

# **AUDIT REPORT**

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

For the Years Ended December 31, 2022 and 2021

**RATH & MEHRER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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For the Years Ended December 31, 2022 and 2021

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CITY OF NEW ROCKFORD  
New Rockford, North Dakota

CITY OFFICIALS

Stuart Richter	Commission President
Kelly McKnight	Commission Vice- President
James Belquist	Commissioner
Dillon Hewitt	Commissioner
Justin Ystaas	Commissioner
Becki Schumacher	Auditor

# Rath & Mehrer, P.C.

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of New Rockford  
New Rockford, 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 New Rockford as of and for the years ended December 31, 2022 and 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 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 2021, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the years then ended in accordance with modified cash basis of accounting described in Note 1.

#### **Basis for Opinions**

We conducted our audits 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 audits. 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 audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



### Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information, the schedules of fund activity arising from cash transactions and the schedule of expenditures of federal awards as required by Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 audits 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, the schedules of fund activity arising from cash transactions and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole 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 August 25, 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

August 25, 2023

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	2,198,957.49	1,600,669.89	3,799,627.38
Capital Assets (net of accumulated depreciation):			
Land		30,000.00	30,000.00
Construction in Progress	3,705,610.00	9,957,125.00	13,662,735.00
Buildings and Infrastructure	813,603.00	547,936.00	1,361,539.00
Machinery and Vehicles	190,212.00	103,125.00	293,337.00
 Total Capital Assets	 4,709,425.00	 10,638,186.00	 15,347,611.00
 Total Assets	 6,908,382.49	 12,238,855.89	 19,147,238.38
<b>Liabilities:</b>			
Long-Term Liabilities:			
Due Within One Year:			
General Obligation Bonds Payable	40,000.00		40,000.00
Special Assessment Bonds Payable	458,477.21		458,477.21
Revenue Bonds Payable		102,885.07	102,885.07
Due After One Year:			
General Obligation Bonds Payable	585,000.00		585,000.00
Special Assessment Bonds Payable	3,280,901.91		3,280,901.91
Revenue Bonds Payable		4,646,310.21	4,646,310.21
 Total Liabilities	 4,364,379.12	 4,749,195.28	 9,113,574.40
<b>NET POSITION:</b>			
Net Investment in Capital Assets	345,045.88	5,888,990.72	6,234,036.60
Restricted for:			
Debt Service	116,941.41		116,941.41
Special Purposes	1,536,400.98		1,536,400.98
Unrestricted	545,615.10	1,600,669.89	2,146,284.99
 Total Net Position	 2,544,003.37	 7,489,660.61	 10,033,663.98

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

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	1,666,479.02	1,529,783.05	3,196,262.07
Capital Assets (net of accumulated depreciation):			
Land		30,000.00	30,000.00
Construction in Progress		8,953,325.00	8,953,325.00
Buildings and Infrastructure	961,654.00	596,618.00	1,558,272.00
Machinery and Vehicles	203,155.00	110,360.00	313,515.00
 Total Capital Assets	 1,164,809.00	 9,690,303.00	 10,855,112.00
 Total Assets	 2,831,288.02	 11,220,086.05	 14,051,374.07
 <b>Liabilities:</b>			
Long-Term Liabilities:			
Due Within One Year:			
General Obligation Bonds Payable	40,000.00		40,000.00
Revenue Bonds Payable		99,248.00	99,248.00
Due After One Year:			
General Obligation Bonds Payable	625,000.00		625,000.00
Revenue Bonds Payable		4,750,504.00	4,750,504.00
 Total Liabilities	 665,000.00	 4,849,752.00	 5,514,752.00
 <b>NET POSITION:</b>			
Net Investment in Capital Assets	499,809.00	4,840,551.00	5,340,360.00
Restricted for:			
Debt Service	116,747.52		116,747.52
Special Purposes	1,074,948.61		1,074,948.61
Unrestricted	474,782.89	1,529,783.05	2,004,565.94
 Total Net Position	 2,166,288.02	 6,370,334.05	 8,536,622.07

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



CITY OF NEW ROCKFORD  
New Rockford, 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
<b>Primary Government</b>					
<u>Governmental Activities:</u>					
General Government	192,071.97	58,412.04		(133,659.93)	(133,659.93)
Public Safety	167,977.59	108.00		(167,869.59)	(167,869.59)
Streets and Public Works	567,932.32	21,687.45	325,334.35	(220,910.52)	(220,910.52)
Culture and Recreation	182,082.94		52,565.99	(129,516.95)	(129,516.95)
Urban and Economic Development	98,947.76			(98,947.76)	
Other	21,352.45			(21,352.45)	(21,352.45)
Interest on Long-Term Debt	22,632.50		474,173.10	451,540.60	451,540.60
Total Governmental Activities	1,252,997.53	80,207.49	852,073.44	(320,716.60)	(221,768.84)
<u>Business-Type Activities:</u>					
Water	365,203.86	269,741.43			(95,462.43)
Water Main Replacement	120,205.55	123,490.42	1,054,214.27	1,057,499.14	1,057,499.14
Sewer	99,960.61	81,214.85		(18,745.76)	(18,745.76)
Garbage	241,651.49	264,751.96		23,100.47	23,100.47
Total Business-Type Activities	827,021.51	739,198.66		966,391.42	966,391.42
Total Primary Government	2,080,019.04	819,406.15	852,073.44	(320,716.60)	744,622.58
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes				210,090.53	210,090.53
Property taxes; levied for special purposes				72,225.77	72,225.77
Sales taxes				256,645.73	77,302.93
Cigarette taxes				2,600.37	2,600.37
Intergovernmental revenue not restricted to specific programs				117,155.18	117,155.18
Gain on trade-in of assets				2,000.00	2,000.00
Earnings on investments and other revenue				112,714.37	632.21
Transfers				(75,000.00)	75,000.00
Total General Revenues and Transfers				698,431.95	152,935.14
Change in Net Position				377,715.35	1,119,326.56
Net Position - January 1				2,166,288.02	6,370,334.05
Net Position - December 31				2,544,003.37	7,489,660.61
					10,033,663.98

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

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Statement of Activities - Modified Cash Basis  
December 31, 2021

	Net (Expense) Revenue and Change in Net Position				
	Program Revenues			Primary Government	
	Charges for	Operating Grants	Governmental	Business-Type	
Expenses	Services	and Contributions	Activities	Activities	Total
<b>Functions/Programs</b>					
<b>Primary Government</b>					
<u>Governmental Activities:</u>					
General Government	161,272.58	40,866.66	(120,405.92)		(120,405.92)
Public Safety	163,069.75	316.00	(162,753.75)		(162,753.75)
Streets and Public Works	316,898.00	48,337.28	193,005.37		(75,555.35)
Culture and Recreation	148,544.92	72,866.60	(75,678.32)		(75,678.32)
Urban and Economic Development	96,119.85		(96,119.85)		
Other	105,284.11		(105,284.11)		(105,284.11)
Interest on Long-Term Debt	23,557.50	3,133.04	(20,424.46)		(20,424.46)
Total Governmental Activities	1,014,746.71	89,519.94	269,005.01	(656,221.76)	(560,101.91)
<u>Business-Type Activities:</u>					
Water	236,410.83	288,756.36		52,345.53	52,345.53
Water Main Replacement	71,393.05	126,710.40	1,831,872.54	1,887,189.89	1,887,189.89
Sewer	84,897.72	85,451.19		553.47	553.47
Garbage	239,210.92	270,058.96		30,848.04	30,848.04
Total Business-Type Activities	631,912.52	770,976.91		1,970,936.93	1,970,936.93
Total Primary Government	1,646,659.23	860,496.85	269,005.01	(656,221.76)	1,410,835.02
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes			212,695.08		212,695.08
Property taxes; levied for special purposes			77,505.71		77,505.71
Sales taxes			249,310.88	75,093.64	324,404.52
Cigarette taxes			3,159.10		3,159.10
Intergovernmental revenue not restricted to specific programs			98,393.29		98,393.29
Earnings on investments and other revenue			25,478.21	4,930.87	30,409.08
Transfers			(75,000.00)	75,000.00	-
Total General Revenues and Transfers			591,542.27	155,024.51	746,566.78
Change in Net Position			(64,679.49)	2,125,961.44	2,061,281.95
Net Position - January 1			2,294,888.34	3,935,078.78	
Prior Period Adjustment - Note 11			(63,920.83)	309,293.83	
Net Position - January 1, as restated			2,230,967.51	4,244,372.61	6,475,340.12
Net Position - December 31			2,166,288.02	6,370,334.05	8,536,622.07

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

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

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

	Major Funds		Other	Total
	General	Street Project 2021-1	Governmental Funds	Governmental Funds
<b>ASSETS:</b>				
Cash, Cash Equivalents and Investments	447,490.58	13,446.32	1,738,020.59	2,198,957.49
<b>FUND BALANCES:</b>				
Restricted for:				
Public Safety			83,644.03	83,644.03
Street and Public Works		13,446.32	1,101,950.48	1,115,396.80
Urban and Economic Development			2,778.57	2,778.57
Emergency Purposes			7,128.92	7,128.92
Airport			327,452.66	327,452.66
Debt Service			116,941.41	116,941.41
Assigned to:				
Public Safety			5,185.60	5,185.60
Street and Public Works			92,938.92	92,938.92
Unassigned	447,490.58			447,490.58
<b>Total Fund Balances</b>	<b>447,490.58</b>	<b>13,446.32</b>	<b>1,738,020.59</b>	<b>2,198,957.49</b>

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



CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2021

	<u>Major Fund</u>	Other	Total
	General	Governmental Funds	Governmental Funds
<b><u>ASSETS:</u></b>			
Cash, Cash Equivalents and Investments	369,231.77	1,297,247.25	1,666,479.02
<b><u>FUND BALANCES:</u></b>			
Restricted for:			
Public Safety		71,275.57	71,275.57
Street and Public Works		671,264.42	671,264.42
Urban and Economic Development		2,778.57	2,778.57
Emergency Purposes		7,128.92	7,128.92
Airport		322,501.13	322,501.13
Debt Service		116,747.52	116,747.52
Assigned to:			
Public Safety		4,785.60	4,785.60
Street and Public Works		100,765.52	100,765.52
Unassigned	369,231.77		369,231.77
 Total Fund Balances	 369,231.77	 1,297,247.25	 1,666,479.02

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

CITY OF NEW ROCKFORD  
New Rockford, 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		2,198,957.49
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	7,346,452.00	
Less Accumulated Depreciation	<u>(2,637,027.00)</u>	
Net Capital Assets		4,709,425.00
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:		
General Obligation Bonds Payable	(625,000.00)	
Special Assessment Bonds Payable	<u>(3,739,379.12)</u>	
		<u>(4,364,379.12)</u>
Total Net Position of Governmental Activities		<u>2,544,003.37</u>

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

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
For the Year Ended December 31, 2021

Total Fund Balances for Governmental Funds		1,666,479.02
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	3,638,192.00	
Less Accumulated Depreciation	<u>(2,473,383.00)</u>	
Net Capital Assets		1,164,809.00
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, 2021 are:		
General Obligation Bonds Payable		<u>(665,000.00)</u>
Total Net Position of Governmental Activities		<u><u>2,166,288.02</u></u>

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



CITY OF NEW ROCKFORD  
New Rockford, 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		Other	Total
	General	Street Project 2021-1	Governmental Funds	Governmental Funds
<b>Revenues:</b>				
Taxes	256,472.28		282,489.75	538,962.03
Special Assessments			474,173.10	474,173.10
Licenses, Permits and Fees	19,040.93			19,040.93
Intergovernmental	148,085.06		349,570.83	497,655.89
Charges for Services	39,371.11		21,687.45	61,058.56
Fines and Forfeits	108.00			108.00
Miscellaneous	95,748.93	16,502.00	463.44	112,714.37
<b>Total Revenues</b>	<b>558,826.31</b>	<b>16,502.00</b>	<b>1,128,384.57</b>	<b>1,703,712.88</b>
<b>Expenditures:</b>				
Current:				
General Government	190,442.97			190,442.97
Public Safety	167,977.59			167,977.59
Streets and Public Works		36,824.80	433,278.52	470,103.32
Culture and Recreation	121,946.94			121,946.94
Urban and Economic Development			98,947.76	98,947.76
Other			10,152.45	10,152.45
Capital Outlay		3,705,610.00	7,800.00	3,713,410.00
Debt Service:				
Principal			40,000.00	40,000.00
Interest and Service Charges			22,632.50	22,632.50
<b>Total Expenditures</b>	<b>480,367.50</b>	<b>3,742,434.80</b>	<b>612,811.23</b>	<b>4,835,613.53</b>
Excess (Deficiency) of Revenue Over (Under) Expenditures	78,458.81	(3,725,932.80)	515,573.34	(3,131,900.65)
<b>Other Financing Sources (Uses):</b>				
Transfers In			200.00	200.00
Transfers Out	(200.00)		(75,000.00)	(75,200.00)
Proceeds from Bank of North Dakota Loan		3,739,379.12		3,739,379.12
<b>Total Other Financing Sources (Uses)</b>	<b>(200.00)</b>	<b>3,739,379.12</b>	<b>(74,800.00)</b>	<b>3,664,379.12</b>
<b>Net Changes in Fund Balances</b>	<b>78,258.81</b>	<b>13,446.32</b>	<b>440,773.34</b>	<b>532,478.47</b>
<b>Fund Balance - January 1</b>	<b>369,231.77</b>		<b>1,297,247.25</b>	<b>1,666,479.02</b>
<b>Fund Balance - December 31</b>	<b>447,490.58</b>	<b>13,446.32</b>	<b>1,738,020.59</b>	<b>2,198,957.49</b>

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

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Modified Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2021

	<u>Major Fund</u>		
	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes	252,610.28	286,901.39	539,511.67
Special Assessments	1,577.19	1,555.85	3,133.04
Licenses, Permits and Fees	17,754.86		17,754.86
Intergovernmental	149,670.66	217,753.70	367,424.36
Charges for Services	23,111.80	48,337.28	71,449.08
Fines and Forfeits	316.00		316.00
Miscellaneous	8,896.74	16,581.47	25,478.21
Total Revenues	<u>453,937.53</u>	<u>571,129.69</u>	<u>1,025,067.22</u>
<u>Expenditures:</u>			
Current:			
General Government	159,638.58	5.00	159,643.58
Public Safety	163,069.75		163,069.75
Streets and Public Works		219,953.00	219,953.00
Culture and Recreation	88,408.92		88,408.92
Urban and Economic Development		96,119.85	96,119.85
Other		94,084.11	94,084.11
Debt Service:			
Principal		40,000.00	40,000.00
Interest and Service Charges		23,557.50	23,557.50
Total Expenditures	<u>411,117.25</u>	<u>473,719.46</u>	<u>884,836.71</u>
Excess (Deficiency) of Revenue Over (Under) Expenditures	<u>42,820.28</u>	<u>97,410.23</u>	<u>140,230.51</u>
<u>Other Financing (Uses):</u>			
Transfers Out		(75,000.00)	(75,000.00)
Net Changes in Fund Balances	<u>42,820.28</u>	<u>22,410.23</u>	<u>65,230.51</u>
Fund Balance - January 1	<u>326,411.49</u>	<u>1,584,130.85</u>	<u>1,910,542.34</u>
Prior Period Adjustment - Note 11		(309,293.83)	(309,293.83)
Net Position - January 1, as restated	<u>326,411.49</u>	<u>1,274,837.02</u>	<u>1,601,248.51</u>
Fund Balance - December 31	<u>369,231.77</u>	<u>1,297,247.25</u>	<u>1,666,479.02</u>

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

CITY OF NEW ROCKFORD  
New Rockford, 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	532,478.47
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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 capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	3,713,410.00	
Current Year Depreciation Expense	<u>(170,794.00)</u>	3,542,616.00

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 debt proceeds exceeded repayment of debt.

Debt Proceeds	(3,739,379.12)	
Repayment of Debt	<u>40,000.00</u>	(3,699,379.12)

In the statement of activities, only the gain on the trade-in/disposal of capital assets is reported, whereas in the governmental funds, the result of this transaction has no effect on capital resources. Thus, the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to increase net position

	<u>2,000.00</u>
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Change in Net Position of Governmental Activities	<u><u>377,715.35</u></u>
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The accompanying notes are an integral part of these financial statements.



CITY OF NEW ROCKFORD  
New Rockford, 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, 2021

Net Change in Fund Balances - Total Governmental Funds	65,230.51
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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	-	
Current Year Depreciation Expense	<u>(169,910.00)</u>	(169,910.00)

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>40,000.00</u>	40,000.00

Change in Net Position of Governmental Activities	<u>(64,679.49)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

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

	Major Enterprise Funds			Other Enterprise Funds	Total Enterprise Funds
	Water Department	Water Main Replacement	Garbage		
<b>ASSETS</b>					
<u>Current Assets:</u>					
Cash and Cash Equivalents	669,337.31	546,332.26	298,109.72	86,890.60	1,600,669.89
<u>Noncurrent Assets:</u>					
Capital Assets (net of accumulated depreciation):					
Land		30,000.00			30,000.00
Construction in Progress		9,957,125.00			9,957,125.00
Buildings and Infrastructure	547,936.00				547,936.00
Machinery and Vehicles	39,152.00			63,973.00	103,125.00
Total Noncurrent Assets	587,088.00	9,987,125.00	-	63,973.00	10,638,186.00
Total Assets	1,256,425.31	10,533,457.26	298,109.72	150,863.60	12,238,855.89
<u>LIABILITIES</u>					
<u>Current Liabilities:</u>					
Revenue Bonds Payable	13,000.00	89,885.07			102,885.07
<u>Noncurrent Liabilities:</u>					
Revenue Bonds Payable	178,000.00	4,468,310.21			4,646,310.21
Total Liabilities	191,000.00	4,558,195.28	-	-	4,749,195.28
<u>NET POSITION</u>					
Net Investment in Capital Assets	396,088.00	5,428,929.72	-	63,973.00	5,888,990.72
Unrestricted	669,337.31	546,332.26	298,109.72	86,890.60	1,600,669.89
Total Net Position	1,065,425.31	5,975,261.98	298,109.72	150,863.60	7,489,660.61

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

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2021

	Major Enterprise Funds			Other Enterprise Funds	Total Enterprise Funds
	Water Department	Water Main Replacement	Garbage		
<b>ASSETS</b>					
<u>Current Assets:</u>					
Cash and Cash Equivalents	725,254.53	428,734.91	274,945.25	100,848.36	1,529,783.05
<u>Noncurrent Assets:</u>					
Capital Assets (net of accumulated depreciation):					
Land		30,000.00			30,000.00
Construction In Progress		8,953,325.00			8,953,325.00
Buildings and Infrastructure	596,618.00				596,618.00
Machinery and Vehicles	41,599.00			68,761.00	110,360.00
Total Noncurrent Assets	638,217.00	8,983,325.00	-	68,761.00	9,690,303.00
Total Assets	1,363,471.53	9,412,059.91	274,945.25	169,609.36	11,220,086.05
<u>LIABILITIES</u>					
<u>Current Liabilities:</u>					
Revenue Bonds Payable	12,000.00	87,248.00			99,248.00
<u>Noncurrent Liabilities:</u>					
Revenue Bonds Payable	191,000.00	4,559,504.00			4,750,504.00
Total Liabilities	203,000.00	4,646,752.00	-	-	4,849,752.00
<u>NET POSITION</u>					
Net Investment in Capital Assets	435,217.00	4,336,573.00	-	68,761.00	4,840,551.00
Unrestricted	725,254.53	428,734.91	274,945.25	100,848.36	1,529,783.05
Total Net Position	1,160,471.53	4,765,307.91	274,945.25	169,609.36	6,370,334.05

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



CITY OF NEW ROCKFORD  
New Rockford, 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 Department	Water Main Replacement	Garbage		
<b>Operating Revenues:</b>					
Charges for Sales and Services:					
Water Sales	267,451.13	123,490.42			390,941.55
Water Plant Sales	2,290.30				2,290.30
Sewer Charges				81,214.85	81,214.85
Garbage Collections			255,395.60		255,395.60
Other Services			9,356.36		9,356.36
<b>Total Operating Revenues</b>	<b>269,741.43</b>	<b>123,490.42</b>	<b>264,751.96</b>	<b>81,214.85</b>	<b>739,198.66</b>
<b>Operating Expenses:</b>					
Salaries	59,568.94		26,430.35	47,533.36	133,532.65
Health Insurance	25,450.21		2,924.00	16,729.58	45,103.79
Retirement	6,287.25		479.46	5,301.50	12,068.21
Utilities	25,386.32		2,200.26	7,417.71	35,004.29
Operations and Maintenance	61,058.57	50,504.27	2,915.01	5,434.79	119,912.64
Oil and Gas	948.07		3,475.38	12,755.67	17,179.12
Chemicals	129,182.96				129,182.96
Water Meters	779.04				779.04
Garbage Contract			203,227.03		203,227.03
Miscellaneous	338.50				338.50
Depreciation	51,129.00			4,788.00	55,917.00
<b>Total Operating Expenses</b>	<b>360,128.86</b>	<b>50,504.27</b>	<b>241,651.49</b>	<b>99,960.61</b>	<b>752,245.23</b>
<b>Operating Income (Loss)</b>	<b>(90,387.43)</b>	<b>72,986.15</b>	<b>23,100.47</b>	<b>(18,745.76)</b>	<b>(13,046.57)</b>
<b>Non-Operating Revenues (Expenses):</b>					
USDA Grant		1,054,214.27			1,054,214.27
Sales Taxes		77,302.93			77,302.93
Interest Income	96.00	152.00	64.00		312.00
Miscellaneous Receipts	320.21				320.21
Debt Service					
Interest	(4,060.00)	(69,701.28)			(73,761.28)
Service Charges	(1,015.00)				(1,015.00)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(4,658.79)</b>	<b>1,061,967.92</b>	<b>64.00</b>	<b>-</b>	<b>1,057,373.13</b>
<b>Income (Loss) Before Transfers</b>	<b>(95,046.22)</b>	<b>1,134,954.07</b>	<b>23,164.47</b>	<b>(18,745.76)</b>	<b>1,044,326.56</b>
Transfer In		136,359.00			136,359.00
Transfer Out		(61,359.00)			(61,359.00)
<b>Changes in Net Position</b>	<b>(95,046.22)</b>	<b>1,209,954.07</b>	<b>23,164.47</b>	<b>(18,745.76)</b>	<b>1,119,326.56</b>
<b>Net Position - January 1</b>	<b>1,160,471.53</b>	<b>4,765,307.91</b>	<b>274,945.25</b>	<b>169,609.36</b>	<b>6,370,334.05</b>
<b>Net Position - December 31</b>	<b>1,065,425.31</b>	<b>5,975,261.98</b>	<b>298,109.72</b>	<b>150,863.60</b>	<b>7,489,660.61</b>

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

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2021

	Major Enterprise Funds			Other Enterprise Funds	Total Enterprise Funds
	Water Department	Water Main Replacement	Garbage		
<b>Operating Revenues:</b>					
Charges for Sales and Services:					
Water Sales	282,530.41	126,710.40			409,240.81
Water Plant Sales	3,620.05				3,620.05
Sewer Charges				85,168.19	85,168.19
Garbage Collections			255,602.82		255,602.82
Other Services	2,605.90		14,456.14	283.00	17,345.04
<b>Total Operating Revenues</b>	<b>288,756.36</b>	<b>126,710.40</b>	<b>270,058.96</b>	<b>85,451.19</b>	<b>770,976.91</b>
<b>Operating Expenses:</b>					
Salaries	61,926.13		25,682.67	36,315.36	123,924.16
Health Insurance	29,006.43		2,799.38	18,177.28	49,983.09
Retirement	10,031.66		1,315.22	4,758.40	16,105.28
Utilities	16,092.29		1,293.67	4,316.12	21,702.08
Operations and Maintenance	23,531.67		7,624.10	15,312.90	46,468.67
Oil and Gas			2,193.21	1,229.66	3,422.87
Chemicals	32,793.99				32,793.99
Water Meters	5,837.48				5,837.48
Garbage Contract			198,302.67		198,302.67
Miscellaneous	687.18	383.05			1,070.23
Depreciation	51,129.00			4,788.00	55,917.00
<b>Total Operating Expenses</b>	<b>231,035.83</b>	<b>383.05</b>	<b>239,210.92</b>	<b>84,897.72</b>	<b>555,527.52</b>
<b>Operating Income (Loss)</b>	<b>57,720.53</b>	<b>126,327.35</b>	<b>30,848.04</b>	<b>553.47</b>	<b>215,449.39</b>
<b>Non-Operating Revenues (Expenses):</b>					
USDA Grant		1,831,872.54			1,831,872.54
Sales Taxes		75,093.64			75,093.64
Interest Income	1,014.74		526.25	664.88	2,205.87
Miscellaneous Receipts	2,725.00				2,725.00
Debt Service					
Interest	(4,300.00)	(71,010.00)			(75,310.00)
Service Charges	(1,075.00)				(1,075.00)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(1,635.26)</b>	<b>1,835,956.18</b>	<b>526.25</b>	<b>664.88</b>	<b>1,835,512.05</b>
<b>Income (Loss) Before Transfers</b>	<b>56,085.27</b>	<b>1,962,283.53</b>	<b>31,374.29</b>	<b>1,218.35</b>	<b>2,050,961.44</b>
Transfer In		136,359.00			136,359.00
Transfer Out		(61,359.00)			(61,359.00)
<b>Changes in Net Position</b>	<b>56,085.27</b>	<b>2,037,283.53</b>	<b>31,374.29</b>	<b>1,218.35</b>	<b>2,125,961.44</b>
<b>Net Position - January 1</b>	<b>1,104,386.26</b>	<b>2,418,730.55</b>	<b>243,570.96</b>	<b>168,391.01</b>	<b>3,935,078.78</b>
<b>Prior Period Adjustment - Note 11</b>		<b>309,293.83</b>			<b>309,293.83</b>
<b>Net Position - January 1, as restated</b>	<b>1,104,386.26</b>	<b>2,728,024.38</b>	<b>243,570.96</b>	<b>168,391.01</b>	<b>4,244,372.61</b>
<b>Net Position - December 31</b>	<b>1,160,471.53</b>	<b>4,765,307.91</b>	<b>274,945.25</b>	<b>169,609.36</b>	<b>6,370,334.05</b>

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



CITY OF NEW ROCKFORD  
New Rockford, North Dakota

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

	Major Funds			Other Enterprise Funds	Total Enterprise Funds
	Water Department	Water Main Replacement	Garbage		
<u>Cash flows from operating activities:</u>					
Receipts from customers	269,741.43	123,490.42	264,751.96	81,214.85	739,198.66
Payments to employees	(91,306.40)	-	(29,833.81)	(69,564.44)	(190,704.65)
Payments to suppliers	(217,693.46)	(50,504.27)	(211,817.68)	(25,608.17)	(505,623.58)
Net cash provided (used) by operating activities	(39,258.43)	72,986.15	23,100.47	(13,957.76)	42,870.43
<u>Cash flows from noncapital financing activities:</u>					
Miscellaneous receipts	320.21				320.21
Transfers in	-	136,359.00	-	-	136,359.00
Transfers out	-	(61,359.00)	-	-	(61,359.00)
Net cash provided (used) by noncapital financing activities	320.21	75,000.00	-	-	75,320.21
<u>Cash flows from capital and related financing activities:</u>					
Sales taxes		77,302.93			77,302.93
USDA grant received		1,054,214.27			1,054,214.27
Water system project		(1,003,800.00)			(1,003,800.00)
Principal payments	(12,000.00)	(88,556.72)			(100,556.72)
Interest payments	(4,060.00)	(69,701.28)			(73,761.28)
Service charges	(1,015.00)				(1,015.00)
Net cash provided (used) by capital and related financing activities	(17,075.00)	(30,540.80)	-	-	(47,615.80)
<u>Cash flows from investing activities:</u>					
Interest income	96.00	152.00	64.00	-	312.00
Net increase (decrease) in cash and cash equivalents	(55,917.22)	117,597.35	23,164.47	(13,957.76)	70,886.84
Cash and cash equivalents, January 1	725,254.53	428,734.91	274,945.25	100,848.36	1,529,783.05
Cash and cash equivalents, December 31	669,337.31	546,332.26	298,109.72	86,890.60	1,600,669.89
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>					
Operating income (Loss)	(90,387.43)	72,986.15	23,100.47	(18,745.76)	(13,046.57)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	51,129.00			4,788.00	55,917.00
Net cash provided (used) by operating activities	(39,258.43)	72,986.15	23,100.47	(13,957.76)	42,870.43

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



CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year ended December 31, 2021

	Major Funds			Other Enterprise Funds	Total Enterprise Funds
	Water Department	Water Main Replacement	Garbage		
<u>Cash flows from operating activities:</u>					
Receipts from customers	288,756.36	126,710.40	270,058.96	85,451.19	770,976.91
Payments to employees	(100,964.22)	-	(29,797.27)	(59,251.04)	(190,012.53)
Payments to suppliers	(78,942.61)	(383.05)	(209,413.65)	(20,858.68)	(309,597.99)
Net cash provided (used) by operating activities	108,849.53	126,327.35	30,848.04	5,341.47	271,366.39
<u>Cash flows from noncapital financing activities:</u>					
Miscellaneous receipts	2,725.00				2,725.00
Transfers in	-	136,359.00	-	-	136,359.00
Transfers out	-	(61,359.00)	-	-	(61,359.00)
Net cash provided (used) by noncapital financing activities	2,725.00	75,000.00	-	-	77,725.00
<u>Cash flows from capital and related financing activities:</u>					
Sales taxes		75,093.64			75,093.64
USDA grant received		1,831,872.54			1,831,872.54
Water system project		(1,831,490.00)			(1,831,490.00)
Principal payments	(12,000.00)	(87,248.00)			(99,248.00)
Interest payments	(4,300.00)	(71,010.00)			(75,310.00)
Service charges	(1,075.00)				(1,075.00)
Net cash provided (used) by capital and related financing activities	(17,375.00)	(82,781.82)	-	-	(100,156.82)
<u>Cash flows from investing activities:</u>					
Interest income	1,014.74		526.25	664.88	2,205.87
Net increase (decrease) in cash and cash equivalents	95,214.27	118,545.53	31,374.29	6,006.35	248,934.57
Cash and cash equivalents, January 1	630,040.26	895.55	243,570.96	94,842.01	969,348.78
Prior Period Adjustment - Note 11		309,293.83			309,293.83
Cash and cash equivalents, January 1 as restated	630,040.26	310,189.38	243,570.96	94,842.01	1,278,642.61
Cash and cash equivalents, December 31	725,254.53	428,734.91	274,945.25	100,848.36	1,529,783.05
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>					
Operating income (Loss)	57,720.53	126,327.35	30,848.04	553.47	215,449.39
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Depreciation expense	51,129.00			4,788.00	55,917.00
Net cash provided (used) by operating activities	108,849.53	126,327.35	30,848.04	5,341.47	271,366.39

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

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

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

	Custodial Fund
	<hr/>
<u>Assets:</u>	
Cash and Investments	<hr/> 14,224.41 <hr/>
<u>Net Position:</u>	
Restricted for:	
Organizations and Other Governments	<hr/> 14,224.41 <hr/>

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

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Statement of Fiduciary Net Position  
Modified Cash Basis - Fiduciary Fund  
December 31, 2021

	Custodial Fund
<u>Assets:</u>	
Cash and Investments	<u>16,808.52</u>
<u>Net Position:</u>	
Restricted for:	
Organizations and Other Governments	<u><u>16,808.52</u></u>

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



CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Statement of Changes in Fiduciary Net Position  
Modified Cash Basis - Fiduciary Fund  
December 31, 2022

	<u>Custodial Fund</u>
<u>Additions:</u>	
Property tax collections for other governments	27,674.76
State aid collections for other governments	<u>1,361.00</u>
Total Additions	<u>29,035.76</u>
 <u>Deductions:</u>	
Payments made for the purpose of public service	<u>31,619.87</u>
 Change in Net Position	<u>(2,584.11)</u>
 Net Position - January 1	<u>16,808.52</u>
 Net Position - December 31	<u><u>14,224.41</u></u>

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

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Statement of Changes in Fiduciary Net Position  
Modified Cash Basis - Fiduciary Fund  
December 31, 2021

	<u>Custodial Fund</u>
<u>Additions:</u>	
Property tax collections for other governments	27,497.50
State aid collections for other governments	<u>2,303.75</u>
Total Additions	<u>29,801.25</u>
 <u>Deductions:</u>	
Payments made for the purpose of public service	<u>31,075.30</u>
Change in Net Position	<u>(1,274.05)</u>
Net Position - January 1	<u>18,082.57</u>
Net Position - December 31	<u><u>16,808.52</u></u>

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

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Notes to the Financial Statements  
December 31, 2022 and 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of New Rockford operates under a city commission 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, the following is a brief review of each potential component unit addressed defining the government's reporting entity.

Included within the reporting entity:

New Rockford Airport Authority. This unit provides services to residents, generally within the geographic boundaries of the city, and its governing board is appointed by the city's governing body. The city's governing body has the authority to disapprove, amend or approve the budget of this unit. The city maintains all the accounting records of this unit within its accounting system and, therefore, this fund is blended with the city's special revenue funds.

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 New Rockford. These statements include the financial activities of the overall government, except for fiduciary activities. 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, including its fiduciary fund. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. 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 Project 2021-1.* This fund accounts for special assessments and a loan from the Bank of North Dakota to be used for a street project.

The city reports the following major enterprise funds:

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

*Water Main Replacement.* This fund accounts for the accumulation of resources to be used for the payment of long-term debt principal and interest related to the Refunding Improvement Bonds of 2020.

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

Additionally, the city reports the following type of fiduciary fund:

*Custodial Fund:* This fund accounts for assets held by the city in a custodial capacity as an agent on behalf of others. The city's custodial fund is used to account for various deposits of the Eddy New Rockford Library.

### 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-like 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 100 years
Machinery and Vehicles	10 to 20 years

#### F. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### G. 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.

#### H. 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.

#### I. 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, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district or 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 or of the United States or other securities approved by the banking board.

At December 31, 2022 the city's carrying amount of deposits was \$3,813,852 and the bank balance was \$3,832,312. Of the bank balance, \$725,983 was covered by Federal Depository Insurance. The remaining balance of \$3,106,329 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2021 the city's carrying amount of deposits was \$3,213,071 and the bank balance was \$3,213,621. Of the bank balance, \$725,735 was covered by Federal Depository Insurance. The remaining balance of \$2,487,886 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 \$1,056,102 which are all considered deposits.

At December 31, 2021, the city held certificates of deposit in the amount of \$1,056,102, 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 **CAPITAL ASSETS**

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

	<u>2022</u>			
	Balance January 1	Increases	Decreases	Balance December 31
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Construction in Progress		3,705,610		3,705,610
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	3,232,500			3,232,500
Machinery and Vehicles	405,692	9,800	7,150	408,342
Total	3,638,192	9,800	7,150	3,640,842
Less accumulated depreciation for:				
Buildings and Infrastructure	2,270,846	148,051		2,418,897
Machinery and Vehicles	202,537	22,743	7,150	218,130
Total	2,473,383	170,794	7,150	2,637,027
Governmental Activities Capital Assets, Net	1,164,809	3,544,616	-	4,709,425

	<u>2021</u>			
	Balance January 1	Increases	Decreases	Balance December 31
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	3,232,500			3,232,500
Machinery and Vehicles	405,692			405,692
Total	3,638,192	-	-	3,638,192
Less accumulated depreciation for:				
Buildings and Infrastructure	2,122,795	148,051		2,270,846
Machinery and Vehicles	180,678	21,859		202,537
Total	2,303,473	169,910	-	2,473,383
Governmental Activities Capital Assets, Net	1,334,719	(169,910)	-	1,164,809

	<u>2022</u>			
	Balance December 31	Increases	Decreases	Balance December 31
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	30,000			30,000
Construction in Progress	8,953,325	1,003,800		9,957,125
Total	8,983,325	1,003,800	-	9,987,125



*Capital assets being depreciated:*

Buildings and Infrastructure	1,973,000			1,973,000
Machinery and Vehicles	199,580			199,580
Total	2,172,580	-	-	2,172,580
Less accumulated depreciation for:				
Buildings and Infrastructure	1,376,382	48,682		1,425,064
Machinery and Vehicles	89,220	7,235		96,455
Total capital assets being depreciated, net	1,465,602	55,917	-	1,521,519
Business-Type Activities				
Capital Assets, Net	9,690,303	947,883	-	10,638,186

2021

	Balance January 1	Increases	Decreases	Balance December 31
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	30,000			30,000
Construction in Progress	7,121,835	1,831,490		8,953,325
Total	7,151,835	1,831,490	-	8,983,325
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,973,000			1,973,000
Machinery and Vehicles	199,580			199,580
Total	2,172,580	-	-	2,172,580
Less accumulated depreciation for:				
Buildings and Infrastructure	1,327,700	48,682		1,376,382
Machinery and Vehicles	81,985	7,235		89,220
Total capital assets being depreciated, net	1,409,685	55,917	-	1,465,602
Business-Type Activities				
Capital Assets, Net	7,914,730	1,775,573	-	9,690,303

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

	2022	2021
<u>Governmental Activities:</u>		
General Government	1,629	1,629
Streets and Public Works	97,829	96,945
Culture and Recreation	60,136	60,136
Other	11,200	11,200
Total	170,794	169,910
<u>Business-type Activities:</u>		
Water	51,129	51,129
Sewer	4,788	4,788
Total	55,917	55,917

Note 5 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2022 and 2021, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities

	Balance January 1	Increases	2022 Decreases	Balance December 31	Due Within One Year
General Obligation Bonds	665,000		40,000	625,000	40,000
Special Assessment Bonds		3,739,379		3,739,379	468,477
Total	665,000	3,739,379	40,000	4,364,379	508,477

Business-type Activities:

	Balance January 1	Increases	2022 Decreases	Balance December 31	Due Within One Year
Revenue Bonds Payable	4,849,752	-	100,557	4,749,195	102,885

	Balance January 1	Increases	2021 Decreases	Balance December 31	Due Within One Year
Revenue Bonds Payable	4,949,000	-	99,248	4,849,752	100,557

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

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2022 is as follows:

General Obligation Bonds. The city issued general obligation bonds to provide funds for the construction of a new swimming pool. General obligation bonds outstanding at December 31, 2022 are as follows:

\$900,000 General Obligation Bonds, Series 2015 due in annual installments of \$40,000 to \$55,000 through May 1, 2035; interest is at 1.5% to 3.5%.

625,000.00

The annual requirements to amortize the outstanding general obligation bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2023	40,000.00	20,537.50
2024	40,000.00	19,387.50
2025	45,000.00	18,006.25
2026	45,000.00	16,543.75
2027	45,000.00	15,081.25
2028 - 2032	245,000.00	50,662.50
2033 - 2035	165,000.00	8,662.50
Total	<u>625,000.00</u>	<u>148,881.25</u>

Special Assessment Bond Debt. The city has issued special assessment bonds to provide funds for the construction and/or improvement of streets. Special assessment bonds outstanding at December 31, 2022 are as follows:

As allowed by NDCC 6-09-49, the city has received funding from the Infrastructure Revolving Loan Program from the Bank of North Dakota. The city is in the process of a street improvement project and has issued the Definitive Improvement Warrant, Series 2022 in the amount of \$7,692,000.00. As of December 31, 2022, the city had requested drawdowns of \$3,739,379.12 and repaid principal of \$0.00. The project was not completed as of December 31, 2022 and a final debt service repayment schedule is not yet available since the city had not received the full amount of the drawdowns under this agreement. The outstanding balance at December 31, 2022 was \$3,739,379.12. \$3,952,620.88 is still available at December 31, 2022.

Business-type Activities (Proprietary Funds):

Revenue bonds payable. 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:

\$270,000 Water Revenue Bonds, Series 2016, due in annual installments of \$11,000 to \$17,000 through September 1, 2035; interest is at 2%.	191,000.00
\$4,734,000 Water System Revenue Bonds, Series 2020, due in annual installments of \$158,258.00 through September 24, 2059 and a final payment of \$157,492.76 on September 24, 2060; interest is at 1.5%.	<u>4,558,195.28</u>
Total	<u>4,749,195.28</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	102,885.07	72,192.93
2024	104,233.35	70,584.65
2025	105,601.85	68,956.15
2026	107,990.87	67,307.13
2027	109,400.74	65,617.26
2028 - 2032	573,903.03	301,866.97
2033 - 2037	586,460.23	255,809.77
2038 - 2042	578,997.33	212,292.67
2043 - 2047	623,744.55	167,545.45
2048 - 2052	671,950.03	119,339.97
2053 - 2057	723,881.03	67,408.97
2058 - 2060	460,147.20	13,861.56
Total	<u>4,749,195.28</u>	<u>1,482,783.48</u>

Note 6 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:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2022</u>		
Siren	200.00	
General		200.00
To subsidize expenditures.		
Water Main Replacement: Debt Service	75,000.00	
Infrastructure Improvements: General		75,000.00
To subsidize debt service payments		
Water Main Replacement: Water Works Reserve	15,826.00	
Water Main Replacement: Water Works Short Lived Assets	45,533.00	
Water Main Replacement: Debt Service		61,359.00
To set aside funds for required reserves.		
<u>December 31, 2021</u>		
Water Main Replacement: Debt Service	75,000.00	
Infrastructure Improvements: General		75,000.00
To subsidize debt service payments.		
Water Main Replacement: Water Works Reserve	15,826.00	
Water Main Replacement: Water Works Short Lived Assets	45,533.00	
Water Main Replacement: Debt Service		61,359.00
To set aside funds for required reserves.		

**Note 7** **RISK MANAGEMENT**

The City of New Rockford 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 \$1,082,054 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 \$853,755 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 8** **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 years ended December 31, 2022 and 2021 the city contributed \$15,342.87 and \$15,477.22, respectively.

#### **Note 9 OTHER POSTEMPLOYMENT BENEFITS**

The city is required to implement GASB Statement No. 75, Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions. The effect of this statement is not material to the city's financial statements.

#### **Note 10 TAX ABATEMENTS**

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the years ended December 31, 2022 and 2021.



Note 11 PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made to eliminate accruals for GASB No. 68 and restate the financial statements to the true modified cash basis of accounting; and to move Water System Project debt service dollars to appropriate enterprise fund.

	<u>Governmental Activities</u>
Net Position as previously reported	2,294,888.34
Adjustments to restate the January 1, 2021 balance:	
Restricted for Debt Service	(309,293.83)
Deferred Outflows of Resources - Related to Pensions	(125,517.00)
Net Pension Liability	243,803.00
Deferred Inflows of Resources - Related to Pensions	127,087.00
Net Position, January 1, 2021 as restated	<u>2,230,967.51</u>

	<u>Governmental Activities</u>
Fund Balance as previously reported:	1,910,542.34
Adjustments to restate the January 1, 2021 balance:	
Restricted for Debt Service	(309,293.83)
Fund Balance, January 1, 2021 as restated	<u>1,601,248.51</u>

	<u>Business-Type Activities</u>
Net Position as previously reported:	3,935,078.78
Adjustments to restate the January 1, 2021 balance:	
Net Position - Unrestricted	309,293.83
Net Position, January 1, 2021 as restated	<u>4,244,372.61</u>

	<u>Business-Type Activities</u>
Cash and Cash Equivalents as previously reported:	969,348.78
Adjustments to restate the January 1, 2021 balance:	
Cash and Cash Equivalents	309,293.83
Cash and Cash Equivalents, January 1, 2021 as restated	<u>1,278,642.61</u>

CITY OF NEW ROCKFORD  
New Rockford, 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	214,032.00	256,472.28	42,440.28
Licenses, Permits and Fees	16,760.00	19,040.93	2,280.93
Intergovernmental	164,900.00	148,085.06	(16,814.94)
Charges for Services	5,850.00	39,371.11	33,521.11
Fines and Forfeits	200.00	108.00	(92.00)
Miscellaneous	7,500.00	95,748.93	88,248.93
Total Revenues	409,242.00	558,826.31	149,584.31
<u>Expenditures:</u>			
Current:			
General Government	257,688.00	190,442.97	67,245.03
Public Safety	171,875.00	167,977.59	3,897.41
Culture and Recreation	74,380.00	121,946.94	(47,566.94)
Total Expenditures	503,943.00	480,367.50	23,575.50
Excess (Deficiency) of Revenue Over (Under) Expenditures	(94,701.00)	78,458.81	173,159.81
<u>Other Financing (Uses):</u>			
Transfers Out		(200.00)	(200.00)
Net Change in Fund Balances	(94,701.00)	78,258.81	172,959.81
Fund Balance - January 1	369,231.77	369,231.77	
Fund Balance - December 31	274,530.77	447,490.58	172,959.81

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	208,946.00	252,610.28	43,664.28
Special Assessments		1,577.19	1,577.19
Licenses, Permits and Fees	16,250.00	17,754.86	1,504.86
Intergovernmental	153,831.00	149,670.66	(4,160.34)
Charges for Services	5,900.00	23,111.80	17,211.80
Fines and Forfeits	200.00	316.00	116.00
Miscellaneous	9,020.00	8,896.74	(123.26)
Total Revenues	394,147.00	453,937.53	59,790.53
<u>Expenditures:</u>			
Current:			
General Government	239,697.00	159,638.58	80,058.42
Public Safety	165,674.00	163,069.75	2,604.25
Culture and Recreation	69,348.00	88,408.92	(19,060.92)
Total Expenditures	474,719.00	411,117.25	63,601.75
Net Change in Fund Balances	(80,572.00)	42,820.28	123,392.28
Fund Balance - January 1	326,411.49	326,411.49	
Fund Balance - December 31	245,839.49	369,231.77	123,392.28



CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2022 and 2021

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 budgets during the years ended December 31, 2022 and 2021.

CITY OF NEW ROCKFORD  
New Rockford, 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
<b>Major Governmental Funds</b>						
General Fund	369,231.77	558,826.31		200.00	480,367.50	447,490.58
Street Project 2021-1		3,755,881.12			3,742,434.80	13,446.32
<b>Total Major Governmental Funds</b>	<b>369,231.77</b>	<b>4,314,707.43</b>	<b>-</b>	<b>200.00</b>	<b>4,222,802.30</b>	<b>460,936.90</b>
<b>Non-Major Governmental Funds</b>						
Street	182,518.52	135,660.00			199,997.17	118,181.35
Emergency	7,128.92					7,128.92
Special Assessment Deficiency	96,866.80	1,542.84				98,409.64
Airport	322,501.13	15,077.38			10,125.85	327,452.66
Economic Development	2,678.57	98,947.76			98,947.76	2,678.57
Siren	4,785.60	200.00	200.00			5,185.60
Infrastructure Improvements:						
General	152,368.18	99,083.76		75,000.00		176,451.94
Reserve	157,299.00					157,299.00
Municipal	125,000.00	125,000.00			98,626.35	151,373.65
Equipment	100,765.52				7,826.60	92,938.92
Fire Department Equipment and Building	71,275.57	12,368.46				83,644.03
Community Development	100.00					100.00
American Rescue Plan	54,078.72	106,590.56			134,655.00	26,014.28
Swimming Pool	19,880.72	61,283.55			62,632.50	18,531.77
Street Project 2021-1		472,630.26				472,630.26
<b>Total Non-Major Governmental Funds</b>	<b>1,297,247.25</b>	<b>1,128,384.57</b>	<b>200.00</b>	<b>75,000.00</b>	<b>612,811.23</b>	<b>1,738,020.59</b>
<b>Total Governmental Funds</b>	<b>1,666,479.02</b>	<b>5,443,092.00</b>	<b>200.00</b>	<b>75,200.00</b>	<b>4,835,613.53</b>	<b>2,198,957.49</b>
<b>Major Enterprise Funds</b>						
Water Department	725,254.53	270,157.64			326,074.86	669,337.31
<u>Water Main Replacement:</u>						
Construction	895.04	1,054,214.27			1,054,304.27	805.04
Debt Service	366,480.87	200,945.35	75,000.00	61,359.00	158,258.00	422,809.22
Water Works Reserve	15,826.00		15,826.00			31,652.00
Water Works Short Lived Assets	45,533.00		45,533.00			91,066.00
Garbage Department	274,945.25	264,815.96			241,651.49	298,109.72
<b>Total Major Enterprise Funds</b>	<b>1,428,934.69</b>	<b>1,790,133.22</b>	<b>136,359.00</b>	<b>61,359.00</b>	<b>1,780,288.62</b>	<b>1,513,779.29</b>
<b>Non-Major Enterprise Funds</b>						
Sewer Maintenance	100,848.36	81,214.85			95,172.61	86,890.60
<b>Total Enterprise Funds</b>	<b>1,529,783.05</b>	<b>1,871,348.07</b>	<b>136,359.00</b>	<b>61,359.00</b>	<b>1,875,461.23</b>	<b>1,600,669.89</b>
<b>Fiduciary Fund</b>						
<u>Custodial Fund</u>						
Eddy New Rockford Library	16,808.52	29,035.76			31,619.87	14,224.41
<b>Total All Funds</b>	<b>3,213,070.59</b>	<b>7,343,475.83</b>	<b>136,559.00</b>	<b>136,559.00</b>	<b>6,742,694.63</b>	<b>3,813,851.79</b>

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2021

	Balance 1-1-2021	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2021
<u>Major Governmental Fund</u>						
General Fund	326,411.49	453,937.53			411,117.25	369,231.77
<u>Non-Major Governmental Funds</u>						
Street	198,689.31	138,079.49			154,250.28	182,518.52
Emergency	7,128.92					7,128.92
Special Assessment Deficiency	94,256.71	2,610.09				96,866.80
Airport	338,077.69	45,870.05			61,446.61	322,501.13
Economic Development	2,678.57	96,119.85			96,119.85	2,678.57
Siren	4,409.60	400.00			24.00	4,785.60
Infrastructure Improvements:						
General	139,136.42	102,896.08		75,000.00	14,664.32	152,368.18
Reserve	157,299.00					157,299.00
Municipal	125,000.00					125,000.00
Equipment	132,742.02	637.00			32,613.50	100,765.52
Fire Department Equipment and Building	59,260.59	12,014.98				71,275.57
Community Development	100.00	5.00			5.00	100.00
American Rescue Plan		105,117.12			51,038.40	54,078.72
Swimming Pool	16,058.19	67,380.03			63,557.50	19,880.72
Total Non-Major Governmental Funds	1,274,837.02	571,129.69	-	75,000.00	473,719.46	1,297,247.25
Total Governmental Funds	1,601,248.51	1,025,067.22	-	75,000.00	884,836.71	1,666,479.02
<u>Major Enterprise Funds</u>						
Water Department	630,040.26	292,496.10			197,281.83	725,254.53
<u>Water Main Replacement:</u>						
Construction	895.55	1,831,872.54			1,831,873.05	895.04
Debt Service	309,293.83	201,804.04	75,000.00	61,359.00	158,258.00	366,480.87
Water Works Reserve			15,826.00			15,826.00
Water Works Short Lived Assets			45,533.00			45,533.00
Garbage Department	243,570.96	270,585.21			239,210.92	274,945.25
Total Major Enterprise Funds	1,183,800.60	2,596,757.89	136,359.00	61,359.00	2,426,623.80	1,428,934.69
<u>Non-Major Enterprise Funds</u>						
Sewer Maintenance	94,842.01	86,116.07			80,109.72	100,848.36
Total Enterprise Funds	1,278,642.61	2,682,873.96	136,359.00	61,359.00	2,506,733.52	1,529,783.05
<u>Fiduciary Fund</u>						
<u>Custodial Fund</u>						
Eddy New Rockford Library	18,082.57	29,801.25			31,075.30	16,808.52
Total All Funds	2,897,973.69	3,737,742.43	136,359.00	136,359.00	3,422,645.53	3,213,070.59



CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Schedule of Expenditures of Federal Awards  
For the Years Ended December 31, 2022 and 2021

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	2022	2021
<u>U.S. Department of Agriculture</u>				
Rural Development - Direct Program:				
Water and Waste Disposal Systems for Rural Communities - Grants	10.760	N/A	1,054,214.27	1,831,872.54
<u>U.S. Department of Treasury</u>				
Passed Through North Dakota State Treasurer:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	134,655.00	51,038.40
Total Expenditures of Federal Awards			1,188,869.27	1,882,910.94

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified cash basis of accounting.

The de minimis indirect cost rate was not used.

Note 2 - Loans Outstanding

Program Title	Federal Assistance Listing Number	Outstanding Loan Balance
Water and Waste Disposal Systems for Rural Communities	10.760	4,558,195.28

# Rath & Mehrer, 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 New Rockford  
New Rockford, 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 New Rockford, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated August 25, 2023.

#### **Report on Internal Control Over Financial Reporting**

In planning and performing our audits 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 audits 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 audits, 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 audits and described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the auditing procedures applied in the audits 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

August 25, 2023



# Rath & Mehrer, P.C.

Certified Public Accountants

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Bryce Fischer, CPA  
Todd Goehring, CPA

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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of New Rockford  
New Rockford, North Dakota

#### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited the City of New Rockford's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the city's major federal programs for the years ended December 31, 2022 and 2021. The city's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

In our opinion, the city complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2022 and 2021.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the city and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audits do not provide a legal determination of the city's compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the city's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the city's compliance based on our audits. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the city's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material noncompliance, 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 city's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the city's internal control over compliance relevant to the audits in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audits.

## **Report on Internal Control Over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable



possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audits we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audits were not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

August 25, 2023



CITY OF NEW ROCKFORD  
New Town, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2022 and 2021

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities  
Business-Type Activities  
Major Governmental Funds  
Major Business-Type Funds  
Aggregate Remaining Fund Information

Unmodified-Modified Cash Basis  
Unmodified-Modified Cash Basis  
Unmodified-Modified Cash Basis  
Unmodified-Modified Cash Basis  
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

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major program(s):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major program(s):

Federal Assistance Listing Number

10.760

Name of Federal Program

Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B Programs:

\$750,000

Auditee qualified as a low-risk auditee?

☐ 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.

*Repeat Finding from Prior Year:* Yes, prior year finding No. 2020-001

#### 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.

*Repeat Finding from Prior Year:* Yes, prior year finding No. 2020-002

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No matters were reported

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Summary Schedule of Prior Audit Findings  
For the Years Ended December 31, 2022 and 2021

1. Finding No. 2020-001: Segregation of Duties

*Status:* This finding is repeated and updated in the Schedule of Findings and Responses as No. 2022-001.

*Reasons for Recurrence and Corrective Action Plan:* The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties. See Corrective Action Plan.

2. Finding No. 2020-002: Financial Statement Preparation

*Status:* This finding is repeated and updated in the Schedule of Findings and Responses as No. 2022-002.

*Reasons for Recurrence and Corrective Action Plan:* The city feels it is more cost effective to have their external auditors prepare the financial statements and note disclosures. See Corrective Action Plan.





**CITY OF NEW ROCKFORD** 117 First Street South, New Rockford, ND 58356-1926 P: 701/947-2461 F: 701/947-2461

CITY OF NEW ROCKFORD  
New Rockford, North Dakota

Corrective Action Plan  
For the Years Ended December 31, 2022 and 2021

1. Finding No. 2022-001: Segregation of Duties

*Contact Person:* Becki Schumacher, City Auditor

*Corrective Action Plan:* The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties.

*Completion Date:* The City of New Rockford will implement when it becomes cost effective.

2. Finding No. 2022-002: Financial Statement Preparation

*Contact Person:* Becki Schumacher, City Auditor

*Corrective Action Plan:* The city feels that it is more cost effective to have their external auditors prepare the financial statements and note disclosures.

*Completion Date:* The City of New Rockford will implement when it becomes cost effective.