

**CITY OF RICHARDTON
RICHARDTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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CITY OF RICHARDTON
CITY OFFICIALS (UNAUDITED)
DECEMBER 31, 2022

Tom Roll

Commission President

Kevin Remington (January – February)

Commissioner

Kelly Peters (March – December)

Commissioner

Jesse Aman

Commissioner

Mark Aman

Commissioner

Mike Farley

Commissioner

Marcy Kuntz

City Auditor

INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Richardton
Richardton, North Dakota

Report on the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, business activities, each major fund, and the aggregate remaining fund information of City of Richardton as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Richardton's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of Richardton, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

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.

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Richardton'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Richardton's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Richardton, North Dakota's financial statements. The budgetary comparison schedule for the general fund and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule for the general fund and the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of city officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024 on our consideration of City of Richardton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Richardton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Richardton's internal control over financial reporting and compliance.



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

December 12, 2024

CITY OF RICHARDTON
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,471,818	\$ 724,262	\$ 2,196,080
Cash and cash equivalents - restricted	1,123,190	-	1,123,190
Total assets	<u>2,595,008</u>	<u>724,262</u>	<u>3,319,270</u>
LIABILITIES			
Bonds payable - current	95,000	-	95,000
Bonds payable - long term	6,959,513	-	6,959,513
Total liabilities	<u>7,054,513</u>	<u>-</u>	<u>7,054,513</u>
NET POSITION			
Restricted:			
Debt service	1,548,601	-	1,548,601
Street	150,127	-	150,127
Business enhancement	72,522	-	72,522
Haliburton related expenses	61,865	-	61,865
Unrestricted	<u>(6,292,620)</u>	<u>724,262</u>	<u>(5,568,358)</u>
Total net position	<u>\$ (4,459,505)</u>	<u>\$ 724,262</u>	<u>\$ (3,735,243)</u>

See Notes to the Financial Statements

CITY OF RICHARDTON
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Cash Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 7,088,830	\$ -	\$ -	\$ -	\$ (7,088,830)	\$ -	\$ (7,088,830)
Public works	44,546	-	-	-	(44,546)	-	(44,546)
Culture and recreation	5,901	-	-	-	(5,901)	-	(5,901)
Interest and fiscal charges	64,953	-	-	-	(64,953)	-	(64,953)
Total governmental activities	7,204,230	-	-	-	(7,204,230)	-	(7,204,230)
Business-type activities:							
Water operating fund	132,648	222,577	-	-	-	89,929	89,929
Sewer operating fund	52,604	67,466	-	-	-	14,862	14,862
Garbage operating fund	127,899	126,775	-	-	-	(1,124)	(1,124)
Total business-type activities	313,151	416,818	-	-	-	103,667	103,667
Total primary government	\$ 7,517,381	\$ 416,818	\$ -	\$ -	(7,204,230)	103,667	(7,100,563)
General Receipts							
Taxes:							
Property taxes					288,009	-	288,009
Cigarette tax					1,322	-	1,322
Sales taxes					245,621	-	245,621
Highway tax					41,129	-	41,129
Oil and gas tax					306,058	-	306,058
State aid					100,049	-	100,049
Permits and fees					36,675	-	36,675
Interest income					17,611	-	17,611
Transfers in (out)					9,855	(9,855)	-
Miscellaneous					65,103	-	65,103
Total general receipts					1,111,432	(9,855)	1,101,577
Change in net position					(6,092,798)	93,812	(5,998,986)
Net position - January 1					1,633,293	630,450	2,263,743
Net position - December 31					\$ (4,459,505)	\$ 724,262	\$ (3,735,243)

See Notes to the Financial Statements

CITY OF RICHARDTON
BALANCE SHEET – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General	Water/Sewer Extension	City-Wide Street Repair BND	City-Wide Street Repair USDA	Non-Major Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 761,893	\$ 351,474	\$ -	\$ -	\$ 358,451	\$ 1,471,818
Cash and cash equivalents - restricted	61,865	1,061,325	-	-	-	1,123,190
Total assets	<u>\$ 823,758</u>	<u>\$ 1,412,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,451</u>	<u>\$ 2,595,008</u>
FUND BALANCES						
Restricted	\$ 61,865	\$ 1,412,799	\$ -	\$ -	\$ 358,451	\$ 1,833,115
Unassigned	761,893	-	-	-	-	761,893
Total fund balances	<u>823,758</u>	<u>1,412,799</u>	<u>-</u>	<u>-</u>	<u>358,451</u>	<u>2,595,008</u>
Total liabilities and fund balances	<u>\$ 823,758</u>	<u>\$ 1,412,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,451</u>	<u>\$ 2,595,008</u>

See Notes to the Financial Statements

CITY OF RICHARDTON
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2022

Total governmental fund balance	\$ 2,595,008
Long-term liabilities not due and payable in current period:	
Bonds payable	<u>(7,054,513)</u>
Net position of governmental activities	<u>\$ (4,459,505)</u>

See Notes to the Financial Statements

CITY OF RICHARDTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General	Water/Sewer Extension	City-Wide Street Repair BND	City-Wide Street Repair USDA	Non-Major Governmental Funds	Total
RECEIPTS						
Taxes	\$ 665,887	\$ 69,490	\$ -	\$ -	\$ 149,675	\$ 885,052
Licenses, permits and fees	10,638	-	-	-	26,037	36,675
Intergovernmental	100,049	-	-	-	-	100,049
Interest income	17,611	-	-	-	-	17,611
Miscellaneous	24,115	15,808	-	-	22,267	62,190
Total receipts	<u>818,300</u>	<u>85,298</u>	<u>-</u>	<u>-</u>	<u>197,979</u>	<u>1,101,577</u>
DISBURSEMENTS						
Current:						
General government	501,682	-	3,951,132	2,636,016	-	7,088,830
Public works	-	-	-	-	44,546	44,546
Culture and recreation	-	-	-	-	5,901	5,901
Debt service:						
Principal retirement	-	-	2,926	23	295,000	297,949
Interest and fiscal charges	-	-	17,467	30,688	16,798	64,953
Total expenditures	<u>501,682</u>	<u>-</u>	<u>3,971,525</u>	<u>2,666,727</u>	<u>362,245</u>	<u>7,502,179</u>
Excess of receipts over (under) disbursements	316,618	85,298	(3,971,525)	(2,666,727)	(164,266)	(6,400,602)
OTHER FINANCING SOURCES (USES)						
Issuance of long-term debt	-	-	4,021,477	2,680,985	-	6,702,462
Transfers in (out)	<u>(1,047,111)</u>	<u>1,001,645</u>	<u>17,467</u>	<u>30,688</u>	<u>7,166</u>	<u>9,855</u>
Total other financing sources	<u>(1,047,111)</u>	<u>1,001,645</u>	<u>4,038,944</u>	<u>2,711,673</u>	<u>7,166</u>	<u>6,712,317</u>
Excess of receipts and other sources over (under) disbursements	(730,493)	1,086,943	67,419	44,946	(157,100)	311,715
Fund balance - January 1	<u>1,554,251</u>	<u>325,856</u>	<u>(67,419)</u>	<u>(44,946)</u>	<u>515,551</u>	<u>2,283,293</u>
Fund balance - December 31	<u>\$ 823,758</u>	<u>\$ 1,412,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,451</u>	<u>\$ 2,595,008</u>

See Notes to the Financial Statements

CITY OF RICHARDTON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Net change in fund balance - total governmental funds	\$ 311,715
Repayment of principal on long-term debt consumes the current financial resources of the governmental funds. However, there is no effect on net position. The following are principal payments on long-term debt during the year ended December 31, 2022.	297,949
Proceeds from long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	<u>(6,702,462)</u>
Net position of governmental activities	<u>\$ (6,092,798)</u>

See Notes to the Financial Statements

CITY OF RICHARDTON
STATEMENT OF NET POSITION – MODIFIED CASH BASIS – PROPRIETARY FUNDS
DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Garbage	Total Enterprise Funds
ASSETS				
Cash and cash equivalents	\$ 475,595	\$ 159,697	\$ 88,970	\$ 724,262
Total assets	<u>\$ 475,595</u>	<u>\$ 159,697</u>	<u>\$ 88,970</u>	<u>\$ 724,262</u>
NET POSITION				
Unrestricted	<u>\$ 475,595</u>	<u>\$ 159,697</u>	<u>\$ 88,970</u>	<u>\$ 724,262</u>
Total liabilities and net position	<u>\$ 475,595</u>	<u>\$ 159,697</u>	<u>\$ 88,970</u>	<u>\$ 724,262</u>

See Notes to the Financial Statements

CITY OF RICHARDTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET POSITION
– MODIFIED CASH BASIS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
OPERATING RECEIPTS				
Charges for sales and services:				
Water operations	\$ 213,377	\$ -	\$ -	\$ 213,377
Sewer operations	-	67,466	-	67,466
Garbage operations	-	-	126,775	126,775
Other operating receipts	9,200	-	-	9,200
Total operating receipts	<u>222,577</u>	<u>67,466</u>	<u>126,775</u>	<u>416,818</u>
OPERATING DISBURSEMENTS				
Water	132,648	-	-	132,648
Sewer	-	52,604	-	52,604
Garbage	-	-	127,899	127,899
Total operating disbursements	<u>132,648</u>	<u>52,604</u>	<u>127,899</u>	<u>313,151</u>
Operating income	<u>89,929</u>	<u>14,862</u>	<u>(1,124)</u>	<u>103,667</u>
NON-OPERATING INCOME				
Net income (loss) before transfers	<u>89,929</u>	<u>14,862</u>	<u>(1,124)</u>	<u>103,667</u>
Transfer in	-	58,659	-	58,659
Transfer out	<u>(43,314)</u>	<u>-</u>	<u>(25,200)</u>	<u>(68,514)</u>
Total transfers	<u>(43,314)</u>	<u>58,659</u>	<u>(25,200)</u>	<u>(9,855)</u>
Change in net position	46,615	73,521	(26,324)	93,812
Net position - January 1	<u>428,980</u>	<u>86,176</u>	<u>115,294</u>	<u>630,450</u>
Net position - December 31	<u><u>\$ 475,595</u></u>	<u><u>\$ 159,697</u></u>	<u><u>\$ 88,970</u></u>	<u><u>\$ 724,262</u></u>

See Notes to the Financial Statements

CITY OF RICHARDTON
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds			Total Enterprise Funds
	Water	Garbage	Sewer	
<u>Cash flows from operating activities:</u>				
Receipts from customers	\$ 222,577	\$ 67,466	\$ 126,775	\$ 416,818
Payments to suppliers	(109,512)	(52,604)	(106,285)	(268,401)
Payments to employees	(23,136)	-	(21,614)	(44,750)
Net cash provided (used) by operating activities	89,929	14,862	(1,124)	103,667
<u>Cash flows from noncapital financing activities:</u>				
Transfers in	-	58,659	-	58,659
Transfers out	(43,314)	-	(25,200)	(68,514)
Net cash provided (used) by noncapital financing activities	(43,314)	58,659	(25,200)	(9,855)
Net change in cash and cash equivalents	46,615	73,521	(26,324)	93,812
Cash and cash equivalents, January 1	428,980	86,176	115,294	630,450
Cash and cash equivalents, December 31	<u>\$ 475,595</u>	<u>\$ 159,697</u>	<u>\$ 88,970</u>	<u>\$ 724,262</u>

See Notes to the Financial Statements

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government of the City of Richardton. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Fund Financial Statements

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

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

The City reports the following major governmental funds:

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

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

City-Wide Street Repair BND. This fund is used to account for street repairs financed by a loan through the Bank of North Dakota.

City-Wide Street Repair USDA. This fund is used to account for street repairs financed by a loan through the United States Department of Agriculture.

The City reports the following major enterprise funds:

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

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

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

Measurement Focus and Basis of Accounting

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

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined 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 expendable financial resources during a given period. These funds use fund balance as their measure of available expendable financial resources at the end of the period.
- b) The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported on a modified cash basis. Proprietary fund equity is classified as net position.

Basis of Accounting

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

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

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

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

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits.

Long-Term Debt

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

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

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

Fund Balance Classifications

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

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

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

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

Assigned – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes but are neither restricted nor committed. The City Commission and City Auditor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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

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

The City does not have a minimum fund balance policy.

Interfund Transactions

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

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

Use of Estimates

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

NOTE 2 LEGAL COMPLIANCE - BUDGETS

Budgetary Information

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

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

- On or before August 10 of the preceding fiscal year, the City prepares a preliminary budget for the next succeeding year beginning January 1. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing which is to be held after September 7 but before October 7, the board adopts the final budget.

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

- The final budget must be filed with the county auditor by October 10.
- No disbursement shall be made, or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

Budget Amendments

The City's governing board did not amend the budgets during the year ended December 31, 2022.

NOTE 3 DEPOSITS

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

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

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

The City maintains cash on deposit at a financial institution. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2022, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and authorized collateral through local financial institutions.

Credit Risk

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

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

As of December 31, 2022, the City had no investments.

Concentration of Credit Risk

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

NOTE 4 CASH AND CASH EQUIVALENTS – RESTRICTED

The City has \$1,123,190 reported as cash and cash equivalents – restricted as of December 31, 2022. The amount is made up of \$61,865 of cash from Halliburton and \$1,061,325 of cash held in reserve as part of bond agreements. Cash received from Halliburton is restricted to use as follows: to cover expenses directly incurred by the City for legal counsel, engineering reports, and other costs associated with the zoning, annexation, roadway construction, and railway development issues. Cash held in reserve is restricted in use for principal and interest payment on the Sales Tax Revenue Bonds of 2013 and Refunding Improvement Bonds of 2014 if collections of sales tax and special assessments are not sufficient to make the payment.

NOTE 5 PROPERTY TAXES

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

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

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

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

NOTE 6 TRANSFERS

The following is a summary of transfers for the year ended December 31, 2022:

Fund	Transfers In	Transfers Out
<u>Governmental Funds:</u>		
General	\$ -	\$ (1,047,111)
Water/Sewer Extension	1,001,645	-
BND Street Repair	17,467	-
USDA Street Repair	30,688	-
Non-major	7,166	-
	<u>\$ 1,056,966</u>	<u>\$ (1,047,111)</u>
<u>Proprietary Funds:</u>		
Water	\$ -	\$ (43,314)
Sewer	58,659	-
Garbage	-	(25,200)
	<u>\$ 58,659</u>	<u>\$ (68,514)</u>

Most of the transfer from the general fund to the water/sewer extension fund was to eliminate oil and gas as its own fund. The remaining transfers from the general fund to the water/sewer extension fund were for funding the BND interest only payments to be made in 2023 and funding the USDA payment for 2023. The transfers to the BND street repair and the USDA street repair from the general fund were for interest paid. The transfers from the garbage fund and water fund to the sewer fund were to increase sewer funds.

NOTE 7 LONG-TERM DEBT

Below is a summary of long-term debt owed by the City.

During the year ended December 31, 2022, the following changes occurred in long-term debt:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Refunding improvement bonds of 2014	\$ 650,000	\$ -	\$ 295,000	\$ 355,000	\$ 95,000
Street improvement district 2020	-	4,021,477	2,926	4,018,551	-
State aid certificate of indebtedness, series 2022	-	2,680,985	23	2,680,962	-
	<u>-</u>	<u>2,680,985</u>	<u>23</u>	<u>2,680,962</u>	<u>-</u>
Total	<u>\$ 650,000</u>	<u>\$6,702,462</u>	<u>\$ 297,949</u>	<u>\$7,054,513</u>	<u>\$ 95,000</u>

*This loan was paid off in the year 2023 and switched to USDA, per BND and USDA.

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

Long-term debt of the governmental activities at December 31, 2022 consisted of the following issues:

Refunding Improvement Bonds of 2014

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

The City is required to maintain a cash reserve in connection with the refunding improvement bonds revenue bonds. The City is required to have an amount of at least the minimum of the following in reserve: 10% of the stated principal of the bond, the maximum annual principal and interest payment requirements of the bonds, or 125% of the average annual debt service requirements of the bond. There is currently \$1,061,325 shown as cash and cash equivalents – restricted on the basic financial statements to meet this requirement.

Street Improvement District No. 2020-1

\$4,200,000 street improvement loan due in semi-annual payments ranging from \$36,867 to \$130,585 through 2043. Interest payments are made semi-annually in May and November with an annual interest rate of 2.00%.

State Aid Certificate of Indebtedness, Series 2022

\$2,800,000 due in monthly interest payments of \$5,787 through 05/15/2024 with one final payment of \$2,805,787 due on 06/15/2025. This loan was paid off and switched to a USDA loan in March 2023.

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

Year Ending December 31	Principal	Interest
2023	\$ 95,000	\$ 171,674
2024	273,056	167,985
2025	2,957,596	126,599
2026	255,285	84,884
2027	189,009	72,160
2028 - 2032	1,003,584	302,264
2033 - 2037	1,108,579	197,268
2038 - 2042	1,172,404	81,285
Total	<u>\$ 7,054,513</u>	<u>\$ 1,204,119</u>

NOTE 8 NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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.

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 8.26% of covered compensation. Employer contribution rates increase by 1% beginning January 1, 2024.

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

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

Total employer contributions to the NDPERS retirement plan for the year ended December 31, 2022 were \$6,118.

NOTE 9 OTHER POST EMPLOYMENT BENEFITS

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

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

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

OPEB Benefits

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

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

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

Total employer contributions to the NDPERS OPEB plan for the year ended December 31, 2022 were \$696.

NOTE 10 RISK MANAGEMENT

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

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

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

liability, auto, and equipment insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability.

The City of Richardton also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$1,069,776 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

NOTE 11 EXCESS OF EXPENDITURES OVER BUDGET

The following funds had expenditures in excess of budget for the year ended December 31, 2022:

- General Fund (\$165,337)

NOTE 12 RESTRICTED FUND BALANCE AND NET POSITION

At December 31, 2022, a summary of the governmental fund balance classifications is as follows:

	General	Street	Water, Sewer, and Lagoon	City Wide Street Repair BND
Restricted for:				
Debt service	\$ -	\$ -	\$ 135,802	\$ -
Street	-	150,127	-	-
Haliburton related expenses*	61,865	-	-	-
Unassigned	761,893	-	-	-
Total	<u>\$ 823,758</u>	<u>\$ 150,127</u>	<u>\$ 135,802</u>	<u>\$ -</u>

	City Wide Street Repair USDA	Business Enhancement	Water/Sewer Extension	Total
Restricted for:				
Debt service	\$ -	\$ -	\$ 1,412,799	\$ 1,548,601
Street	-	-	-	150,127
Business enhancement	-	72,522	-	72,522
Haliburton related expenses*	-	-	-	61,865
Unassigned	-	-	-	761,893
Total	<u>\$ -</u>	<u>\$ 72,522</u>	<u>\$ 1,412,799</u>	<u>\$ 2,595,008</u>

CITY OF RICHARDTON
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2022

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

NOTE 13 SUBSEQUENT EVENTS

USDA Loan was closed for the street project for \$2,700,000 on March 28, 2023. A loan was approved for \$500,000 for a new lift station. The bond is not complete and no money has been drawn to date. Construction will take place fall of 2024. A chip seal project will be starting August 2024 for \$500,000 from fund 300. Bond 2014 was paid off for the lagoon expansion for \$166,455 from fund 301 and 300. Subsequent events have been evaluated through December 12, 2024, which is the date these financial statements were available to be issued.

CITY OF RICHARDTON
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Original and Final Budget	Actual	Variance with Final Budget
RECEIPTS			
Taxes	\$ 103,000	\$ 665,887	\$ 562,887
Licenses, permits and fees	8,850	10,638	1,788
Intergovernmental	45,280	100,049	54,769
Interest income	7,200	17,611	10,411
Miscellaneous	6,100	24,115	18,015
Total receipts	<u>170,430</u>	<u>818,300</u>	<u>647,870</u>
DISBURSEMENTS			
Current:			
General government	269,500	501,682	(232,182)
Public safety	12,000	-	12,000
Health and welfare	92,000	-	92,000
Culture and recreation	11,000	-	11,000
Total disbursements	<u>384,500</u>	<u>501,682</u>	<u>(117,182)</u>
Excess of receipts over (under) disbursements	<u>(214,070)</u>	<u>316,618</u>	<u>530,688</u>
Other financing sources:			
Transfers in (out)	<u>-</u>	<u>(1,047,111)</u>	<u>(1,047,111)</u>
Total other financing sources	<u>-</u>	<u>(1,047,111)</u>	<u>(1,047,111)</u>
Excess of receipts and other sources over disbursements	<u>\$ (214,070)</u>	<u>(730,493)</u>	<u>\$ (516,423)</u>
Fund balance - January 1		<u>1,554,251</u>	
Fund balance - December 31		<u>\$ 823,758</u>	

CITY OF RICHARDTON
COMBINING BALANCE SHEET – MODIFIED CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	<u>Street</u>	<u>Business Enhancement</u>	<u>Water, Sewer, and Lagoon</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 150,127	\$ 72,522	\$ 135,802	\$ 358,451
Total assets	<u>\$ 150,127</u>	<u>\$ 72,522</u>	<u>\$ 135,802</u>	<u>\$ 358,451</u>
FUND BALANCES				
Restricted	\$ 150,127	\$ 72,522	\$ 135,802	\$ 358,451
Total fund balances	<u>150,127</u>	<u>72,522</u>	<u>135,802</u>	<u>358,451</u>
Total liabilities and fund balances	<u>\$ 150,127</u>	<u>\$ 72,522</u>	<u>\$ 135,802</u>	<u>\$ 358,451</u>

CITY OF RICHARDTON
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS –
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Street	Business Enhancement	Water, Sewer, and Lagoon	Total
RECEIPTS				
Taxes	\$ 41,129	\$ 6,128	\$ 102,418	\$ 149,675
Licenses, permits and fees	26,037	-	-	26,037
Miscellaneous	22,267	-	-	22,267
Total receipts	89,433	6,128	102,418	197,979
DISBURSEMENTS				
Current:				
Public works	44,546	-	-	44,546
Culture and recreation	-	5,901	-	5,901
Debt service:				
Principal retirement	-	-	295,000	295,000
Interest and fiscal charges	-	-	16,798	16,798
Total expenditures	44,546	5,901	311,798	362,245
Excess of receipts over (under) disbursements	44,887	227	(209,380)	(164,266)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	3,281	3,885	-	7,166
Total other financing sources	3,281	3,885	-	7,166
Excess of receipts and other sources over (under) disbursements	48,168	4,112	(209,380)	(157,100)
Fund balance - January 1	101,959	68,410	345,182	515,551
Fund balance - December 31	\$ 150,127	\$ 72,522	\$ 135,802	\$ 358,451

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

To the City Commission
City of Richardton
Richardton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richardton, as of and for the year ended December 31, 2022, and the related notes to the financial statements which collectively comprise the City of Richardton's basic financial statements and have issued our report thereon dated December 12, 2024.

Report on Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

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

City of Richardton's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Richardton's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Richardton's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



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

December 12, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
UNIFORM GUIDANCE**

To the City Commission
City of Richardton
Richardton, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Richardton's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City of Richardton's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 of Richardton, North Dakota and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Richardton, North Dakota'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 City of Richardton, North Dakota'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 of Richardton, North Dakota's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *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 City of Richardton, North Dakota's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 City of Richardton, North Dakota'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 City of Richardton, North Dakota's internal control over compliance relevant to the audit 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 City of Richardton, North Dakota'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 audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit 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 audit was 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Richardton, North Dakota as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Richardton, North Dakota's basic financial statements. We issued our report thereon, dated December 12, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



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

December 12, 2024

CITY OF RICHARDTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures(\$)</i>
<i>Other Programs</i>		
United States Department of Agriculture		
Community Facilities Loans and Grants		
Community Facilities Loans and Grants	10.766	\$ 2,705,808
Total Community Facilities Loans and Grants		<u>2,705,808</u>
<i>Total United States Department of Agriculture</i>		<u>2,705,808</u>
<i>Total Expenditures of Federal Awards</i>		<u><u>\$ 2,705,808</u></u>

See Notes to the Schedule of Expenditures of Federal Awards

CITY OF RICHARDTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedule of expenditures of federal awards (the Schedule) are reported on the modified cash basis of accounting. Such expenditures are recognized following Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The Schedule includes the federal award grant activity of the City of Richardton under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the City of Richardton it is not intended to and does not present the financial position, change in net position, or cash flows of the City of Richardton.

CITY OF RICHARDTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> x </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> x </u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported
Type of auditor’s report issued on compliance for major programs:	<u>Unmodified</u>	
Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> yes	<u> x </u> no

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as a low-risk auditee?	<u> </u> yes <u> x </u> no

CITY OF RICHARDTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

Section II – Financial Statement Findings

2022-001 Audit Preparation of Financial Statements - Material Weakness

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

2022-002 Journal Entries Proposed by Auditors – Material Weakness

Criteria

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

Condition

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

Cause

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

CITY OF RICHARDTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

2022-003 Segregation of Duties – Significant Deficiency

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

Section III – Federal Award Findings and Questioned Costs

There were no findings to be reported under this section.

CITY OF RICHARDTON
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

2021-001 Auditor Preparation of Financial Statements

Criteria

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

Condition

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

Status

This finding is repeated again as finding 2022-001.

2021-002 Segregation of Duties

Criteria

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

Condition

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

Status

This finding is repeated again as finding 2022-002.

2021-003 Journal Entries Proposed by Auditors

Criteria

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

Condition

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

Status

This finding is repeated again as finding 2022-003.