

FINANCIAL STATEMENTS

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

For the Year Ended
DECEMBER 31, 2021

Prepared By

HURTT, MORTENSON & RYGH
Certified Public Accountants
PO Box 287
Park River, North Dakota 58270

CITY OF PARK RIVER
Park River, North Dakota
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CITY OF PARK RIVER
Park River, North Dakota
LIST OF OFFICIALS
December 31, 2021

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



INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Park River
Park River, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Park River, North Dakota, as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Park River, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Park River and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of account, 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Park River's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Park River's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Park River's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

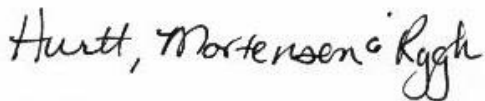
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Park River's basic financial statements. The budgetary comparison schedules and notes to the supplementary information are presented for purposes of additional analysis and are not a

required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the modified cash basis of accounting. In our opinion, the budgetary comparison schedules and notes to the supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2024 on our consideration of the City of Park River'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 Park River'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 Park River's internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

A handwritten signature in black ink that reads "Hurtt, Mortenson & Rygh". The signature is written in a cursive, flowing style.

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

May 23, 2024

BASIC FINANCIAL STATEMENTS

CITY OF PARK RIVER
Park River, North Dakota
Statement of Net Position – Modified Cash Basis
December 31, 2021

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing Authority	Airport
ASSETS:					
CURRENT ASSETS					
Cash & Cash Equivalents	\$ 2,292,322	\$ 1,976,291	\$ 4,268,613	\$ 5,585	\$ 14,684
Restricted Cash & Cash Equivalents	-	1,669,251	1,669,251	22,935	-
Due from Other Governments	25,415	-	25,415	-	-
Total Current Assets	2,317,737	3,645,541	5,963,278	28,520	14,684
CAPITAL ASSETS:					
Capital Assets net of Accumulated Depreciation	6,661,581	11,871,972	18,533,553	765,164	1,687,294
Total Capital Assets	6,661,581	11,871,972	18,533,553	765,164	1,687,294
OTHER ASSETS:					
Loans Receivable	141,271	-	141,271	-	-
Interfund Balances	(3,380)	3,380	(0)	-	-
Total Other Assets	137,891	3,380	141,271	-	-
Total Assets	\$ 9,117,209	\$ 15,520,893	\$ 24,638,102	\$ 793,684	\$ 1,701,978
LIABILITIES AND FUND BALANCE:					
CURRENT LIABILITIES					
Customer Deposits	\$ -	\$ 129,551	\$ 129,551	\$ -	\$ -
Current Maturity on Long Term Debt	501,625	381,511	883,136	22,930	-
Total Current Liabilities	501,625	511,062	1,012,687	22,930	-
NON CURRENT LIABILITIES					
Bonds Payable	4,974,688	4,394,186	9,368,874	873,991	-
Notes Payable	493,742	-	493,742	-	-
Less: Current Maturity on Long Term Debt	(501,625)	(381,511)	(883,136)	(22,930)	-
Total Non Current Liabilities	4,966,805	4,012,675	8,979,480	851,061	-
Total Liabilities	5,468,430	4,523,737	9,992,167	873,991	-
Net Position					
Net investment in capital assets	1,193,151	7,477,786	8,670,937	(108,827)	1,687,294
Restricted For:					
Debt Service	404,403	1,672,642	2,077,045	22,935	-
Capital Projects	1,178,732	-	1,178,732	-	-
Economic Development	596,414	-	596,414	-	-
Equipment Replacement	71,882	779,788	851,670	-	-
Special Revenue Funds	26,925	-	26,925	-	-
Unrestricted	177,273	1,066,940	1,244,213	5,585	14,684
Total Net Position	3,648,779	10,997,155	14,645,935	(80,308)	1,701,978
Total Liabilities & Net Position	\$ 9,117,209	\$ 15,520,893	\$ 24,638,102	\$ 793,684	\$ 1,701,978

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

CITY OF PARK RIVER
Park River, North Dakota
Statement of Activities – Modified Cash Basis
December 31, 2021

Functions/Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Change in Net Position				
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business Type Activities	Total	Housing Authority	Airport
Government Activities:									
General Government	\$ 131,361	\$ 15,090	\$ -	\$ -	\$ (116,271)	\$ -	\$ (116,271)		
Public Safety	213,752	-	-	-	(213,752)	-	(213,752)		
Streets and Public Works	581,906	495,512	80,290	-	(6,104)	-	(6,104)		
Public Service	18,762	-	6,809	-	(11,953)	-	(11,953)		
Parks and Recreation	57,674	59,963	-	-	2,289	-	2,289		
Economic Development	243,435	-	-	-	(243,435)	-	(243,435)		
Total Government Activities	1,246,889	570,566	87,098	-	(589,226)	-	(589,226)		
Business Type Activities:									
Electric	1,968,467	2,134,151	-	-	-	165,684	165,684		
Water	1,030,665	950,620	-	-	-	(80,045)	(80,045)		
Grabage	253,917	257,090	-	-	-	3,173	3,173		
Sewer	138,780	167,354	-	-	-	28,574	28,574		
Other	26,728	29,336	-	-	-	2,608	2,608		
Total Business Type Activities	3,418,557	3,538,551	-	-	-	119,994	119,994		
Total Primary Government	\$ 4,665,446	\$ 4,109,116	\$ 87,098	\$ -	\$ (589,226)	\$ 119,994	\$ (469,232)		
Component Units:									
Housing Authority	\$ 54,706	\$ 81,017	\$ -	\$ -				\$ 26,310	\$ -
Airport	105,956	-	-	53,906				-	(52,050)
Total Component Units	\$ 160,662	\$ 81,017	\$ -	\$ 53,906				\$ 26,310	\$ (52,050)
General Receipts:									
Taxes:									
Property taxes, levied for general purposes					\$ 278,458	\$ -	\$ 278,458	\$ -	\$ 10,238
Sales taxes					522,778	-	522,778	-	-
Federal & State Aid not restricted to special purposes					221,491	-	221,491	-	-
Earnings on Investments					3,385	10,999	14,384	-	4
Gain (Loss) on Sale of Assets					365	-	365	-	-
Other Receipts					21,606	-	21,606	-	10,183
Total General Receipts					1,048,083	10,999	1,059,082	-	20,425
Transfers - Net					165,000	(165,000)	-	-	-
Change in Net Position					623,857	(34,007)	589,850	26,310	(31,626)
Net Position - Beginning					3,025,180	10,974,391	13,999,570	(106,618)	1,733,604
Restatements					(261)	56,771	56,510	-	-
Net Position - Beginning as Restated					3,024,919	11,031,162	14,056,080	(106,618)	1,733,604
Net Position - Ending					\$ 3,648,779	\$ 10,997,156	\$ 14,645,930	\$ (80,308)	\$ 1,701,978

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

CITY OF PARK RIVER
Park River, North Dakota
Balance Sheet - Modified Cash Basis - Governmental Funds
December 31, 2021

	General Fund	1% Sales Tax Fund	Street Improv Dist 2021-1	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
ASSETS:						
CURRENT ASSETS						
Cash & Cash Equivalents	\$ 155,683	\$ 878,080	\$ 249,476	\$ 472,843	\$ 536,241	\$ 2,292,322
Interfund Receivable	9,912	-	-	-	-	9,912
Due from Other Governments	25,415	-	-	-	-	25,415
Total Current Assets	191,009	878,080	249,476	472,843	536,241	2,327,649
OTHER ASSETS						
Loan Receivable	-	141,271	-	-	-	141,271
Advances from Other Funds	-	102,969	-	-	-	102,969
Total Other Assets & Debits	-	244,240	-	-	-	244,240
Total Assets	\$ 191,009	\$ 1,122,319	\$ 249,476	\$ 472,843	\$ 536,241	\$ 2,571,888
LIABILITIES AND FUND BALANCE:						
CURRENT LIABILITIES						
Interfund Payable	\$ -	\$ -	\$ 9,912	\$ -	\$ 3,380	\$ 13,291
Total Current Liabilities	-	-	9,912	-	3,380	13,291
LONG-TERM LIABILITIES						
Advances to Other Funds	\$ -	\$ -	\$ -	\$ 102,969	\$ -	\$ 102,969
Total Long-Term Liabilities	-	-	-	102,969	-	102,969
Total Liabilities	-	-	9,912	102,969	3,380	116,260
FUND BALANCE						
Non-Spendable						
Loans Receivable	-	141,271	-	-	-	141,271
Restricted For						
Debt Service	-	-	27,671	369,874	6,858	404,403
Capital Projects	13,737	539,050	211,894	-	414,052	1,178,732
Economic Development	-	441,999	-	-	13,145	455,143
Equipment Replacement	-	-	-	-	71,882	71,882
Special Revenue Funds	-	-	-	-	26,925	26,925
Unassigned, Reported In:						
General Fund	177,273	-	-	-	-	177,273
Total Fund Balance	191,009	1,122,319	239,564	369,874	532,861	2,455,628
Total Liabilities & Fund Balance	\$ 191,009	\$ 1,122,319	\$ 249,476	\$ 472,843	\$ 536,241	\$ 2,571,888

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

CITY OF PARK RIVER
Park River, North Dakota
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position –
Modified Cash Basis
December 31, 2021

Total *Fund Balance* for Governmental Funds \$ 2,455,628

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

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

Cost of Capital Assets	8,156,252	
Less: Accumulated Depreciation	<u>(1,494,671)</u>	
Net Capital Assets		6,661,581

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

Bonds Payable	(4,974,688)	
Long Term Notes Payable	<u>(493,742)</u>	
Total Long-Term Liabilities		(5,468,430)

Total Net Position - Governmental Activities	<u>\$ 3,648,779</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Governmental Funds
December 31, 2021

	General Fund	1% Sales Tax Fund	Street Improv Dist 2021-1	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
Receipts:						
Property Tax	\$ 267,763	\$ -	\$ -	\$ -	\$ 10,695	\$ 278,458
Sales Tax	-	261,389	-	-	261,389	522,778
Special Assessments	-	-	34,636	460,876	-	495,512
Licenses & Permits	10,115	-	-	-	-	10,115
Intergovernmental Sources	361,744	-	-	-	6,809	368,553
Earnings on Investments	85	1,522	93	1,251	435	3,385
Other Sources	17,262	9,319	-	-	-	26,581
Total Receipts	\$ 656,969	\$ 272,230	\$ 34,729	\$ 462,126	\$ 279,328	\$ 1,705,382
Disbursements:						
Current:						
General Government	\$ 119,621	\$ -	\$ -	\$ -	\$ -	\$ 119,621
Public Safety	194,269	-	-	-	-	194,269
Streets and Public Works	201,060	-	9,912	-	-	210,971
Parks and Recreation	57,674	-	-	-	-	57,674
Public Service	1,916	-	-	-	16,846	18,762
Economic Development	-	8,167	-	-	-	8,167
Capital Outlay	25,999	147,661	1,977,178	5,000	365,727	2,521,564
Debt Service:						
Principal	-	81,310	1,067,500	286,904	44,224	1,479,938
Interest	-	3,390	25,311	70,501	13,084	112,286
Debt Issuance Costs	-	-	113,418	-	-	113,418
Total Disbursements	600,538	240,528	3,193,318	362,405	439,880	4,836,670
Excess Receipts over (under) Disbursements	56,430	31,702	(3,158,589)	99,721	(160,553)	(3,131,288)
Other Financing Sources (Uses):						
Sale of Capital Assets	365	-	-	-	-	365
Transfers In	103,380	-	-	-	175,000	278,380
Bond Proceeds	-	-	3,325,000	-	28,754	3,353,754
Bond Premium	-	-	73,154	-	-	73,154
Transfers Out	(60,000)	-	-	-	(53,380)	(113,380)
Total Other Financing Sources (Uses)	43,745	-	3,398,154	-	150,374	3,592,272
Net Change in Fund Balances	\$ 100,175	\$ 31,702	\$ 239,564	\$ 99,721	\$ (10,179)	\$ 460,984
Fund Balance - January 1	90,835	1,090,617	-	270,153	543,040	1,994,644
Fund Balance - December 31	\$ 191,009	\$ 1,122,319	\$ 239,564	\$ 369,874	\$ 532,861	\$ 2,455,628

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

CITY OF PARK RIVER
Park River, North Dakota
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balance to the Statement of Activities – Modified Cash Basis
December 31, 2021

Net change in *Fund Balance* - Total Governmental Funds \$ 460,984

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

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

Capital Asset Additions	2,286,296	
Current Year Depreciation Expense	<u>(249,607)</u>	2,036,689

Governmental funds report proceeds from issuance of bonds as financing sources. However, in the statement of activities bond proceeds are not recognized as they are recognized as an increase in debt on the statement of Net Position. This is the amount of bonds issued in the current year.

Debt Issued		
Special Assessment		
Refunding Bonds	(3,325,000)	
Loans Payable	<u>(28,754)</u>	(3,353,754)

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

Debt Repayments		
Bond Principal	1,435,714	
Loan Principal	<u>44,224</u>	1,479,938

Change in Governmental Activities		<u><u>\$ 623,857</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF PARK RIVER
Park River, North Dakota
Statement of Net Position – Modified Cash Basis - Proprietary Funds
December 31, 2021

	Electric Fund	Water Fund	Garbage Fund	Sewer Fund	Other Funds	Total Enterprise Funds
Assets						
Current Assets						
Cash & Equivalents	\$ 291,338	\$ 794,339	\$ 77,583	\$ 415,284	\$ 397,746	\$ 1,976,291
Restricted Cash & Equivalents	131,282	1,417,826	-	120,143	-	1,669,251
Due from Other Funds	-	16,081	-	-	-	16,081
Total Current Assets	422,620	2,228,246	77,583	535,426	397,746	3,661,622
Noncurrent Assets						
Capital Assets net of Accumulated Depreciation	1,017,479	10,277,772	-	576,721	-	11,871,972
Total Noncurrent Assets	1,017,479	10,277,772	-	576,721	-	11,871,972
Total Assets	\$ 1,440,099	\$ 12,506,019	\$ 77,583	\$ 1,112,147	\$ 397,746	\$ 15,533,594
Liabilities & Net Position:						
Current Liabilities						
Due to Other Funds	\$ -	\$ 12,701	\$ -	\$ (0)	\$ -	\$ 12,701
Customer Deposits	43,370	86,181	-	-	-	129,551
Current Portion of Long Term Debt	75,000	253,649	-	52,862	-	381,511
Total Current Liabilities	118,370	352,531	-	52,862	-	523,763
Non-Current Liabilities						
Bonds Payable	225,000	3,813,537	-	355,650	-	4,394,186
Less: Current Portion of Long Term Debt	(75,000)	(253,649)	-	(52,862)	-	(381,511)
Total Non Current Liabilities	150,000	3,559,888	-	302,788	-	4,012,675
Total Liabilities	268,370	3,912,419	-	355,650	-	4,536,438
Net Position:						
Invested in Capital Assets, net of related debt	792,479	6,464,236	-	221,071	-	7,477,786
Restricted For Debt Service	131,293	1,421,206	-	120,143	-	1,672,642
Restricted for Equipment Replacement	-	466,904	-	-	312,884	779,788
Unrestricted Net Position	247,957	241,254	77,583	415,284	84,862	1,066,940
Total Net Position	1,171,729	8,593,600	77,583	756,497	397,746	10,997,155
Total Liabilities & Net Position	\$ 1,440,099	\$ 12,506,019	\$ 77,583	\$ 1,112,147	\$ 397,746	\$ 15,533,594

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

CITY OF PARK RIVER
Park River, North Dakota
Statement of Revenues, Expenses and Changes in Net Position – Modified Cash Basis
Proprietary Funds
December 31, 2021

	Electric Fund	Water Fund	Garbage Fund	Sewer Fund	Other Funds	Total Enterprise Funds
Operating Receipts						
Charges for Services	\$ 2,131,711	\$ 946,506	\$ 240,090	\$ 166,418	\$ 28,941	\$ 3,513,666
Other Operating Revenue	2,439	4,114	17,000	936	395	24,885
Total Operating Receipts	2,134,151	950,620	257,090	167,354	29,336	3,538,551
Operating Disbursements						
Salaries & Benefits	166,994	240,971	15,596	80,525	3,402	507,489
Purchased Power/Contract Services	1,620,665	-	235,582	-	-	1,856,246
Other Operating Disbursements	113,169	321,034	2,739	24,536	23,326	484,803
Depreciation	59,389	375,291	-	24,532	-	459,212
Total Operating Disbursements	1,960,217	937,297	253,917	129,592	26,728	3,307,751
Operating Income	173,934	13,323	3,173	37,762	2,608	230,800
Nonoperating Receipts (Disbursements)						
Interest on Investments	209	4,651	9	1,511	509	6,890
Rental Income	-	1,234	-	2,875	-	4,109
Interest Expense	(8,250)	(93,368)	-	(9,188)	-	(110,806)
Total Nonoperating Receipts (Disbursements)	(8,041)	(87,483)	9	(4,802)	509	(99,807)
Income (Loss) Before Transfers	165,893	(74,159)	3,182	32,960	3,117	130,993
Interfund Transfers In	-	148,811	-	-	70,008	218,819
Interfund Transfers (Out)	(225,004)	0	(40,000)	(33,815)	(85,000)	(383,819)
Change in Net Position	\$ (59,111)	\$ 74,652	\$ (36,818)	\$ (855)	\$ (11,875)	\$ (34,007)
Net Position - January 1	1,230,840	8,462,177	114,401	757,353	409,621	10,974,392
Restatements	-	56,771	-	-	-	56,771
Net Position - January 1 as Restated	1,230,840	8,518,948	114,401	757,353	409,621	11,031,163
Net Position - December 31	<u>\$ 1,171,729</u>	<u>\$ 8,593,600</u>	<u>\$ 77,583</u>	<u>\$ 756,497</u>	<u>\$ 397,746</u>	<u>\$ 10,997,156</u>

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

CITY OF PARK RIVER
Park River, North Dakota
Statement of Cash Flows – Modified Cash Basis - Proprietary Funds
December 31, 2021

	Electric Fund	Water Fund	Garbage Fund	Sewer Fund	Other Funds	Total Enterprise Funds
Cash Flows from Operating Activities						
Receipts from Customers	\$ 2,137,840	\$ 950,620	\$ 257,090	\$ 167,354	\$ 29,318	\$ 3,542,222
Payments to Suppliers	(1,733,833)	(317,162)	(238,321)	(24,535)	(23,326)	(2,337,176)
Payments to Employees	(166,994)	(240,971)	(15,596)	(80,525)	(3,402)	(507,489)
Total Cash Flows from Operating Act.	237,012	392,487	3,173	62,294	2,590	697,557
Cash Flows from Noncapital and Financing Activities						
Transfers In	-	148,811	-	-	70,008	218,819
(Inc.)/Decrease in Interfund Balances	-	(3,380)	-	-	-	(3,380)
Transfers (Out)	(225,004)	0	(40,000)	(33,815)	(85,000)	(383,819)
Total Cash Flows from Noncapital Financial Activities	(225,004)	145,432	(40,000)	(33,815)	(14,992)	(168,380)
Cash Flows from Capital and Related Financing Activities						
Purchases of Capital Assets	(36,853)	(16,536)	-	0	-	(53,388)
Interest Expense	(8,250)	(93,368)	-	(9,188)	-	(110,806)
Principal Payments on Debt	(75,000)	(246,959)	-	(51,841)	-	(373,800)
Equity Changes						
Restatements to Net Position	-	56,771	-	-	-	56,771
Total Cash Flows from Capital, Related Financing Activities, and Equity Changes	(120,103)	(300,091)	-	(61,029)	-	(481,223)
Cash Flows From Investing Activities						
Earnings on Investments	209	5,885	9	4,386	509	10,999
Total Cash Flows From Investing Act.	209	5,885	9	4,386	509	10,999
Net Increase (Decrease) in Cash & Cash Equivalents	(107,885)	243,713	(36,818)	(28,163)	(11,893)	58,954
Cash and Cash Equivalents - January 1	\$ 530,505	\$ 1,968,453	\$ 114,401	\$ 563,589	\$ 409,639	\$ 3,586,588
Cash and Cash Equivalents - Dec. 31	\$ 422,620	\$ 2,212,166	\$ 77,583	\$ 535,426	\$ 397,746	\$ 3,645,541
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income	173,934	13,323	3,173	37,762	2,608	230,800
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation Expense	59,389	375,291	-	24,532	-	459,212
(Inc.)/Decrease in Accounts Receivable	-	-	-	-	(18)	(18)
Inc./Decrease in Deposits Payable	3,689	3,873	-	-	-	7,562
Total Adjustments	\$ 63,078	\$ 379,164	\$ -	\$ 24,532	\$ (18)	\$ 466,756
Net Cash Provided/(Used) by Operating Activities	\$ 237,012	\$ 392,487	\$ 3,173	\$ 62,294	\$ 2,590	\$ 697,557

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

CITY OF PARK RIVER
Park River, North Dakota
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Park River, 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 Park River, North Dakota, is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the City of Park River. 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 such that exclusion would cause the City's Financial statements to be misleading or incomplete. For financial reporting purposes, the City of Park River's primary government includes all funds, account groups, elected officials, departments, boards, commissions, and authorities that make up the city's legal entity. The City's reporting entity also is comprised of its component units, legally separate organizations for which the City's elected officials are financially accountable.

GASB has set forth criteria to be considered in determining financial accountability. This criterion includes 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 component units discussed below are included within the City's reporting entity because of the significance of the operational or financial relationships with the City.

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

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

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

B. Basis of Presentation

Government-wide statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are

reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

The City reports the following major funds:

Governmental Funds:

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

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

Street Improvement Fund 2021-1 – This fund accounts for receipts and disbursements of street repair and construction and related expenditures for the Street Improvement District 2021-1.

Debt Service Fund – This fund accounts for the costs of paying off the City's bond obligations. The major sources of revenues are special assessments and property taxes.

Proprietary Funds:

Electric Fund – This fund accounts for the activities of the City's electric department.

Water Fund – This fund accounts for the activities of the City's water department. The department operates the water treatment and distribution system in the City of Park River

Garbage Fund – The fund accounts for the activities of the City's garbage collection system.

Sewer Fund – This fund accounts for the activities of the City's sewer collection system.

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

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

Governmental funds are reported using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting. Only cash and cash equivalents, long term notes receivable and inter-fund balances are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

If the City utilized the basis of accounting recognized as generally accepted, the government-wide financials would be presented on the accrual basis of accounting. The fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for business-like fund types would use the accrual basis of accounting. As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Cash and Equivalents

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

E. Capital Assets

Capital assets include land, buildings and improvements, furniture, and equipment. Capital assets are reported in the government-wide financial statements and in the proprietary funds. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings & improvements, furniture & equipment, distribution systems and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

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

F. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the statement of net position.

In the fund financial statements, the face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, and discounts received on debt issuances are reported as other financing uses. Debt issuance costs are reported as debt service expenditures.

G. Fund Balances and Net Position

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

Government-wide Financial Statements

Net position is shown in three primary categories:

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

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

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

Fund Financial Statement

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the City is bound to honor them. The City first determines and reports non-spendable balances, then restricted, then committed, and so forth. Fund balance classifications are summarized as follows:

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

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

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

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

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

H. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Permanent reallocation of resources between funds are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

I. Use of Estimates in Preparing Financial Statements

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

NOTE 2 LEGAL COMPLIANCE - BUDGETS

Budgetary Information

The City Commission adopts an annual budget on a basis consistent with the modified 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 budget during the year ending December 31, 2021.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

State statutes authorize the City to invest in:

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

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

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

B. Investments

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

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

At year ended December 31, 2021, the City's carrying amount of cash & equivalents totaled \$5,981,067 and the bank balances totaled \$5,991,631. Of the bank balances, \$529,027 was covered by Federal Depository Insurance. The remaining bank balances totaling \$5,462,604 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 INTERFUND RECEIVABLES/PAYABLES

The City has the following interfund balances:

Fund Name	1/1/2021 Receivable	Increase	Decrease	12/31/2021 Receivable
Major Funds:				
General Fund	\$ -	\$ 9,912	\$ -	\$ 9,912
1% Sales Tax	205,407	9,000	(111,438)	102,969
Water Fund	-	3,380	-	3,380
Total Interfund Receivables	\$ 205,407	\$ 22,291	\$ (111,438)	\$ 116,260

	1/1/2021 Payable	Increase	Decrease	12/31/2021 Payable
Major Funds:				
Street Improv Dist 2021-1	\$ -	\$ 9,912		\$ 9,912
Debt Service Fund	205,407	9,000	(111,438)	102,969
Nonmajor Governmental Funds:				
Special Assessments	\$ -	\$ 3,380	\$ -	\$ 3,380
Total Interfund Payable	\$ 205,407	\$ 22,291	\$ (111,438)	\$ 116,260

The balance of \$102,969 due to the 1% Sales Tax Fund from the Debt Service Fund resulted from loans made to meet debt service requirements. The amount is expected to be repaid as special assessments are collected.

The balance of \$9,912 due to the General Fund is to reimburse for construction expenditures.

The balance of \$3,380 due to the Water Fund from the special assessment fund is to reimburse for expenditures made.

NOTE 5 INTERFUND TRANSFERS

Inter-fund Transfers:

The inter-fund transfers for the year ended December 31, 2021, were as follows:

Fund Name	IN	OUT
General Fund	103,380	60,000
Special Assessments	-	3,380
Funded Depreciation	60,000	50,000
City Shop 2020	115,000	-
Electric Fund	-	225,004
Water Fund	148,811	-
Sewer Fund	-	33,815
Garbage Fund	-	40,000
Environmental Services	-	20,000
Depreciation Fund	70,008	65,000
	\$ 497,199	\$ 497,199

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

NOTE 6 LOANS RECEIVABLE

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

The following summaries loan receivable activity for the year ended December 31, 2021:

	Balance 1/1/2021	Loans Issued	Loan Forgiveness	Payments Received	Balance 12/31/2021
Walsh Grain, LLC	\$ 44,209	\$ -	\$ -	\$ (22,105)	\$ 22,104
Economic Development Loans	134,448	-	(667)	(14,614)	119,167
Total Loans Receivable	\$ 212,872	\$ -	\$ (667)	\$ (36,719)	\$ 141,271

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

Year	Principal	Interest
2022	22,104	663
Total	\$ 22,104	\$ 663

NOTE 7 CAPITAL ASSETS

The following schedule shows capital asset activity of governmental funds during 2021:

	Balance 1/1/2021	Increases	Decreases	Balance 12/31/2021
Governmental Type Assets:				
Non-depreciated assets				
Land	\$ 80,125	\$ -	\$ -	\$ 80,125
Total non-depreciated assets	80,125	-	-	80,125
Depreciable assets				
Equipment	622,889	-	(4,275)	618,614
Buildings	975,036	229,127	-	1,204,163
Infrastructure	4,196,181	2,057,169	-	6,253,350
Total depreciable assets	5,794,106	2,286,296	(4,275)	8,076,127
Less: accumulated depreciation for:				
Equipment	(404,491)	(50,961)	4,275	(451,177)
Buildings	(301,207)	(30,856)	-	(332,063)
Infrastructure	(543,641)	(167,790)	-	(711,431)
Total accumulated depreciation	(1,249,339)	(249,607)	4,275	(1,494,671)
Net depreciable assets	4,544,767	2,036,689	-	6,581,456
Net Governmental-Type assets	\$ 4,624,892	\$ 2,036,689	\$ -	\$ 6,661,581

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

General Government	\$ 11,740
Public Works	218,384
Public Safety	19,483
Total Depreciation Expense	<u>\$ 249,607</u>

The following schedule shows capital asset activity of business type funds during 2021:

	1/1/2021	Increases	Decreases	12/31/2021
Business Type Assets:				
Non-depreciated assets				
Land	\$ 22,400	\$ -	\$ -	\$ 22,400
Total non-depreciated assets	22,400	-	-	22,400
Depreciable assets				
Equipment	1,144,053	36,853	-	1,180,906
Buildings & Distribution Systems	16,431,780	16,535	-	16,448,315
Total depreciable assets	17,575,833	53,388	-	17,629,221
Less: accumulated depreciation for:				
Equipment	(538,755)	(54,688)	-	(593,443)
Buildings & Distribution Systems	(4,781,682)	(404,524)	-	(5,186,206)
Total accumulated depreciation	(5,320,437)	(459,212)	-	(5,779,649)
Net depreciable assets	12,255,396	(405,824)	-	11,849,572
Net Business-Type asset	\$ 12,277,796	\$ (405,824)	\$ -	\$ 11,871,972

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

Water	\$ 375,291
Electric	59,389
Sewer	24,532
Total Depreciation Expense	<u>\$ 459,212</u>

The following schedule shows capital asset activity of the City's component units during 2021:

Component Units	1/1/2021	Increases	Decreases	12/31/2021
Airport Fixed Assets				
Equipment	\$ 114,530	\$ -	\$ -	\$ 114,530
Buildings & Infrastructure	2,343,087	61,808	-	2,404,895
Total Assets	2,457,617	61,808	-	2,519,425
Airport Accumulated Depreciation				
Equipment	(114,530)	-	-	(114,530)
Buildings & Infrastructure	(624,444)	(93,158)	-	(717,602)
Total accumulated depreciation	(738,974)	(93,158)	-	(832,132)
Net Airport Assets	1,718,643	(31,350)	-	1,687,293
Housing Authority Fixed Assets				
Furniture & Fixtures	\$ 45,610	\$ 6,749	\$ -	\$ 52,359
Buildings & Infrastructure	1,100,000	-	-	1,100,000
Total Assets	1,145,610	6,749	-	1,152,359
Housing Authority Accumulated Depreciation				
Furniture & Fixtures	(40,860)	(1,675)	-	(42,535)
Buildings & Infrastructure	(317,077)	(27,471)	-	(344,548)
Total accumulated depreciation	(357,937)	(29,146)	-	(387,083)
Net Housing Authority Assets	787,673	(22,397)	-	765,276
Net Component Unit Assets	\$ 2,506,316	\$ (53,747)	\$ -	\$ 2,452,569

NOTE 8 LONG TERM LIABILITIES

During the year ended December 31, 2021, the following changes occurred in long-term liabilities of the city:

Governmental Activities:	12/31/2020	Additions	Reductions	12/31/2021	Due Within One Year
Special Assessment Bonds	\$ 2,388,834	\$ 3,325,000	\$ (1,322,146)	\$ 4,391,688	\$ 373,397
Tax Increment Revenue Bonds	615,000	-	(32,000)	583,000	33,000
Notes Payable	396,482	-	(104,141)	292,341	73,063
Financed Purchases	194,040	28,754	(21,392)	201,401	22,164
Total Governmental Activities	<u>\$ 3,400,316</u>	<u>\$ 3,325,000</u>	<u>\$ (1,458,288)</u>	<u>\$ 5,267,029</u>	<u>\$ 501,625</u>

Business-Type Activities:	12/31/2020	Additions	Reduction	12/31/2021	Due Within One Year
Revenue Bonds	\$ 4,767,986	\$ -	\$ (373,800)	\$ 4,394,186	\$ 381,511
Total Business-Type Activities	<u>\$ 4,767,986</u>	<u>\$ -</u>	<u>\$ (373,800)</u>	<u>\$ 4,394,186</u>	<u>\$ 381,511</u>

Component Unit	12/31/2020	Issued	Paid	12/31/2021	Due Within One Year
Revenue Bonds	\$ 904,977	\$ -	\$ (30,985)	\$ 873,992	\$ 22,930

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

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

\$275,000 Refunding Improvement Bonds, Series 2013 were issued to finance water & sewer improvements to the North Star Addition. The bonds are due in annual installments of \$13,750 through 2033. Interest rates range from 2.0% to 4.65%. These bonds were refunded during 2021.

Outstanding December 31, 2021 \$0

Street Improvement District #2013-1

\$1,600,000 Refunding Improvement Bonds, Series 2014B were issued to finance street improvements made to 135th Ave NE. The City received bond proceeds of \$1,355,000 during 2013 and \$245,000 during 2014. The bonds are due in annual installments of \$160,000 through 2024. Interest rates range from 1.25% to 3.0%. These bonds were refunded during 2021.

Outstanding December 31, 2021 \$0

Refunding Improvement Bonds Series 2015

\$125,000 Refunding Improvement Bonds, Series 2015 were issued to finance street improvements made to the North Star Addition. The bonds are due in annual installments of \$6,250 through 2035. Interest rates range from 2.00% to 4.65%. These bonds were refunded during 2021.

Outstanding December 31, 2021 \$0

Street Improvement District #2017-1

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

Outstanding December 31, 2021 \$515,372

Refunding Improvement Bonds Series 2018

\$400,000 Refunding Improvement Bonds, Series 2018 were issued to finance street improvements. The bonds are due in annual installments of \$15,000 to 35,000 through 2033. Interest rates range from 2.5% to 3.9%. These bonds were refunded during 2021.

Outstanding December 31, 2021 \$0

Street Improvement District #2020-1

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

Outstanding December 31, 2021 \$551,315

Refunding Improvement Bonds Series 2021-1

The city issued special assessment bonds in the amount of \$3,325,000 to finance street improvements made to Improvement District 2021-1 and to refund prior bonds. The city refunded Water & Sewer Improvement District 2012-1, Street Improvement District #2013-1, Refunding Improvement Bonds Series 2015, and Refunding Improvement Bonds Series 2018. The city received an economic benefit of \$89,917.

The bonds are due in annual installments of \$325,000 beginning May 1, 2022 and decreasing to \$170,000 on May 1, 2036. The bonds mature on May 1, 2036. Interest is due semiannually and ranges from 2.00% to 1.85%.

Outstanding December 31, 2021 \$3,325,000

Total Special Assessment Bonds \$4,391,688

Tax Increment Revenue Bonds

Street Improvement District 2012-2

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

Total Tax Increment Bonds Outstanding December 31, 2021 \$583,000

Notes Payable

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

Notes Payable Outstanding December 31, 2021 \$65,173

During 2020, the city financed the construction of a new city shop with a note payable to Rural Development Finance Corporation. The original loan amount was \$250,000 and will be paid with future sales tax revenues. Principal and interest payments of \$27,832 are due annually in May until maturity in May 2030. The interest rate is 2%.

Notes Payable Outstanding December 31, 2021 \$227,168

Financed Purchases Payable

Financed purchases are a financing agreement which automatically transfers ownership to the lessee at the end of the agreement. Financed purchase payments are reflected as debt service expenditures in the governmental fund financial statements.

During 2020, the city entered into a financed purchase agreement with Kinetic Leasing to finance the construction of a new city shop in the amount of \$250,000. The agreement is for ten years and provides for minimum annual finance payments of \$29,432 due annually until final payment on September 1, 2029.

Financed Purchase Outstanding December 31, 2021 \$201,401

BUSINESS-TYPE ACTIVITIES:

Revenue Bonds

Water Revenue Bonds of 2005

The City issued bonds to finance a water pipeline and well system. The bond issue was for \$746,100 and bears interest at 2.5%. Principal payments started in 2006 at \$5,000 and increase throughout the issue to a final payment of \$47,000 in 2025. See Note 17 – Subsequent Events for information regarding early payment of this bond issue. As of December 31, 2021, the City has \$130,927 in restricted funds set aside for payment of this issue.

Outstanding December 31, 2021 \$185,000

Water Revenue Bonds Series 2006

The City authorized a bond issue to finance Phase II of the water pipeline and well system described above. Phase II consists primarily of improvements to the existing water plant. The bond issue was for \$517,600 and bears interest at 2.5%. Maturity of the issue is September 1, 2026. See Note 17 – Subsequent Events for information regarding early payment of this bond issue. As of December 31, 2021, the City has \$95,473 in restricted funds set aside for payment of this issue holds:

Outstanding December 31, 2021 \$165,500

Sewer Revenue Bonds Series 2016

The City authorized a bond issue to finance sewer improvements in Green Acres. The bond issue was for \$413,485 and bears interest at 2.00%. Principal and interest payments of \$31,860 started in 2017. Maturity of the issue is December 2023. See Note 17 – Subsequent Events for information regarding

early payment of this bond issue. As of December 31, 2021, the City has \$116,305 in restricted funds set aside for payment of this issue

Outstanding December 31, 2021 \$124,186

Electric Revenue Bonds Series 2016

The City authorized a bond issue to finance the remodel of the substation circuit exit. The bond issue was for \$600,000 and bears interest at 1.50% to 3.00%. Principal payments of \$75,000 started in 2017. Maturity of the issue is September 2024. See Note 17 – Subsequent Events for information regarding early payment of this bond issue. As of December 31, 2021, the City has \$131,282 in restricted funds set aside for payment of this issue

Outstanding December 31, 2021 \$225,000

Refunding Improvement Bonds Series 2016

\$1,545,000 Refunding Improvement Bonds, Series 2016 were issued to finance utility improvements made to multiple neighborhoods in the City. The bonds are due in annual installments of \$60,000 to \$100,000 through 2036. Interest rates range from 1.00% to 3.00%. As of December 31, 2021, the City has \$219,851 in restricted funds set aside for payment of this issue

Outstanding December 31, 2021 \$1,220,000

Water Revenue Refunding Bonds Series 2020

The City authorized a bond issue to refinance existing debt of Water Revenue Bonds 2014 and finance improvements to the water supply and distribution facilities. The bond issue was for \$2,570,000 and bears interest at 2.125%. Maturity of the issue is September 1, 2050. As of December 31, 2021, the City has \$975,414 in restricted funds set aside for payment of this issue holds:

Outstanding December 31, 2021 \$2,475,000

Total Revenue Bonds – Business-Type Activities \$4,394,186

Component Unit – Park River Housing Authority

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

Outstanding December 31, 2021 \$873,992

The annual requirement to amortize all bonds outstanding as of December 31, 2021, including interest payments are as follows:

Governmental Activities

Year Ending December 31	Special Assessment Bonds		Tax Increment Bonds	
	Principal	Interest	Principal	Interest
2022	373,397	72,691	33,000	22,904
2023	399,373	73,610	34,000	21,983
2024	385,369	65,614	35,000	20,903
2025	246,385	57,898	37,000	19,643
2026	242,422	52,961	38,000	18,331
2027-2031	1,278,405	194,844	209,000	68,241
2032-2036	1,237,643	90,347	197,000	18,716
2037-2041	155,455	15,863	-	-
2042-2046	73,238	6,620	-	-
2047-2051	-	-	-	-
Total	\$ 4,391,688	\$ 630,448	\$ 583,000	\$ 190,721

Governmental Activities

Year Ending December 31	Note Payable		Financed Purchases	
	Principal	Interest	Principal	Interest
2022	73,063	6,157	22,164	7,268
2023	39,151	4,189	22,964	6,468
2024	24,229	3,603	23,793	5,639
2025	24,714	3,118	24,651	4,781
2026	25,208	2,624	25,541	3,891
2027-2031	105,975	5,351	82,287	6,009
Total	\$ 292,341	\$ 25,042	\$ 201,401	\$ 34,055

Business-Type Activities

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2022	381,511	101,646
2023	383,675	92,470
2024	327,000	83,105
2025	257,000	74,475
2026	220,000	67,825
2027-2031	1,005,000	257,313
2032-2036	1,120,000	138,689
2037-2041	400,000	48,353
2042-2046	160,000	25,356
2047-2051	140,000	7,438
Total	\$ 4,394,186	\$ 896,669

Component Unit

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2022	22,930	43,689
2023	24,103	42,516
2024	25,336	41,282
2025	26,633	39,986
2026	27,995	38,624
2027-2031	162,983	170,111
2032-2036	209,166	123,928
2037-2041	268,434	64,659
2042-2046	106,412	5,675
Total	\$ 873,992	\$ 570,470

NOTE 9 COMPENSATED ABSENCES

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

NOTE 10 PENSION PLAN

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

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three

members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At December 31, 2021, the Employer reported a liability of \$1,345,333 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the Employer's proportion was 0.042763 percent, which was a decrease of 0.000907 percent from its proportion measured as of June 30, 2020.

For the year December 31, 2021, the Employer recognized pension expense of \$231,694. At December 31, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 7,539	\$ 44,563
Changes of assumptions	483,253	630,061
Net difference between projected and actual earnings on pension plan investments		161,935
Changes in proportion and differences between Employer contributions and proportionate share of contributions	1,105	21,162
*Employer contributions subsequent to the measurement date of July 1, 2021	17,609	-
Total	<u>\$ 509,506</u>	<u>\$ 857,721</u>

*\$17,609 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022.

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

Year ended December 31:

2022	\$	(55,422)
2023		(83,780)
2024		(66,741)
2025		(159,881)
2026		-
Thereafter		-
Total	\$	<u>(365,824)</u>

Actuarial Assumption

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.50% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
Global Real Estate	19%	4.77%
Cash Equivalents	0%	0.00%

Discount Rate

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

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Employer's proportionate share of the net pension liability	694,372	436,620	222,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of December 31, 2021, the City had no accrued payable for wages attributable to the fiscal year ended December 31, 2021.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

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

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

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

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

At December 31, 2021, the Employer reported a liability of \$3,809 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2021, the

Employer's proportion was 0.04138 percent, which was a increase of 0.001234 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Employer recognized OPEB expense of \$5,022. At December 31, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 1,195	\$ 571
Changes of assumptions	3,227	-
Net difference between projected and actual earnings on OPEB plan investments		7,139
Changes in proportion and differences between Employer contributions and proportionate share of contributions	437	2,891
*Employer contributions subsequent to the measurement date of July 1, 2021	2,763	-
Total	<u>\$ 7,622</u>	<u>\$ 10,601</u>

\$2,763 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022.

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

Year ended December 31:

2022	\$ (5,742)
2023	(1,073)
2024	(1,124)
2025	(1,431)
2026	(2,018)
Thereafter	(96)
Total	<u>\$ (11,484)</u>

Actuarial assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for

females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Lg Cap Domestic Equities	33%	5.85%
Sm Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	26%	6.25%
International Equities	35%	0.50%

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.

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

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Employer's proportionate share of the net OPEB liability	30,905	20,838	12,319

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

As of December 31, 2021, the City had no accrued payable for wages attributable to the fiscal year ended

December 31, 2021.

NOTE 13 PROPERTY TAXES

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

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

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

NOTE 14 TAX ABATEMENTS

Walsh County and certain political subdivisions within the county can negotiate property tax abatement agreements with individuals and various businesses. The City of Park River, North Dakota has the following types of tax abatement and tax exemption agreements with various individuals and commercial entities at December 31, 2021.

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

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

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

For the year ended December 31, 2021, the City abated property taxes as follows:

<u>Tax Abatement Program</u>	<u>Amount Abated</u>
New or Expanding Business Exemption	\$66,809
Public Charity Exemption	Amount Undetermined
Property Tax Exemption of Improvements to Buildings	\$12,844

NOTE 15 RISK MANAGEMENT

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

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

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

NOTE 16 CONSTRUCTION COMMITMENTS

At December 31, 2021, the City had uncompleted construction contracts in the capital projects fund. The remaining commitment on these construction contracts was approximately \$101,143

NOTE 17 PRIOR PERIOD ADJUSTMENT

An adjustment of \$56,771 was made to the Water Fund beginning net position. The adjustment was necessary to correct the reporting of the include the water treatment reserve account. The fund was previously reported as a fiduciary fund.

NOTE 18 SUBSEQUENT EVENT

The City has evaluated subsequent events through May 23, 2024, the date on which the financial statements were available to be issued. In March, 2023 the City approved paying several bonds early. The bonds and amounts paid are as follows:

Water Revenue Bonds of 2005	\$140,210
Water Revenue Bonds Series 2006	135,214
Sewer Revenue Bonds Series 2016	62,577
Electric Revenue Bonds Series 2016	150,188

SUPPLEMENTARY INFORMATION

CITY OF PARK RIVER
Park River, North Dakota
Budget Comparison Schedule - Modified Cash Basis
General Fund
December 31, 2021

	<u>General Fund</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	273,499	\$ 267,763	\$ (5,736)
Licenses & Permits	10,930	10,115	(815)
Intergovernmental Sources	119,400	361,744	242,344
Earnings on Investments	50	85	35
Other Sources	4,100	17,262	13,162
Total Receipts	407,979	656,969	248,990
Disbursements:			
General Government	131,900	119,621	12,279
Public Safety	190,400	194,269	(3,869)
Public Works	254,679	201,060	53,619
Parks and Recreation	57,674	57,674	-
Public Service	2,100	1,916	184
Capital Outlay	1,400	25,999	(24,599)
Total Disbursements	638,153	600,538	37,615
Excess Receipts over (under) Disbursements	(230,174)	56,430	211,375
Sale of Capital Assets	-	365	365
Interfund Transfers In	200,000	103,380	(96,620)
Interfund Transfers (Out)	(33,500)	(60,000)	(26,500)
Excess Receipts over (under) Expenditures after Interfund Transfers	(63,674)	\$ 100,175	\$ 163,849
Fund Balance - January 1	90,835	90,835	
Fund Balance - December 31	<u>\$ 27,160</u>	<u>\$ 191,009</u>	

CITY OF PARK RIVER
Park River, North Dakota
Budget Comparison Schedule - Modified Cash Basis
1% Sales Tax Fund
December 31, 2021

	<u>1% Sales Tax Fund</u>		
	Original & Final		
	Budget	Actual	Variance
Receipts:			
Sales Tax	\$ 175,000	\$ 261,389	\$ 86,389
Earnings on Investments	150	1,522	1,372
Other Sources	12,000	9,319	(2,681)
Total Receipts	187,150	272,230	85,080
Disbursements:			
Capital Improvements	100,000	147,661	(47,661)
Economic Development	100,000	8,167	91,833
Debt Service	-	84,700	(84,700)
Total Disbursements	200,000	240,528	(40,528)
Excess Receipts over (under) Disbursements	(12,850)	31,702	(44,552)
Beginning Fund Balance	1,090,617	1,090,617	
Ending Fund Balance	<u>\$ 1,077,767</u>	<u>\$ 1,122,319</u>	

CITY OF PARK RIVER
Park River, North Dakota
NOTES TO THE SUPPLEMENTAL INFORMATION
December 31, 2021

NOTE 1 BUDGETS

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

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

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

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

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

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

During 2021, expenditures exceeded budgeted amounts in the 1% Sales Tax Fund by \$40,552. State law requires the city to amend its budget if at any point during the year the City needs to incur expenditures in excess of the budget for that fund. The City did not perform that require action. No remedial action is expected to be taken.



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

Governing Board
City of Park River
Park River, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Park River, North Dakota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City of Park River, North Dakota's basic financial statements and have issued our report thereon dated May 23, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Park River, North Dakota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Park River, North Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Park River, North Dakota's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider deficiencies 2021-1, 2021-3, and 2021-4 as described in the accompanying schedule of findings and responses, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 2021-2, as described in the accompanying schedule of findings and questioned costs, to be a significant deficiency.

Compliance and Other Matters

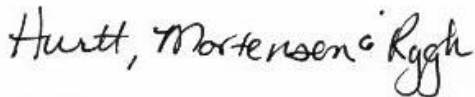
As part of obtaining reasonable assurance about whether the City of Park River, North Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

City of Park River, North Dakota's Response to Findings

The City of Park River, North Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Park River, North Dakota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hurtt, Mortenson & Rygh
Park River, North Dakota
May 23, 2024

CITY OF PARK RIVER
Park River, North Dakota

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2021

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2021-1 Segregation of Duties – Material Weakness

Condition:

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

Effect:

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

Cause:

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

Criteria:

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

Prior Recommendation

Yes

Recommendation:

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

Client Response:

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

2021-2 Financial Statement Preparation – Significant Deficiency

Condition:

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

Effect:

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

Cause:

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

Criteria:

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

Prior Recommendation

Yes

Recommendation:

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Client Response:

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

2021-3 Out of Balance Interfund Activity – Material Weakness

Condition:

Interfund balances (interfund receivables/payables and advances from other funds) between the various funds was out of balance as of December 31, 2021. Management did identify and correct all material errors before the issuance of our report.

Effect:

The City's ability to detect material misstatements to the financial statements in a timely manner could be adversely affected by the lack of accurate monthly or periodic interfund activity reconciliations. The Interfund balances were out of balance by \$22,727 on December 31, 2021

Criteria:

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

Prior Recommendation

Yes

Recommendation:

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

Client Response:

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

2021-4 Material Audit Adjustments – Material Weakness**Condition**

During the audit of the City of Park River we suggested material adjusting entries to the financial statements in accordance with the modified cash basis of accounting. The adjustments were approved by management and are reflected in the financial statements.

Effect

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

Criteria

The City of Park River is responsible for the preparation of its financial statements and related notes to the financials to ensure it is reliable, accurate, free of material misstatement and in accordance with the modified cash basis of accounting.

Prior Recommendation

No

Recommendation

We recommend the City of Park River review its procedures for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with the modified cash basis of accounting.

City of Park River's Response

The City of Park River agrees. The proposed adjustments have been implemented at the time of the audit.