

AUDIT REPORT

CITY OF HARVEY
Harvey, North Dakota

For the Year Ended December 31, 2022

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF HARVEY
Harvey, North Dakota

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CITY OF HARVEY
Harvey, North Dakota

CITY OFFICIALS

Rick Eckart	Mayor
Shelley Svoboda	Council President
Milo Baltrusch	Council Vice President
Ann Adams	Council Member
Quincy Marchand	Council Member
Spencer Marchand	Council Member
Arnie Selzler	Council Member
Karen Nordby	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

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

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Harvey
Harvey, North Dakota

Report on the Audit of Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harvey, as of and for the year ended December 31, 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the city, as of December 31, 2022, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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*, 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, 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 – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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 the city'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 statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 GAAS 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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the 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'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's basic financial statements. The budgeting comparison information and the schedule of fund activity arising from cash transactions 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 statements. 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 auditing standards generally accepted in the United States of America. In our opinion, the budgeting comparison information and the schedule of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2023 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

April 7, 2023

CITY OF HARVEY
Harvey, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	3,044,183.67	1,291,045.35	4,335,229.02
Advances to Economic Development Projects	40,281.13		40,281.13
Capital Assets (net of accumulated depreciation):			
Land	108,853.00	9,200.00	118,053.00
Buildings and Infrastructure	13,347,743.00	6,612,974.00	19,960,717.00
Machinery and Vehicles	604,494.00	125,529.00	730,023.00
Total Capital Assets	14,061,090.00	6,747,703.00	20,808,793.00
Total Assets	17,145,554.80	8,038,748.35	25,184,303.15
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Special Assessment Bonds Payable	782,000.00		782,000.00
Revenue Bonds Payable	56,000.00	156,264.14	212,264.14
Due After One Year:			
Special Assessment Bonds Payable	6,326,000.00		6,326,000.00
Revenue Bonds Payable	540,000.00	3,613,623.33	4,153,623.33
Total Liabilities	7,704,000.00	3,769,887.47	11,473,887.47
NET POSITION:			
Net Investment in Capital Assets	6,357,090.00	2,977,815.53	9,334,905.53
Restricted for:			
Debt Service	1,049,098.74	1,137,122.71	2,186,221.45
Customer Insurance		1,665.23	1,665.23
Water Deposits		15,452.20	15,452.20
Mosquito Control		16,540.28	16,540.28
Special Purposes	942,893.52		942,893.52
General Infrastructure Development	944,354.04		944,354.04
Unrestricted	148,118.50	120,264.93	268,383.43
Total Net Position	9,441,554.80	4,268,860.88	13,710,415.68

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

CITY OF HARVEY
Harvey, North Dakota

Statement of Activities - Modified Cash Basis
December 31, 2022

Functions/Programs	Net (Expense) Revenue and Change in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
<u>Governmental Activities:</u>						
General Government	236,876.88	34,707.28	2,127.78	(200,041.82)		(200,041.82)
Public Safety	394,513.18	806.00	136,969.11	(256,738.07)		(256,738.07)
Streets and Public Works	761,230.63	46,467.21	301,023.32	(413,740.10)		(413,740.10)
Health and Welfare	192,589.60	181,938.50	70,948.01	60,296.91		60,296.91
Culture and Recreation	428,225.23	43,900.61	232,572.20	(151,752.42)		(151,752.42)
Urban and Economic Development	228,886.30			(228,886.30)		(228,886.30)
Other	176,376.76			(176,376.76)		(176,376.76)
Interest on Long-Term Debt	93,010.50		925,064.17	832,053.67		832,053.67
Advisory Fees	400.00			(400.00)		(400.00)
Total Governmental Activities	2,512,109.08	307,819.60	1,668,704.59	(535,584.89)		(535,584.89)
<u>Business-Type Activities:</u>						
Water	506,318.96	371,258.55			(135,060.41)	(135,060.41)
Sewer	133,915.41	110,623.51			(23,291.90)	(23,291.90)
Garbage	354,455.94	324,849.09			(29,606.85)	(29,606.85)
Water Main Replacement	202,244.26	178,773.78			(23,470.48)	(23,470.48)
Mosquito Control	12,151.99	10,409.18			(1,742.81)	(1,742.81)
Total Business-Type Activities	1,209,086.56	995,914.11			(213,172.45)	(213,172.45)
Total Primary Government	3,721,195.64	1,303,733.71	1,668,704.59	(535,584.89)	(213,172.45)	(748,757.34)
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				342,354.68		342,354.68
Property taxes; levied for special purposes				65,984.67		65,984.67
City sales taxes				510,487.57		510,487.57
City lodging taxes				16,477.97		16,477.97
Cigarette taxes				3,152.54		3,152.54
Intergovernmental revenue not restricted to specific programs				142,557.16		142,557.16
Earnings on investments and other revenue				229,461.28	4,934.25	234,395.53
Transfers				(46,000.00)	46,000.00	-
Total General Revenues and Transfers				1,264,475.87	50,934.25	1,315,410.12
Change in Net Position				728,890.98	(162,238.20)	566,652.78
Net Position - January 1				8,712,663.82	4,431,099.08	13,143,762.90
Net Position - December 31				9,441,554.80	4,268,860.88	13,710,415.68

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

CITY OF HARVEY
Harvey, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2022

	Major Funds			
	General	Street Improvement 2016	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash, Cash Equivalents and Investments	98,820.83	537,256.35	2,408,106.49	3,044,183.67
Advances to Economic Develop. Projects			40,281.13	40,281.13
Interfund Receivables			42,331.08	42,331.08
Total Assets	98,820.83	537,256.35	2,490,718.70	3,126,795.88
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Interfund Payables			42,331.08	42,331.08
Fund Balances:				
Nonspendable:				
Economic Development Loans			40,281.13	40,281.13
Restricted for:				
General Government			5,421.30	5,421.30
Street and Public Works			26,917.55	26,917.55
Economic Development			449,431.40	449,431.40
Health and Welfare			73,380.76	73,380.76
Culture and Recreation			286,899.05	286,899.05
Emergency			3,977.88	3,977.88
City Share of Specials			47,050.15	47,050.15
General Infrastructure Development			944,354.04	944,354.04
Airport			9,534.30	9,534.30
Debt Service		537,256.35	511,842.39	1,049,098.74
Assigned to:				
Street and Public Works			26,011.32	26,011.32
Economic Development			34,856.78	34,856.78
Equipment Purchases	14,159.59		30,760.65	44,920.24
Unassigned	84,661.24		(42,331.08)	42,330.16
Total Fund Balances	98,820.83	537,256.35	2,448,387.62	3,084,464.80
Total Liabilities and Fund Balances	98,820.83	537,256.35	2,490,718.70	3,126,795.88

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

CITY OF HARVEY
Harvey, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2022

Total Fund Balances for Governmental Funds		3,084,464.80
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	21,778,841.00	
Less Accumulated Depreciation	<u>(7,717,751.00)</u>	
Net Capital Assets		14,061,090.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2022 are:		
Special Assessments Bonds Payable	(7,108,000.00)	
Revenue Bonds Payable	<u>(596,000.00)</u>	
Total Long-Term Liabilities		<u>(7,704,000.00)</u>
Total Net Position of Governmental Activities		<u>9,441,554.80</u>

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

CITY OF HARVEY
Harvey, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2022

	Major Funds			
	General	Street Improvement 2016	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	342,354.68		592,950.21	935,304.89
Special Assessments		655,298.47	269,765.70	925,064.17
Licenses, Permits and Fees	34,567.28		181,938.50	216,505.78
Intergovernmental	148,355.62		496,971.33	645,326.95
Charges for Services			90,507.82	90,507.82
Fines and Forfeits	806.00			806.00
Miscellaneous	85,640.77		387,843.68	473,484.45
Total Revenues	611,724.35	655,298.47	2,019,977.24	3,287,000.06
Expenditures:				
Current:				
General Government	250,324.67			250,324.67
Public Safety	361,984.18		4,380.00	366,364.18
Streets and Public Works		237.88	236,030.75	236,268.63
Health and Welfare			192,589.60	192,589.60
Culture and Recreation	30,368.11		389,125.12	419,493.23
Urban and Economic Development			228,886.30	228,886.30
Other			65,933.76	65,933.76
Capital Outlay			120,000.00	120,000.00
Debt Service:				
Principal		549,000.00	315,000.00	864,000.00
Interest and Service Charges		62,814.00	30,596.50	93,410.50
Total Expenditures	642,676.96	612,051.88	1,582,542.03	2,837,270.87
Excess (Deficiency) of Revenue Over Expenditures	(30,952.61)	43,246.59	437,435.21	449,729.19
Other Financing Sources (Uses):				
Transfers In	23,000.00		271,000.00	294,000.00
Transfers Out	(55,000.00)		(285,000.00)	(340,000.00)
Total Other Financing Sources (Uses)	(32,000.00)	-	(14,000.00)	(46,000.00)
Net Changes in Fund Balances	(62,952.61)	43,246.59	423,435.21	403,729.19
Fund Balance - January 1	161,773.44	494,009.76	2,024,952.41	2,680,735.61
Fund Balance - December 31	98,820.83	537,256.35	2,448,387.62	3,084,464.80

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

CITY OF HARVEY
Harvey, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2022

Net Change in Fund Balances - Total Governmental Funds	403,729.19
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	120,000.00	
Current Year Depreciation Expense	<u>(695,682.00)</u>	(575,682.00)

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayment of debt exceeded debt proceeds.

Debt Proceeds	-	
Repayment of Debt	<u>864,000.00</u>	864,000.00

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Decrease in Compensated Absences	<u>36,843.79</u>
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Change in Net Position of Governmental Activities	<u><u>728,890.98</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF HARVEY
Harvey, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2022

	Major Enterprise Funds			Other Enterprise Funds	Total Enterprise Funds
	Water	Garbage	Water Main Replacement		
ASSETS					
Current Assets:					
Cash and Cash Equivalents	882,366.60	9,096.58	260,305.79	139,276.38	1,291,045.35
Noncurrent Assets:					
Capital Assets (net of accumulated depreciation):					
Land	9,200.00				9,200.00
Buildings and Infrastructure	2,518,241.00	42,885.00	3,959,998.00	91,850.00	6,612,974.00
Machinery and Vehicles	3,520.00	95,932.00		26,077.00	125,529.00
Total Noncurrent Assets	2,530,961.00	138,817.00	3,959,998.00	117,927.00	6,747,703.00
Total Assets	3,413,327.60	147,913.58	4,220,303.79	257,203.38	8,038,748.35
LIABILITIES					
Current Liabilities:					
Revenue Bonds Payable	21,264.14		125,000.00	10,000.00	156,264.14
Noncurrent Liabilities:					
Revenue Bonds Payable	1,200,623.33		2,382,000.00	31,000.00	3,613,623.33
Total Liabilities	1,221,887.47	-	2,507,000.00	41,000.00	3,769,887.47
NET POSITION					
Net Investment in Capital Assets	1,309,073.53	138,817.00	1,452,998.00	76,927.00	2,977,815.53
Restricted for:					
Debt Service	821,296.64		260,305.79	55,520.28	1,137,122.71
Customer Insurance				1,665.23	1,665.23
Water Deposits	15,452.20				15,452.20
Mosquito Control				16,540.28	16,540.28
Unrestricted	45,617.76	9,096.58		65,550.59	120,264.93
Total Net Position	2,191,440.13	147,913.58	1,713,303.79	216,203.38	4,268,860.88

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

CITY OF HARVEY
Harvey, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2022

	Major Enterprise Funds			Other Enterprise Funds	Total Enterprise Funds
	Water	Garbage	Water Main Replacement		
<u>Operating Revenues:</u>					
Charges for Sales and Services:					
Water Charges	361,288.35		178,773.78		540,062.13
Sewer Charges				110,623.51	110,623.51
Garbage Charges		259,307.49			259,307.49
Recycling		19,524.00			19,524.00
Dumpsters		46,017.60			46,017.60
Mosquito Control				10,409.18	10,409.18
Other Fees	9,970.20				9,970.20
Total Operating Revenues	371,258.55	324,849.09	178,773.78	121,032.69	995,914.11
<u>Operating Expenses:</u>					
Water	355,573.07				355,573.07
Sewer				111,087.73	111,087.73
Garbage		342,883.94			342,883.94
Mosquito Control				12,151.99	12,151.99
Repairs and Maintenance	32,875.06			6,429.68	39,304.74
Depreciation	83,829.00	11,572.00	142,728.00	14,868.00	252,997.00
Total Operating Expenses	472,277.13	354,455.94	142,728.00	144,537.40	1,113,998.47
Operating Income (Loss)	(101,018.58)	(29,606.85)	36,045.78	(23,504.71)	(118,084.36)
<u>Non-Operating Revenues (Expenses):</u>					
Miscellaneous Revenues	4,934.25				4,934.25
Interest Payments and Service Charges	(34,041.83)		(59,516.26)	(1,530.00)	(95,088.09)
Total Non-Operating Revenues (Expenses)	(29,107.58)	-	(59,516.26)	(1,530.00)	(90,153.84)
Income (Loss) Before Transfers	(130,126.16)	(29,606.85)	(23,470.48)	(25,034.71)	(208,238.20)
Transfers In	88,500.00	27,000.00		19,000.00	134,500.00
Transfers Out	(77,000.00)			(11,500.00)	(88,500.00)
Changes in Net Position	(118,626.16)	(2,606.85)	(23,470.48)	(17,534.71)	(162,238.20)
Net Position - January 1	2,310,066.29	150,520.43	1,736,774.27	233,738.09	4,431,099.08
Net Position - December 31	2,191,440.13	147,913.58	1,713,303.79	216,203.38	4,268,860.88

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

CITY OF HARVEY
Harvey, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year ended December 31, 2022

	Major Enterprise Funds			Other Enterprise Funds	Total Enterprise Funds
	Water	Garbage	Water Main Replacement		
<u>Cash flows from operating activities:</u>					
Receipts from customers	371,258.55	324,849.09	178,773.78	121,032.69	995,914.11
Payments to suppliers and employees	(388,448.13)	(342,883.94)		(129,669.40)	(861,001.47)
Net cash provided (used) by operating activities	(17,189.58)	(18,034.85)	178,773.78	(8,636.71)	134,912.64
<u>Cash flows from noncapital financing activities:</u>					
Transfers in	88,500.00	27,000.00		19,000.00	134,500.00
Transfers out	(77,000.00)			(11,500.00)	(88,500.00)
Miscellaneous Receipts	4,934.25				4,934.25
Net cash provided (used) by noncapital financing activities	16,434.25	27,000.00	-	7,500.00	50,934.25
<u>Cash flows from capital and related financing activities:</u>					
Principal payments	(20,697.17)		(125,000.00)	(10,000.00)	(155,697.17)
Interest and service charges	(34,041.83)		(59,516.26)	(1,530.00)	(95,088.09)
Net cash provided (used) by capital and related financing activities	(54,739.00)	-	(184,516.26)	(11,530.00)	(250,785.26)
Net increase (decrease) in cash and cash equivalents	(55,494.33)	8,965.15	(5,742.48)	(12,666.71)	(64,938.37)
Cash and cash equivalents, January 1	937,860.93	131.43	266,048.27	151,943.09	1,355,983.72
Cash and cash equivalents, December 31	882,366.60	9,096.58	260,305.79	139,276.38	1,291,045.35
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>					
Operating income (loss)	(101,018.58)	(29,606.85)	36,045.78	(23,504.71)	(118,084.36)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Depreciation expense	83,829.00	11,572.00	142,728.00	14,868.00	252,997.00
Net cash provided (used) by operating activities	(17,189.58)	(18,034.85)	178,773.78	(8,636.71)	134,912.64

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

CITY OF HARVEY
Harvey, North Dakota

Notes to the Financial Statements
December 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the City of Harvey as a reporting entity.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the city's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

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

The city reports the following major governmental funds:

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

Street Improvement 2016. This fund accounts for special assessments collected for the purpose of paying the principal and interest costs related to the Refunding Improvement Bonds, Series 2021.

The city reports the following major enterprise funds:

Water. This fund accounts for the activities of the city's water distribution system.

Garbage. This fund accounts for the activities of the city's garbage collection system.

Water Main Replacement. This fund accounts for utility charges used to pay the principal and interest of the Water Treatment and Water Main Replacement revenue bonds.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

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

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

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and

proprietary fund statements. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column and the business-type activities column in the government-wide financial statements. Assets are also reported in the proprietary fund statements. Capital assets are defined by the city as assets with an initial individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

Buildings and Infrastructure	15 to 75 years
Machinery and Vehicles	5 to 25 years

F. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the city is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by

creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the city council through the adoption of a resolution. The city council also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The city reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the city's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the city's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the city has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

G. Interfund Transactions

In the governmental and proprietary fund financial statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

H. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or

bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, share of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district or any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2022 the city's carrying amount of deposits was \$4,335,229 and the bank balance was \$4,363,011. Of the bank balance, \$1,093,108 was covered by Federal Depository Insurance. The remaining balance of \$3,269,903 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

At December 31, 2022, the city held certificates of deposit in the amount of \$1,944,326, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 ADVANCES TO ECONOMIC DEVELOPMENT PROJECTS

Advances to economic development projects consist of loans to area businesses. The following amounts are outstanding at December 31, 2022:

<u>Borrower</u>	
Dakota Computer Pros	11,350.00
Lincoln & Nine Café & Coffee, LLC	2,400.00
Rads Tree Service	7,000.13
B&B Service and Repair	8,831.00
Brandon Kukowski (Pizza Ranch)	10,700.00
Total	<u>40,281.13</u>

Note 5 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by negative cash balances in various funds. The amounts shown as interfund payables represent the amounts of negative cash in each fund. Interfund receivables/payables for the year ended December 31, 2022 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Economic Development	42,331.08	
Land Development Reserve		42,331.08

Note 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2022:

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	<u>108,853</u>			<u>108,853</u>
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	19,995,312	120,000		20,115,312
Machinery and Vehicles	<u>1,554,676</u>			<u>1,554,676</u>
Total	<u>21,549,988</u>	<u>120,000</u>	<u>-</u>	<u>21,669,988</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	6,158,294	609,275		6,767,569
Machinery and Vehicles	<u>863,775</u>	<u>86,407</u>		<u>950,182</u>
Total	<u>7,022,069</u>	<u>695,682</u>	<u>-</u>	<u>7,717,751</u>
Total capital assets being depreciated, net	<u>14,527,919</u>	<u>(575,682)</u>	<u>-</u>	<u>13,952,237</u>
Governmental Activities Capital Assets, Net	<u>14,636,772</u>	<u>(575,682)</u>	<u>-</u>	<u>14,061,090</u>

	Balance January 1	Increases	Decreases	Balance December 31
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	9,200			9,200
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	12,012,363			12,012,363
Machinery and Vehicles	335,951			335,951
Total	12,348,314	-	-	12,348,314
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	5,163,960	235,429		5,399,389
Machinery and Vehicles	192,854	17,568		210,422
Total	5,356,814	252,997	-	5,609,811
Total capital assets being depreciated, net	6,991,500	(252,997)	-	6,738,503
Business-type Activities Capital Assets, Net	7,000,700	(252,997)	-	6,747,703

Depreciation expense was charged to functions/programs of the city as follows for the year ended December 31, 2022:

<u>Governmental Activities:</u>	
General Government	23,396
Public Safety	28,149
Street and Public Works	524,962
Culture and Recreation	8,732
Other	110,443
Total Depreciation Expense	695,682
<u>Business-type Activities:</u>	
Water	83,829
Sewer	14,868
Garbage	11,572
Water Main Replacement Project	142,728
Total Depreciation Expense	252,997

Note 7 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2022, the following changes occurred in the liabilities reported in the long-term liabilities of the city:

Governmental Activities:

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Special Assessment Bonds	7,916,000		808,000	7,108,000	782,000
Revenue Bonds	652,000		56,000	596,000	56,000
Compensated Absences	36,844		36,844	-	
Total	<u>8,604,844</u>	<u>-</u>	<u>900,844</u>	<u>7,704,000</u>	<u>838,000</u>

Business-type Activities (Proprietary Funds):

	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Revenue Bonds	<u>3,925,585</u>	<u>-</u>	<u>155,698</u>	<u>3,769,887</u>	<u>156,264</u>

Outstanding debt at December 31, 2022 consists of the following:

Special Assessment Bond Debt. The city has issued special assessment bonds to provide funds for the construction of streets and water treatment plant. Special assessment bonds outstanding at December 31, 2022 is as follows:

\$8,302,000 Refunding Improvement Bonds, Series 2021; due in semi-annual payments of \$293,000 to \$417,000 through November 1, 2032; interest is at .5% to 1.5%.	<u>7,108,000.00</u>
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The annual requirements to amortize the outstanding special assessment bond debt are as follows:

Year Ending December 31	Principal	Interest
2023	782,000.00	71,390.00
2024	783,000.00	66,512.50
2025	783,000.00	60,846.00
2026	779,000.00	54,396.50
2027	783,000.00	47,190.00
2028-2032	<u>3,198,000.00</u>	<u>115,844.00</u>
Total	<u>7,108,000.00</u>	<u>416,179.00</u>

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2022 are as follows:

\$238,715 Water and Sewer Extension Bonds of 2004, due in annual payments of \$16,000 through September 1, 2023; interest is at 2.5%.	<u>16,000.00</u>
\$830,477 Waste Water Treatment Revenue Bonds, Series 2017, due in annual payments of \$40,000 to \$50,000 through September 1, 2035; interest is at 2%.	<u>580,000.00</u>
Total Revenue Bonds Payable	<u>596,000.00</u>

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2023	56,000.00	12,000.00
2024	40,000.00	10,800.00
2025	40,000.00	10,000.00
2026	40,000.00	9,200.00
2027	45,000.00	8,400.00
2028-2032	230,000.00	28,500.00
2033-2035	145,000.00	5,700.00
Total	<u>596,000.00</u>	<u>84,600.00</u>

Business-type Activities:

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2022 are as follows:

\$676,556 Water Main Replacement Bonds 2004-1, due in annual payments of \$45,000 through September 1, 2023; interest is at 2.5%.	45,000.00
\$91,581 Water System Improvement Bonds of 2006, due in annual payments of \$5,000 to \$6,000 through September 1, 2026; interest is at 2.5%.	22,000.00
\$119,952 Water Treatment Revenue Bonds of 2007, due in annual payments of \$10,000 to \$11,000 through September 1, 2026; interest is at 2.5%.	41,000.00
\$1,210,000 Water System Improvement Revenue Bonds, Series A, due in annual payments of \$50,264 through March 21, 2056 and a final payment of \$48,164.93 on March 21, 2057; interest is at 2.75%.	1,120,252.77
\$110,000 Water System Improvement Revenue Bonds, Series B, due in annual payments of \$4,475 through July 18, 2056 and a final payment of \$4,456.32 on July 18, 2057; interest is at 2.625%.	101,634.70
\$2,600,000 Water Revenue Refunding Bonds, Series 2020, due in annual payments of \$75,000 to \$230,000 through September 1, 2046; interest is at .75% to 3%.	<u>2,440,000.00</u>
Total Revenue Bonds Payable	<u>3,769,887.47</u>

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2023	156,264.14	90,056.12
2024	111,846.65	87,411.11
2025	114,445.11	85,875.15
2026	119,059.97	84,272.79
2027	103,691.68	80,841.08
2028-2032	558,556.66	359,657.14
2033-2037	632,157.18	293,156.62
2038-2042	713,449.45	219,095.57
2043-2047	787,823.04	122,246.96
2048-2052	220,723.99	52,971.01
2053-2057	251,869.60	21,032.20
Total	<u>3,769,887.47</u>	<u>1,496,615.75</u>

Note 8 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2022:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Emergency	5,000.00	
Centennial Park Project	50,000.00	
General Fund		55,000.00
To fund a park project and subsidize expenditures.		
USDA/BND Project Reserves	35,000.00	
Water Operating		35,000.00
To set aside funds for project reserves.		
Sidewalk Improvement	65,000.00	
Ball Park Addition	35,000.00	
Reserve for Water Improvements	10,000.00	
Garbage Operating	25,000.00	
Sewer Utility	15,000.00	
Water & Sewer Extension/2004	10,000.00	
Infrastructure		160,000.00
To subsidize expenditures.		
Water & Sewer Extension/2004	6,000.00	
Waterworks Sinking	43,500.00	
Sewer Lift Station Replacement	4,000.00	
Water Operating		42,000.00
Sewer Utility		11,500.00
To subsidize debt service payments.		

Police Department Equip. Reserve	5,000.00	
Fire Department Equipment Reserve	18,000.00	
Garbage Department Equip. Reserve	2,000.00	
Infrastructure		25,000.00
Tot set aside funds for the purchase of capital assets.		
Harvey Area Growth Fund	100,000.00	
Harvey Community Development		100,000.00
To transfer excess sales tax collections.		

Note 9 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31, 2022:

<u>Special Revenue Fund</u>	
Land Development Reserve	(42,331.08)

The city plans to eliminate these deficits with future revenue collections and/or transfers from other funds.

Note 10 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$2,150,918 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$1,845,213 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 11 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

The city provides benefits for all of its full-time employees through the North Dakota Public Employees Retirement System (NDPERS).

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. During the year ended December 31, 2022, the city contributed \$43,091.42.

Note 12 TAX ABATEMENTS

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the year ended December 31, 2022.

CITY OF HARVEY
Harvey, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	350,000.00	342,354.68	(7,645.32)
Licenses, Permits and Fees	14,950.00	34,567.28	19,617.28
Intergovernmental	174,000.00	148,355.62	(25,644.38)
Charges for Services	27,000.00		(27,000.00)
Fines and Forfeits	7,500.00	806.00	(6,694.00)
Miscellaneous	157,950.00	85,640.77	(72,309.23)
Total Revenues	731,400.00	611,724.35	(119,675.65)
<u>Expenditures:</u>			
Current:			
General Government	259,661.00	250,324.67	9,336.33
Public Safety	450,239.00	361,984.18	88,254.82
Culture and Recreation	21,500.00	30,368.11	(8,868.11)
Total Expenditures	731,400.00	642,676.96	88,723.04
Excess (Deficiency) of Revenue Over Expenditures	-	(30,952.61)	(30,952.61)
<u>Other Financing Sources (Uses):</u>			
Transfers In		23,000.00	23,000.00
Transfers Out		(55,000.00)	(55,000.00)
Total Other Financing Sources (Uses)	-	(32,000.00)	(32,000.00)
Net Change in Fund Balances	-	(62,952.61)	(62,952.61)
Fund Balance - January 1	161,773.44	161,773.44	
Fund Balance - December 31	161,773.44	98,820.83	(62,952.61)

CITY OF HARVEY
Harvey, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2022

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

The governing board did not amend the city's general fund budget during the year ended December 31, 2022.

CITY OF HARVEY
Harvey, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2022

	Balance 1-1-2022	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2022
Major Governmental Funds						
General Fund:						
General	75,231.54	611,724.35		55,000.00	534,572.60	97,383.29
Estate Taxes	38,505.15					38,505.15
Equipment Reserve	17,449.73				9,027.02	8,422.71
Fire Department Equipment Reserve	29,850.14		18,000.00		99,077.34	(51,227.20)
Police Department Equipment Reserve	736.88		5,000.00			5,736.88
Total General Fund	161,773.44	611,724.35	23,000.00	55,000.00	642,676.96	98,820.83
Street Improvement 2016	494,009.76	655,298.47			612,051.88	537,256.35
Total Major Governmental Funds	655,783.20	1,267,022.82	23,000.00	55,000.00	1,254,728.84	636,077.18
Non-major Governmental Funds						
Highway Distribution	48,596.98	167,803.73			189,483.16	26,917.55
Social Security	5,421.30					5,421.30
City Share of Special Assessments	46,596.59	16,508.28			16,054.72	47,050.15
Special Assessment Deficiency	45.40					45.40
Emergency	1,399.28	1,958.60	5,000.00		4,380.00	3,977.88
Recreation	27,696.26	35,384.85			21,844.25	41,236.86
Recreation Equipment Reserve	8,113.58					8,113.58
Skateboard/Archery	2,975.91	7,902.52			8,378.81	2,499.62
Babe Ruth	(10,692.01)	15,160.43			4,265.11	203.31
Library:						
Operating	24,857.06	36,422.22			111,041.13	(49,761.85)
Endowment	281,626.92	15.10				281,642.02
Band	550.00	100.00				650.00
Economic Development	129,915.61	2,917.33			20,379.82	112,453.12
Centennial Park Project	(18,183.27)	222,208.18	50,000.00		243,595.82	10,429.09
Special Assessment Interest	28,416.07	12,533.20				40,949.27
Sidewalk Improvement	(58,685.93)	8,127.58	65,000.00		11,460.39	2,981.26
Street Repair Reserve	23,030.06					23,030.06
Economic Development Reserve	34,856.78					34,856.78
Harvey Community Development Fund	84,128.46	265,397.93		100,000.00	143,174.49	106,351.90
Convention and Visitor's Bureau	15,341.82	16,477.97			22,650.53	9,169.26
Childcare	13,083.85	252,886.51			192,589.60	73,380.76
Harvey Area Growth Fund	158,444.96	108,109.17	100,000.00		175,181.46	191,372.67
JDA Guarantee Set-aside Fund	30,084.45					30,084.45
Land Development Reserve	(53,972.08)	11,641.00				(42,331.08)
Street Department Equipment Reserve	22,647.07					22,647.07
Infrastructure	450,254.20	271,063.26		185,000.00	102,210.50	434,106.96
Prairie Dog/ARPA Fund	254,217.91	256,029.17				510,247.08

(continued)

CITY OF HARVEY
Harvey, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2022
(continued)

	Balance 1-1-2022	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2022
<u>Nonmajor Governmental Funds (continued)</u>						
Airport	6,883.44	69,833.10			67,182.24	9,534.30
Water & Sewer Extension/2004	5,131.69		16,000.00		16,920.00	4,211.69
Water Tower Specials #35	50,991.37	27,334.43			25,687.50	52,638.30
Water Treatment Plant	314,529.80	188,070.72			150,807.00	351,793.52
Ball Park Addition	317.83	33,699.77	35,000.00		67,755.50	1,262.10
Ball Park Water/Sewer and Street Project	60,880.96	61.15				60,942.11
Total Nonmajor Governmental Funds	1,989,502.32	2,027,646.20	271,000.00	285,000.00	1,595,042.03	2,408,106.49
Total Governmental Funds	2,645,285.52	3,294,669.02	294,000.00	340,000.00	2,849,770.87	3,044,183.67
<u>Major Enterprise Funds</u>						
Water:						
Operating	78,038.76	376,192.80		77,000.00	355,573.07	21,658.49
Water Department Equipment Reserve	38,539.53					38,539.53
Reserve for Water Improvements	23,747.00		10,000.00		32,875.06	871.94
Waterworks Sinking	111,131.64		43,500.00		54,739.00	99,892.64
USDA/BND Project Reserves	686,404.00		35,000.00			721,404.00
Garbage:						
Operating	66.20	324,849.09	25,000.00		342,883.94	7,031.35
Garbage Dept. Equipment Reserve	65.23		2,000.00			2,065.23
Water Main Replacement:						
Phase I	119,196.82	104,088.51			53,385.00	169,900.33
Phase II	146,851.45	74,685.27			131,131.26	90,405.46
Total Major Enterprise Funds	1,204,040.63	879,815.67	115,500.00	77,000.00	970,587.33	1,151,768.97
<u>Non-Major Enterprise Funds</u>						
Mosquito Control	18,283.09	10,409.18			12,151.99	16,540.28
Customer Insurance Reserve	8,094.91				6,429.68	1,665.23
Sewer Lift Station Replacement	63,050.28		4,000.00		11,530.00	55,520.28
Sewer Utility	1,412.24	110,623.51	15,000.00	11,500.00	109,211.73	6,324.02
Sewer Lagoon #25	61,102.57				1,876.00	59,226.57
Total Non-Major Enterprise Funds	151,943.09	121,032.69	19,000.00	11,500.00	141,199.40	139,276.38
Total Enterprise Funds	1,355,983.72	1,000,848.36	134,500.00	88,500.00	1,111,786.73	1,291,045.35
Total Funds	4,001,269.24	4,295,517.38	428,500.00	428,500.00	3,961,557.60	4,335,229.02

Rath & Mehner, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Harvey
Harvey, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Harvey, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated April 7, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the city's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Responses*. The city's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

April 7, 2023

CITY OF HARVEY
Harvey, North Dakota

Schedule of Findings and Responses
For the Year Ended December 31, 2022

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified-Modified Cash Basis
Business-Type Activities	Unmodified-Modified Cash Basis
Major Governmental Funds	Unmodified-Modified Cash Basis
Major Business-Type Funds	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(ies) identified? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2022-001 – Segregation of Duties

Criteria: To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliation.

Condition: The city has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

Cause: The city does not have a large enough staff to properly segregate all duties.

Effect: A lack of segregation of duties leads to a limited degree of internal control.

Recommendation: We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

Views of Responsible Officials: The city is aware of the condition and segregates duties whenever possible.

2. 2022-002- Financial Statement Preparation

Criteria: A good system of internal controls requires the city to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The city's financial statements, including the accompanying note disclosures, are prepared by the city's external auditors.

Cause: The city feels that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

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

Recommendation: We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to external distribution.

Views of Responsible Officials: The city will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.