,977,849</u>
LIABILITIES			
Current liabilities:			
Payroll related liabilities	2,470	-	2,470
Loans payable - current portion	-	38,000	38,000
Revenue bonds payable - current portion	25,000	-	25,000
Total current liabilities	<u>27,470</u>	<u>38,000</u>	<u>65,470</u>
Noncurrent liabilities:			
Loans payable - noncurrent portion	-	165,000	165,000
Revenue bonds payable - noncurrent portion	420,576	-	420,576
Total noncurrent liabilities	<u>420,576</u>	<u>165,000</u>	<u>585,576</u>
Total liabilities	<u>448,046</u>	<u>203,000</u>	<u>651,046</u>
NET POSITION			
Net investment in capital assets	2,471,338	10,206,711	12,678,049
Restricted for:			
Public safety	55,354	-	55,354
Debt service	25	-	25
Economic development and assistance	1,203	-	1,203
Unrestricted	<u>435,375</u>	<u>1,156,797</u>	<u>1,592,172</u>
Total net position	<u>\$ 2,963,295</u>	<u>\$ 11,363,508</u>	<u>\$ 14,326,803</u>

See Notes to Financial Statements

CITY OF RIVERDALE
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for	Operating	Capital	Governmental	Business-type	Total
		Services	Grants and Contributions	Grants and Contributions			
Governmental activities:							
General government	\$ 74,542	\$ 29,627	\$ -	\$ -	\$ (44,915)		\$ (44,915)
Public safety	89,403	-	-	-	(89,403)		(89,403)
Public works	95,445	-	-	-	(95,445)		(95,445)
Culture and recreation	3,408	-	-	-	(3,408)		(3,408)
Economic development and assistance	18,214	-	-	-	(18,214)		(18,214)
Unallocated depreciation	143,579	-	-	-	(143,579)		(143,579)
Total governmental activities	424,591	29,627	-	-	(394,964)		(394,964)
Business-type activities:							
Water, sewer and garbage	210,424	284,312	-	-		\$ 73,888	73,888
Electrical	240,610	353,287	-	-		112,677	112,677
Campground	27,826	79,025	-	-		51,199	51,199
Water treatment facility	468,260	195,736	50,374	-		(222,150)	(222,150)
Total business-type activities	947,120	912,360	50,374	-		15,614	15,614
Total primary government	\$ 1,371,711	\$ 941,987	\$ 50,374	\$ -	(394,964)	15,614	(379,350)
<u>General Revenues</u>							
					105,679	-	105,679
					12,020	-	12,020
					49,832	-	49,832
					16,091	-	16,091
					6,120	-	6,120
					20,875	22,711	43,586
					917,016	-	917,016
					(1,004,755)	1,004,755	-
Total general revenues and transfers					122,878	1,027,466	1,150,344
Change in net position					(272,086)	1,043,080	770,994
Net position - beginning of year					3,235,381	10,320,428	13,555,809
Net position - end of year					\$ 2,963,295	\$ 11,363,508	\$ 14,326,803

See Notes to Financial Statements

CITY OF RIVERDALE
BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
DECEMBER 31, 2020

	<u>General</u>	<u>Water Tower Project</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$1,115,582	\$ 25	\$ -	\$ 1,115,607
Due from other funds	-	-	81,823	81,823
Total assets	<u>\$1,115,582</u>	<u>\$ 25</u>	<u>\$ 81,823</u>	<u>\$ 1,197,430</u>
LIABILITIES				
Payroll related liabilities	\$ 2,470	\$ -	\$ -	\$ 2,470
Due to other funds	703,003	-	-	703,003
Total liabilities	<u>705,473</u>	<u>-</u>	<u>-</u>	<u>705,473</u>
FUND BALANCES				
Restricted for:				
Public safety	-	-	55,354	55,354
Debt service	-	25	-	25
Economic development and assistance	-	-	1,203	1,203
Tourism and visitor enhancement	-	-	25,266	25,266
Unassigned	410,109	-	-	410,109
Total fund balances	<u>410,109</u>	<u>25</u>	<u>81,823</u>	<u>491,957</u>
Total liabilities and fund balance	<u>\$1,115,582</u>	<u>\$ 25</u>	<u>\$ 81,823</u>	<u>\$ 1,197,430</u>

See Notes to Financial Statements

CITY OF RIVERDALE
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2020

Total fund balances for governmental funds		\$ 491,957
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital assets	3,204,073	
Less accumulated depreciation	<u>(287,159)</u>	
Total capital assets		<u>2,916,914</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Revenue bonds payable		<u>(445,576)</u>
Total net position of governmental activities		<u><u>\$ 2,963,295</u></u>

See Notes to Financial Statements

CITY OF RIVERDALE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General</u>	<u>Water Tower</u>	<u>Total Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 89,072	\$ -	\$ 32,698	\$ 121,770
Licenses and permits	7,383	-	-	7,383
Intergovernmental	49,832	-	-	49,832
Charges for services	3,038	-	-	3,038
Fines and forfeits	345	-	-	345
Special assessments	12,020	-	-	12,020
Interest	6,120	-	-	6,120
Rent	18,861	-	-	18,861
Miscellaneous	20,875	-	-	20,875
Total revenues	<u>207,546</u>	<u>-</u>	<u>32,698</u>	<u>240,244</u>
EXPENDITURES				
Current:				
General government	74,542	-	-	74,542
Public safety	19,581	-	69,822	89,403
Public works	95,445	-	-	95,445
Culture and recreation	3,408	-	-	3,408
Economic development and assistance	-	-	630	630
Debt service:				
Principal	-	20,242	-	20,242
Interest	-	-	17,584	17,584
Capital outlay	45,700	-	-	45,700
Total expenditures	<u>238,676</u>	<u>20,242</u>	<u>88,036</u>	<u>346,954</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>(31,130)</u>	<u>(20,242)</u>	<u>(55,338)</u>	<u>(106,710)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	1,222,697	-	1,222,697
Transfers in	65,700	20,242	132,000	217,942
Transfers out	-	(1,222,697)	-	(1,222,697)
Total other financing sources and uses	<u>65,700</u>	<u>20,242</u>	<u>132,000</u>	<u>217,942</u>
Net change in fund balances	34,570	-	76,662	111,232
Fund Balances - beginning of year	<u>375,539</u>	<u>25</u>	<u>5,161</u>	<u>380,725</u>
Fund balances - end of year	<u>\$ 410,109</u>	<u>\$ 25</u>	<u>\$ 81,823</u>	<u>\$ 491,957</u>

See Notes to Financial Statements

CITY OF RIVERDALE
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Net change in fund balances-total governmental funds \$ 111,232

Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay	45,700	
Depreciation	(143,579)	
	(97,879)	(97,879)
Total		

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Forgiveness on revenue bonds	917,016	
Proceeds from issuance of bonds	(1,222,697)	
Payment on long term debt	20,242	
	(285,439)	

Change in net position of governmental activities \$ (272,086)

CITY OF RIVERDALE
STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
DECEMBER 31, 2020

	Business-type Activities - Enterprise Funds				
	Water, Sewer Garbage Utility	Electric Utility	Campground	Water Treatment Facility	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 535,617	\$ 535,617
Due from other funds	252,477	962,254	15,128	-	1,229,859
Total current assets	<u>252,477</u>	<u>962,254</u>	<u>15,128</u>	<u>535,617</u>	<u>1,765,476</u>
Noncurrent assets:					
Buildings and infrastructure (net of depreciation)	928,375	434,216	-	7,509,386	8,871,977
Machinery and equipment (net of depreciation)	7,143	6,208	-	141,549	154,900
Construction in progress	-	-	-	1,382,834	1,382,834
Total noncurrent assets	<u>935,518</u>	<u>440,424</u>	<u>-</u>	<u>9,033,769</u>	<u>10,409,711</u>
Total assets	<u>1,187,995</u>	<u>1,402,678</u>	<u>15,128</u>	<u>9,569,386</u>	<u>12,175,187</u>
LIABILITIES					
Current liabilities:					
Due to other funds	-	-	-	608,679	608,679
Loans payable - current portion	38,000	-	-	-	38,000
Total current liabilities	<u>38,000</u>	<u>-</u>	<u>-</u>	<u>608,679</u>	<u>646,679</u>
Noncurrent liabilities:					
Loans payable - noncurrent portion	165,000	-	-	-	165,000
Total liabilities	<u>203,000</u>	<u>-</u>	<u>-</u>	<u>608,679</u>	<u>811,679</u>
NET POSITION					
Unrestricted	<u>\$ 984,995</u>	<u>\$ 1,402,678</u>	<u>\$ 15,128</u>	<u>\$ 8,960,707</u>	<u>\$ 11,363,508</u>

See Notes to Financial Statements

CITY OF RIVERDALE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-type Activities - Enterprise Funds				
	Water, Sewer, Garbage Utility	Electric Utility	Campground	Water Treatment Facility	Total
Operating revenues:					
Charges for services	\$ 284,312	\$ 353,287	\$ 79,025	\$ 195,736	\$ 912,360
Operating grants and contributions	-	-	-	50,374	50,374
Miscellaneous	10,508	12,203	-	-	22,711
Total operating revenues	294,820	365,490	79,025	246,110	985,445
Operating Expenses:					
Salaries and benefits	15,322	6,451	5,697	39,607	67,077
Utility purchases	77,582	179,536	19,112	25,235	301,465
Materials and supplies	6,472	3,025	1,363	57,754	68,614
Contracted services	65,280	32,187	-	37,335	134,802
Repairs and maintenance	-	-	1,400	-	1,400
Insurance	-	1,617	-	8,157	9,774
Depreciation	34,585	16,749	-	296,502	347,836
Miscellaneous	2,319	1,045	254	3,670	7,288
Total operating expenses	201,560	240,610	27,826	468,260	938,256
Operating income (loss)	93,260	124,880	51,199	(222,150)	47,189
Nonoperating revenues (expenses):					
Interest	(8,864)	-	-	-	(8,864)
Income (loss) before transfers	84,396	124,880	51,199	(222,150)	38,325
Transfers in	200,000	-	-	1,222,697	1,422,697
Transfers out	(20,242)	-	(397,700)	-	(417,942)
Change in net position	264,154	124,880	(346,501)	1,000,547	1,043,080
Net position - beginning of year	720,841	1,277,798	361,629	7,960,160	10,320,428
Net position - end of year	\$ 984,995	\$ 1,402,678	\$ 15,128	\$ 8,960,707	\$ 11,363,508

See Notes to Financial Statements

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

	Business-type Activities - Enterprise Funds				
	Water, Sewer Garbage Utility	Electric Utility	Campground	Water Treatment Facility	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 284,312	\$ 353,287	\$ 79,025	\$ 195,736	\$ 912,360
Receipts from operating grants	-	-	-	50,374	50,374
Other net miscellaneous receipts and disbursements	8,189	11,158	(254)	(3,670)	15,423
Payments to employees	(15,322)	(6,451)	(5,697)	(39,607)	(67,077)
Payments to suppliers	(149,334)	(216,365)	(21,875)	(128,481)	(516,055)
Net cash provided (used) by operating activities:	<u>127,845</u>	<u>141,629</u>	<u>51,199</u>	<u>74,352</u>	<u>395,025</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Interest on long term debt	(8,864)	-	-	-	(8,864)
Transfers in (out)	179,758	-	(397,700)	1,222,697	1,004,755
Increase (decrease) in interfund balances	(260,739)	(132,938)	346,501	47,278	102
Net cash provided (used) by noncapital and related financing activities:	<u>(89,845)</u>	<u>(132,938)</u>	<u>(51,199)</u>	<u>1,269,975</u>	<u>995,993</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of property and equipment	-	(8,691)	-	(1,420,865)	(1,429,556)
Principal payments on debt	(38,000)	-	-	-	(38,000)
Net cash provided (used) by capital and related financing activities:	<u>(38,000)</u>	<u>(8,691)</u>	<u>-</u>	<u>(1,420,865)</u>	<u>(1,467,556)</u>
Net increase (decrease) in cash and cash equivalents	-	-	-	(76,538)	(76,538)
Cash and cash equivalents - January 1	-	-	-	612,155	612,155
Cash and cash equivalents - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 535,617</u>	<u>\$ 535,617</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 93,260	\$ 124,880	\$ 51,199	\$ (222,150)	\$ 47,189
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:					
Depreciation	34,585	16,749	-	296,502	347,836
Net cash provided (used) by operating activities	<u>\$ 127,845</u>	<u>\$ 141,629</u>	<u>\$ 51,199</u>	<u>\$ 74,352</u>	<u>\$ 395,025</u>

See Notes to Financial Statements

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DESCRIPTION OF THE CITY

The City of Riverdale operates under a City Council form of government. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The City's significant accounting policies are as described below.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Financial Reporting Entity

For financial reporting purposes, the City has included all funds and activities that make up its legal entity. The City has also included all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion 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.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units. The City has not identified any entities to be presented as component units of the City.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the reporting entity, except for fiduciary funds. The statements distinguish between governmental activities, which are normally financed through taxes and intergovernmental revenues, and business-type activities, which are normally financed in whole or in part by fees and charges for services.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

services offered by the program, operating grants and contributions, and capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designated to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- 1) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- 2) Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column in the fund financial statements.

Fund Accounting

The City uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. There are three categories of funds: governmental, proprietary, and fiduciary. The funds of the financial entity are described below:

Governmental Funds

General fund - The general fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital project funds - Capital project funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds and trust funds).

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

Debt service funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. The City does not report any debt service funds.

Major Funds

The funds are further classified as major or non-major. The City reports the following major funds:

Governmental

General fund as described above.

Water Tower, a capital projects fund, is used to account for the accumulation of resources and expenditures for the construction of the water tower.

Proprietary

Enterprise funds - Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following major enterprise funds.

Water, Sewer, and Garbage Utility is used to account for water, sewer, and garbage services provided to the residents of the City.

Electric Utility is used to account for electric services provided to the residents of the City.

Campground is used to account for the activities of the campground owned by the City.

Water Treatment Facility is used to account for water treatment services provided to the residents of the City.

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

Government-wide financial statements

In the government-wide financial statements, both the governmental and business-type activities are prepared using the economic resources measurement focus within the limitations of the modified cash basis of accounting.

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

Fund financial statements

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

All governmental funds and fiduciary funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current 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.

The proprietary funds use an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

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 modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for long term debt, capital assets and depreciation 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 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), deferred outflows, 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), and deferred inflows are not recorded in these financial statements. In addition, the City has elected to show all capital assets at insured values. Under the modified cash basis of accounting, economic development loans are recorded as expenditures when advanced and collections on the notes receivables are recorded as income when received.

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.

Budgets and Budgetary Accounting

The City Council follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year.

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

The governing board reviews the preliminary budget, may make revisions, and approves it on or before September 10. On or about 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 must be filed with the county auditor by October 10.

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 10.

Except as provided by North Dakota Century Code, the balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

The City prepares its budget and reports governmental funds on the same basis of accounting.

Cash and Cash Equivalents

The City considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Interfund Balances

Interfund receivables and payables have been eliminated from the statement of net position, except for the residual amounts due between governmental and business-type activities are reported in the government-wide financial statements as “internal balances”.

Capital Assets

Capital assets, which include infrastructure, buildings, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All governmental and business-type capital assets in service as of December 31, 2020 are recorded at insured values. The assets are updated for additions and retirements during the City’s fiscal year. Improvements that significantly extend the useful life of the asset are also capitalized. Donated capital assets are recorded at acquisition 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 asset lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Building and Infrastructure	30
Machinery and Equipment	5

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements. In the fund financial statements, governmental fund types recognize bond discounts during the current period.

Net Position and Fund Balance Classifications

Government-wide Financial Statements

Fund balance/net position is classified as net position and displayed in three components:

- 1) 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 improvements of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or b) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of net investment in capital assets or restricted.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

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.

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

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. Management of the City has 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.

Interfund Transactions

In the process of aggregating the financial information for the government-wide statement of net position and statement of activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

- 1) Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables. Advance to and advance from represent noncurrent interfund receivables and payables.
- 2) Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
- 3) Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
- 4) Interfund transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

- 1) Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.
- 2) Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers. The effects of interfund services between funds, if any, are not eliminated in the statement of activities.

Property Taxes

All real estate is assessed as of the current value in April of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1st of the year following the assessment date.

A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15th. Penalty and interest are added on March 1st if the first half of the taxes is not paid. Additional penalty and interest are added on a quarterly basis to those taxes that are not paid.

Taxes are collected by the county and remitted monthly to the City.

Insurance Recoveries

Insurance recoveries are classified under miscellaneous revenue in the fund financial statements. These amounts are factored into gain/loss on the disposal of capital assets on the government wide financial statements, which is included in general government expenses on the statement of activities.

Use of Estimates

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

NOTE 3 DEPOSITS

In accordance with North Dakota statutes, the City maintains deposits at 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.

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

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 agreement 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 deposits 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.

Custodial Credit Risk

This is the risk that, in the event a financial institution fails, a government is unable to recover the value of its deposits, investments, or collateralized securities in the possession of the institution.

The City maintains cash on deposit at various financial institutions. 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 pledged collateral through local financial institutions. \$435,172 of the City's deposits are covered by pledged securities held in the City's name. The total securities pledged exceed 110% of the uninsured balance. In addition, the City has \$970,148 of deposits with the Bank of North Dakota. These deposits are guaranteed by the State of North Dakota through North Dakota Century Code 6-09-10.

Concentration of Credit Risk:

The City does not have a limit on the amount the City may invest in any one issuer. The City has no formal investment policy.

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

NOTE 4 INTERFUND ACCOUNTS AND TRANSFERS

Interfund balances at December 31, 2020, consist of the following:

<u>Fund</u>	<u>Due To</u>	<u>Due From</u>
General	\$ 703,003	\$ -
Non-Major Governmental	-	81,823
Water/Sewer/Garbage	-	252,477
Electrical	-	962,254
Campground	-	15,128
Water Treatment Facility	608,679	-
	<u>\$ 1,311,682</u>	<u>\$ 1,311,682</u>

These balances are a result of when a fund has a cash deficit. The interfund balances will be repaid in future years as cash flow permits.

Interfund Transfers

A summary of interfund transfers for the fiscal year ended December 31, 2020, follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 65,700	\$ -
Water Tower	20,242	1,222,697
Non-Major Governmental	132,000	-
Water/Sewer/Garbage	200,000	20,242
Campground	-	397,700
Water Treatment Facility	1,222,697	-
	<u>\$ 1,640,639</u>	<u>\$ 1,640,639</u>

Transfers were to cover costs related to the construction of the water and sewer system project and reimbursements for prior construction costs covered by the general fund.

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

NOTE 5 CAPITAL ASSETS

The following is a summary of capital assets during the fiscal year ended December 31, 2020:

	Balance 1/1/20	Additions	Deletions	Balance 12/31/20
Governmental Activities				
Capital assets being depreciated:				
Machinery & Equipment	\$ 290,086	\$ 45,700	\$ -	\$ 335,786
Buildings & Infrastructure	2,868,287	-	-	2,868,287
Total capital assets being depreciated	<u>3,158,373</u>	<u>45,700</u>	<u>-</u>	<u>3,204,073</u>
Less accumulated depreciation:				
Machinery & Equipment	47,970	47,970	-	95,940
Buildings & Infrastructure	95,610	95,609	-	191,219
Total accumulated depreciation	<u>143,580</u>	<u>143,579</u>	<u>-</u>	<u>287,159</u>
Total capital assets being depreciated, net	<u>3,014,793</u>	<u>(97,879)</u>	<u>-</u>	<u>2,916,914</u>
Net Capital Assets	<u>\$ 3,014,793</u>	<u>\$ (97,879)</u>	<u>\$ -</u>	<u>\$ 2,916,914</u>
	Balance 1/1/20	Additions	Deletions	Balance 12/31/20
Business-type Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 160,137	\$1,222,697	\$ -	\$ 1,382,834
Capital assets being depreciated:				
Machinery & Equipment	10,000	206,859	-	216,859
Buildings & Infrastructure	9,505,690	-	-	9,505,690
Total capital assets being depreciated	<u>9,515,690</u>	<u>206,859</u>	<u>-</u>	<u>9,722,549</u>
Less accumulated depreciation:				
Machinery & Equipment	30,980	30,979	-	61,959
Buildings & Infrastructure	316,856	316,857	-	633,713
Total accumulated depreciation	<u>347,836</u>	<u>347,836</u>	<u>-</u>	<u>695,672</u>
Total capital assets being depreciated, net	<u>9,167,854</u>	<u>(140,977)</u>	<u>-</u>	<u>9,026,877</u>
Net Capital Assets	<u>\$ 9,327,991</u>	<u>\$1,081,720</u>	<u>\$ -</u>	<u>\$10,409,711</u>

The City recognized unallocated depreciation expense of \$143,579 for the year ended December 31, 2020.

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

Depreciation expense was charged to business-type activities of the City as follows:

Business-type Activities:	
Water, Sewer, Garbage Utility	\$ 34,585
Electrical Utility	16,749
Water Treatment Facility	<u>296,502</u>
Total Business-type Activities Depreciation Expense	<u>\$ 347,836</u>

NOTE 6 LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City of Riverdale for the year ended December 31, 2020:

<u>Governmental Activities</u>	<u>Balance 1/1/20</u>	<u>Additions</u>	<u>Payments</u>	<u>Loan Forgiveness</u>	<u>Balance 12/31/20</u>	<u>Due Within One Year</u>
Revenue bonds payable	<u>\$ 160,137</u>	<u>\$ 1,222,697</u>	<u>\$ (20,242)</u>	<u>\$ (917,016)</u>	<u>\$ 445,576</u>	<u>\$ 25,000</u>
<u>Business-type Activities</u>						
Notes payable	<u>\$ 241,000</u>	<u>\$ -</u>	<u>\$ (38,000)</u>	<u>\$ (38,000)</u>	<u>\$ 203,000</u>	<u>\$ 38,000</u>

Long term debt at December 31, 2020 consists of the following individual issues:

Governmental Activities

\$670,000 Revenue Bonds of 2019 (Water Tower Project) due in annual principal installments of \$25,000 to \$40,000 through September 1, 2040; semi-annual interest payments with interest rate of 1.50%. Paid by the General fund. \$ 445,576

Enterprise Activities

\$449,000 Revenue Bonds of 2006 (Water Tower Project), due in annual principal installments of \$33,000 to \$42,000 through September 1, 2025; semi-annual interest payments with interest rate of 2.50%. Paid by the Water/Sewer/Garbage fund. 203,000

\$ 648,576

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

The future expected requirements to amortize long term debt, including interest, as of December 31, 2020 are as follows:

Year Ending December 31	Governmental		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 25,000	\$ 576	\$ 38,000	\$ 5,075
2022	19,180	6,396	40,000	4,125
2023	19,472	6,104	41,000	3,125
2024	19,768	5,808	42,000	2,100
2025	20,053	5,523	42,000	1,050
2026-2030	105,000	22,880	-	-
2031-2035	113,235	14,646	-	-
2036-2040	123,868	5,765	-	-
	<u>\$445,576</u>	<u>\$67,698</u>	<u>\$ 203,000</u>	<u>\$ 15,475</u>

NOTE 7 RISK MANAGEMENT

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

In 1986, the state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of Riverdale pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of \$1,000,000 per occurrence for general liability. The City of Riverdale 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 \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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 8 COMMITMENT

The City entered into a contract for the water tower project. The total cost of the project was \$1.6 million with \$1.38 million paid on the contract as of December 31, 2020.

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

NOTE 9 RECENT PRONOUNCEMENTS

The City will implement the following recent pronouncements for fiscal years ending after 2020:

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended,

CITY OF RIVERDALE
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2020

should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the City's financial statements.

NOTE 10 SUBSEQUENT EVENTS

No significant events occurred subsequent to the City's year end. Subsequent events have been evaluated through March 7, 2022, which is the date these financial statements were available to be issued.

CITY OF RIVERDALE
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ -	\$ 84,000	\$ 89,072	\$ 5,072
Licenses and permits	6,300	6,300	7,383	1,083
Intergovernmental	45,500	45,500	49,832	4,332
Charges for services	-	-	3,038	3,038
Fines and forfeits	500	500	345	(155)
Special assessments	-	-	12,020	12,020
Interest	500	500	6,120	5,620
Rent	17,500	17,500	18,861	1,361
Miscellaneous	7,500	7,500	20,875	13,375
	<u>77,800</u>	<u>161,800</u>	<u>207,546</u>	<u>45,746</u>
Total revenues				
EXPENDITURES				
Current:				
General government	136,000	136,000	74,542	61,458
Public safety	17,500	17,500	19,581	(2,081)
Public works	97,750	97,750	95,445	2,305
Culture and recreation	-	-	3,408	(3,408)
Capital outlay	-	-	45,700	(45,700)
	<u>251,250</u>	<u>251,250</u>	<u>238,676</u>	<u>12,574</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(173,450)</u>	<u>(89,450)</u>	<u>(31,130)</u>	<u>58,320</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>65,700</u>	<u>65,700</u>
Net change in fund balance	<u>\$ (173,450)</u>	<u>\$ (89,450)</u>	<u>34,570</u>	<u>\$ 124,020</u>
Fund balance - beginning of year			<u>375,539</u>	
Fund balance - end of year			<u>\$ 410,109</u>	

CITY OF RIVERDALE
COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS –
MODIFIED CASH BASIS
DECEMBER 31, 2020

	<u>Highway Fund</u>	<u>Occupancy Fund</u>	<u>Restaurant/ Lodging Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
ASSETS				
Due from other funds	\$ 55,354	\$ 1,203	\$ 25,266	\$ 81,823
Total assets	<u>\$ 55,354</u>	<u>\$ 1,203</u>	<u>\$ 25,266</u>	<u>\$ 81,823</u>
FUND BALANCES				
Restricted for:				
Public safety	\$ 55,354	\$ -	\$ -	\$ 55,354
Economic development and assistance	-	1,203	-	1,203
Tourism and visitor enhancement	-	-	25,266	25,266
Total fund balances	<u>\$ 55,354</u>	<u>\$ 1,203</u>	<u>\$ 25,266</u>	<u>\$ 81,823</u>

CITY OF RIVERDALE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – NONMAJOR SPECIAL REVENUE FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Highway Fund</u>	<u>Occupancy Fund</u>	<u>Restaurant/ Lodging Fund</u>	<u>Total Non-Major Special Revenue Funds</u>
REVENUES				
Taxes	\$ 16,091	\$ 2,946	\$ 13,661	\$ 32,698
EXPENDITURES				
Current:				
Public safety	69,822	-	-	69,822
Economic development and assistance	-	-	630	630
Interest expense	-	-	17,584	17,584
Total expenditures	<u>69,822</u>	<u>-</u>	<u>18,214</u>	<u>88,036</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,731)</u>	<u>2,946</u>	<u>(4,553)</u>	<u>(55,338)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>132,000</u>	<u>-</u>	<u>-</u>	<u>132,000</u>
Total other financing sources and uses	<u>132,000</u>	<u>-</u>	<u>-</u>	<u>132,000</u>
Net change in fund balances	78,269	2,946	(4,553)	76,662
Fund balances - January 1	<u>(22,915)</u>	<u>(1,743)</u>	<u>29,819</u>	<u>5,161</u>
Fund Balances - December 31	<u>\$ 55,354</u>	<u>\$ 1,203</u>	<u>\$ 25,266</u>	<u>\$ 81,823</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 Council
City of Riverdale
Riverdale, North Dakota

We have audited, 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, the modified cash basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Riverdale, as of and for the year ended December 31, 2020, and the related notes to the modified cash basis financial statements, which collectively comprise City of Riverdale's basic financial statements, and have issued our report thereon dated March 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the modified cash basis financial statements, we considered City of Riverdale'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Riverdale's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Riverdale'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 were not 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 the deficiencies described in the accompanying schedule of findings and questioned costs as 2020-001 through 2020-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or 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 the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-004 and 2020-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Riverdale'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

City's Responses to Findings

The City of Riverdale's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Riverdale's responses were not subjected to the auditing procedures applied in the audit of the modified cash basis 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 result 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

March 7, 2022

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

To the City Council
City of Riverdale
Riverdale, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Riverdale's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Riverdale's major federal program for the year ended December 31, 2020. The City of Riverdale's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis of our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Riverdale's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Riverdale complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-006, that we consider to be a material weakness.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no such opinion on the response.

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



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

March 7, 2022

CITY OF RIVERDALE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Pass-Through Entity Identifying Number	Federal CFDA Number	Expenditures
ENVIRONMENTAL PROTECTION AGENCY			
Passed through ND Public Finance Authority:			
Drinking Water State Revolving Fund Cluster:			
Capitalization Grants for Drinking Water			
State Revolving Funds	2800825-02	66.468	\$ 1,222,697
Total Federal Expenditures			\$ 1,222,697

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the schedule) are reported on the modified cash basis of accounting. Such expenditures are recognized following Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 2 INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The accompanying schedule includes the federal award activity of City of Riverdale under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Riverdale, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Riverdale.

CITY OF RIVERDALE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? x yes no
 Significant deficiency(ies) identified? x yes none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? x yes no
 Significant deficiency(ies) identified? yes x none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)? x yes no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Drinking Water State Revolving Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? yes x no

CITY OF RIVERDALE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

2020-001: Preparation of Financial Statements and Statement of Expenditures of Federal Awards – Material Weakness

Criteria

An appropriate system of internal controls requires that the City's personnel to maintain a working knowledge of current accounting principles and required financial statement disclosures. Proper controls over financial reporting include the ability to prepare the schedule of expenditures of federal awards and accompanying notes to the schedule of expenditures of federal awards that are materially correct.

Condition

The City has engaged its auditors to prepare the modified cash basis financial statements, the schedule of expenditures of federal awards and all disclosures.

Cause

The City elected to not allocate resources for the preparation of the modified cash basis financial statements and schedule of expenditures of federal awards.

Effect

There is an increased risk of material misstatement to the City's financial statements and schedule of expenditures of federal awards.

Recommendation

We recommend the City consider the additional risk of having the auditors assist in the preparation of the modified cash basis financial statements, the schedule of expenditures of federal awards and note disclosures and to consider preparing them in the future. As a compensating control, the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statements disclosure checklist.

Indication of Repeat Finding

This is a new finding.

Views of Responsible Officials and Planned Corrective Actions

Inclusion of federal awards in financial preparation and reporting by Hetletved CPA will be followed in the future.

CITY OF RIVERDALE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

2020-002: Proposition of Journal Entries – Material Weakness

Criteria

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

Condition

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

Cause

The City's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with the modified cash basis of accounting.

Effect

The City's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Indication of Repeat Finding

This is a new finding.

Views of Responsible Officials and Planned Corrective Actions

Hetletved CPA has been asked to assist in this matter.

CITY OF RIVERDALE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

2020-003: Water Tower Fund – Material Weakness

Criteria

All activities of the City are required to be accounted for either in the general fund, or its own fund if required.

Condition

The City is required to report a capital project fund for the Water Tower project. The activity for this fund is kept in a spreadsheet outside of the City's accounting records and is not included in the City's reporting.

Cause

The City was unaware that this fund should be tracked and reported in a separate fund within the City's accounting records.

Effect

There is an increased risk of noncompliance and/or fiscal misstatement.

Recommendation

We recommend the activities of the Water Tower fund be included as a capital projects fund of the City.

Indication of Repeat Finding

This is a new finding.

Views of Responsible Officials and Planned Corrective Actions

Inclusion of federal awards in financial preparation and reporting by Hetletved CPA will be followed in the future.

CITY OF RIVERDALE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

2020-004: Segregation of Duties – Significant Deficiency

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 are the causes of this significant deficiency.

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 City's current structure does not allow for proper segregation of duties to assure adequate internal control over financial reporting. The Council should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Indication of Repeat Finding

This is a new finding.

Views of Responsible Officials and Planned Corrective Actions

Due to the structure of a one-person office, utilizing Hetletved CPA for financial reporting will continue as a control to mitigate risk and oversee accounting principles.

CITY OF RIVERDALE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

2020-005: Timecard Approval – Significant Deficiency

Criteria

Proper internal controls over payroll related transactions include review and approval by individuals separate from those processing payroll.

Condition

During our testing, no support was available to verify time cards were approved prior to payment being made.

Cause

The City has procedures in place over payroll transactions that include the City Auditor sending time cards to the council for review and approval. However, the City was unable to provide support indicating approval was obtained prior to processing payment.

Effect

There is an increased risk of inaccurate or fraudulent payment made to employees.

Recommendation

We recommend the City maintain documentation of time sheets that show approval prior to payment.

Indication of Repeat Finding

This is a new finding.

Views of Responsible Officials and Planned Corrective Actions

A council member will begin approving employee time sheets and notify City Auditor of such prior to payroll being processed.

CITY OF RIVERDALE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2020-006: Procurement Policy – Material Weakness

CFDA #66.468 – Capitalization Grants for Drinking Water State Revolving Funds

Criteria

The City should have a formal written policy for procurement.

Condition

The City follows North Dakota Century Code and federal regulations, but does not have a formal policy for procurement.

Cause

There is no formal policy in place for procurement.

Effect

The City may not be in compliance with Uniform Guidance or North Dakota Century Code procurement policies.

Recommendation

The City should draft and the Council approve a procurement policy that compliance with North Dakota Century Code and the Uniform Guidance.

Indication of Repeat Finding

This is a new finding.

Questioned Costs

\$0

Views of Responsible Officials and Planned Corrective Actions

A procurement policy which complies with ND Century Code and Uniform Guidance will be drafted and implemented.

City of Riverdale

March 15, 2022

Brady, Martz & Associates P.C.
PO Box 1297
Bismarck ND 58502-1297

As requested, the City of Riverdale's Corrective Action Plan for each finding follows.

2020-001: Preparation of Financial Statements and Statement of Expenditures of Federal Awards – Material Weakness

An appropriate system of internal controls requires that the City's personnel maintain a working knowledge of current accounting principles and required financial statement disclosures. Proper controls over financial reporting include the ability to prepare the schedule of expenditure of federal awards and accompanying notes to the schedule of expenditures of federal awards that are materially correct.

Action: Inclusion of federal awards in financial preparation and reporting by Hetletved CPA will be followed in the future.

Del Kolke
March 15, 2022

2020-002: Proposition of Journal Entries – Material Weakness

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

Action: Hetletved CPA has been asked to assist in this matter.

e-mail
riverdale@westriv.com
website
www.riverdalenorthdakota.com

2020-003: Water Tower Fund – Material Weakness

All activities of the City are required to be accounted for either in the general fund, or its own fund if required.

Action: Inclusion of federal awards in financial preparation and reporting by Hetletved CPA will be followed in the future.

Del Kolke
March 15, 2022

2020-004: Segregation of Duties – Significant Deficiency

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

Action: Due to the structure of a one-person office, utilizing Hetletved CPA for financial reporting will continue as a control to mitigate risk and oversee accounting principles.

Del Kolke
March 15, 2022

2020-005: Timecard Approval – Significant Deficiency

Proper internal controls over payroll related transactions include review and approval by individuals separate from those processing payroll.

Action: A council member will begin approving employee time sheets and notify City Auditor of such prior to payroll being processed.

Del Kolke
March 15, 2022

2020-006: Procurement Policy – Material Weakness

The City should have a formal written policy for procurement.

Action: A procurement policy which complies with ND Century Code and Uniform Guidance will be drafted and implemented.

Del Kolke
June 2022

If further documentation is required, please feel free to reach out to me. Thanks!

Sincerely,

A handwritten signature in black ink that reads "Del Kolke". The signature is written in a cursive style with a large, prominent "D" at the beginning.

Del Kolke
City Auditor