

**CITY OF RUGBY  
RUGBY, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Rugby  
Rugby, North Dakota

### ***Opinions***

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rugby, North Dakota, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rugby, North Dakota, as of December 31, 2023, and the respective changes in modified cash basis financial position and the cash flows, where applicable, for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

### ***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 Rugby, North Dakota, 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.

### ***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 2: this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 of Rugby, North Dakota'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 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 judgement 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 Rugby, North Dakota'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 Rugby, North Dakota'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.

### **Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Schedule 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 October 9, 2024, on our consideration of the City of Rugby'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 of Rugby's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

October 9, 2024

**CITY OF RUGBY, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**MODIFIED CASH BASIS**  
**DECEMBER 31, 2023**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rugby Job Development Authority
<b>ASSETS</b>				
Cash and equivalents	\$ 3,750,300	\$ 3,133,849	\$ 6,884,149	\$ 312,271
Investments	324,632	11,572	336,204	182,722
Land held for resale	-	-	-	1,140,085
Due from Other Governmental Agencies	190,340	-	190,340	-
Capital assets				
Land, improvements, and construction in progress not being depreciated	237,332	1,091,619	1,328,951	-
Buildings and infrastructure, net of depreciation	5,616,644	8,877,155	14,493,799	544,542
Equipment and vehicles, net of depreciation	640,787	442,040	1,082,827	-
Intangible assets, net of amortization	-	-	-	1,525
Total assets	<u>10,760,035</u>	<u>13,556,235</u>	<u>24,316,270</u>	<u>2,181,145</u>
<b>LIABILITIES</b>				
Current liabilities				
Unearned revenue	1,225,924	-	1,225,924	-
Due within one year				
Bonds and notes	511,439	153,353	664,792	52,923
Long-term liabilities				
Due in more than one year				
Bonds and notes	1,529,850	4,994,951	6,524,801	-
Total liabilities	<u>3,267,213</u>	<u>5,148,304</u>	<u>8,415,517</u>	<u>52,923</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,453,474	5,262,510	9,715,984	493,144
Restricted for:				
Capital projects	1,425,182	-	1,425,182	-
Debt service	593,377	-	593,377	-
Other purposes	304,272	-	304,272	-
Unrestricted	716,517	3,145,421	3,861,938	1,635,078
Total net position	<u>\$ 7,492,822</u>	<u>\$ 8,407,931</u>	<u>\$ 15,900,753</u>	<u>\$ 2,128,222</u>

See Notes to the Financial Statements

**CITY OF RUGBY, NORTH DAKOTA**  
**STATEMENT OF ACTIVITIES**  
**MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Rugby Job Development Authority
Primary government								
Governmental activities								
General government	\$ 569,795	\$ 78,669	\$ -	\$ -	\$ (491,126)	\$ -	\$ (491,126)	
Public safety	636,327	-	14,423	-	(621,904)	-	(621,904)	
Public works	2,001,548	80,636	227,637	1,258,545	(434,730)	-	(434,730)	
Urban and economic development	42,809	64,043	-	-	21,234	-	21,234	
Culture and recreation	187,487	51,721	-	-	(135,766)	-	(135,766)	
Interest and other charges	167,684	-	-	-	(167,684)	-	(167,684)	
Total governmental activities	<u>3,605,650</u>	<u>275,069</u>	<u>242,060</u>	<u>1,258,545</u>	<u>(1,829,976)</u>	<u>-</u>	<u>(1,829,976)</u>	
Business-type activities								
Water operating	916,729	1,105,722	-	509,904	-	698,897	698,897	
Sanitation sewer operations	208,327	351,015	-	168,445	-	311,133	311,133	
Storm water	86,298	61,629	-	405,050	-	380,381	380,381	
Other Business-type Activities	253,511	339,121	-	-	-	85,610	85,610	
Total business-type activities	<u>1,464,865</u>	<u>1,857,487</u>	<u>-</u>	<u>1,083,399</u>	<u>-</u>	<u>1,476,021</u>	<u>1,476,021</u>	
Total primary government	<u>\$ 5,070,515</u>	<u>\$ 2,132,556</u>	<u>\$ 242,060</u>	<u>\$ 2,341,944</u>	<u>(1,829,976)</u>	<u>1,476,021</u>	<u>(353,955)</u>	
<b>Component Units</b>								
Job Development Authority	\$ 270,247	\$ 60,998	\$ -	\$ -				\$ (209,249)
Total component units	<u>\$ 270,247</u>	<u>\$ 60,998</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(209,249)</u>
General revenues:								
Taxes:								
Property taxes, levied for general purposes					835,206	-	835,206	-
Property taxes, levied for recreation					47,976	-	47,976	-
Property taxes, levied for other purposes					18,368	-	18,368	-
State aid distribution					253,833	-	253,833	-
Sales tax collections					625,122	-	625,122	336,604
Other taxes					6,397	-	6,397	34,432
Unrestricted investment earnings					23,148	-	23,148	3,702
Other revenue					74,784	12,110	86,894	-
Gain on sale of asset					-	-	-	-
Transfers					337,484	(337,484)	-	-
Total general revenues					<u>2,222,318</u>	<u>(325,374)</u>	<u>1,896,944</u>	<u>374,738</u>
Change in net position					392,342	1,150,647	1,542,989	165,489
Net position - beginning					<u>7,100,480</u>	<u>7,257,284</u>	<u>14,357,764</u>	<u>1,962,733</u>
Net position - ending					<u>\$ 7,492,822</u>	<u>\$ 8,407,931</u>	<u>\$ 15,900,753</u>	<u>\$ 2,128,222</u>

See Notes to the Financial Statements

**CITY OF RUGBY, NORTH DAKOTA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS –**  
**MODIFIED CASH BASIS**  
**DECEMBER 31, 2023**

	General Fund	Infrastructure Maintenance Fund	Municipal Infrastructure Fund	2 1/2 Avenue Improvement	DWR WTP Improvements	American Rescue Plan Act	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 509,380	\$ 406,721	\$ 1,085,044	\$ 16,327	\$ 451,090	\$ 140,880	\$ 1,140,858	\$ 3,750,300
Investments	207,137	-	-	-	-	-	117,495	324,632
Receivable from other governments	-	-	-	48,584	141,756	-	-	190,340
Total assets	<u>\$ 716,517</u>	<u>\$ 406,721</u>	<u>\$ 1,085,044</u>	<u>\$ 64,911</u>	<u>\$ 592,846</u>	<u>\$ 140,880</u>	<u>\$ 1,258,353</u>	<u>\$ 4,265,272</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Unearned revenue	\$ -	\$ -	\$ 1,085,044	\$ -	\$ -	\$ 140,880	\$ -	\$ 1,225,924
Total liabilities	<u>-</u>	<u>-</u>	<u>1,085,044</u>	<u>-</u>	<u>-</u>	<u>140,880</u>	<u>-</u>	<u>1,225,924</u>
Fund balances:								
Restricted	-	406,721	-	64,911	592,846	-	1,258,353	2,322,831
Unassigned	716,517	-	-	-	-	-	-	716,517
Total fund balances	<u>716,517</u>	<u>406,721</u>	<u>-</u>	<u>64,911</u>	<u>592,846</u>	<u>-</u>	<u>1,258,353</u>	<u>3,039,348</u>
Total liabilities and fund balances	<u>\$ 716,517</u>	<u>\$ 406,721</u>	<u>\$ 1,085,044</u>	<u>\$ 64,911</u>	<u>\$ 592,846</u>	<u>\$ 140,880</u>	<u>\$ 1,258,353</u>	<u>\$ 4,265,272</u>

See Notes to the Financial Statements



**CITY OF RUGBY, NORTH DAKOTA**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION -**  
**MODIFIED CASH BASIS**  
**DECEMBER 31, 2023**

Total fund balance, governmental funds	\$	3,039,348
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities on the Statement of Net Position

Capital Assets	15,322,414		
Accumulated Depreciation	<u>(8,827,651)</u>		6,494,763

Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.

Bonds and notes payable, net of unamortized bond discounts		<u>(2,041,289)</u>
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Net position of governmental activities in the Statement of Net Position	\$	<u>7,492,822</u>
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See Notes to the Financial Statements

**CITY OF RUGBY, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	General Fund	Infrastructure Maintenance Fund	Municipal Infrastructure Fund	2 1/2 Avenue Improvement	DWR WTP Improvements	American Rescue Plan Act	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>								
Taxes and special assessments	\$ 835,206	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 307,358	\$ 1,142,564
Sales and other taxes	6,397	625,122	-	-	-	-	227,637	859,156
Fees and fines	30,355	-	-	-	-	-	51,201	81,556
Licenses and permits	19,890	-	-	-	-	-	-	19,890
Intergovernmental	268,256	-	89,004	440,994	226,961	260,572	-	1,285,787
Charges for services	28,424	29,435	-	-	-	-	115,764	173,623
Investment earnings	22,317	-	-	-	-	-	831	23,148
Other revenue	58,383	-	-	-	-	-	16,401	74,784
Total revenues	<u>1,269,228</u>	<u>654,557</u>	<u>89,004</u>	<u>440,994</u>	<u>226,961</u>	<u>260,572</u>	<u>719,192</u>	<u>3,660,508</u>
<b>Expenditures</b>								
Current:								
General government	466,930	-	-	-	-	-	11,144	478,074
Public safety	566,772	-	-	-	-	-	42,588	609,360
Public works	6,459	17,452	89,004	384,255	288,621	260,572	393,401	1,439,764
Urban and economic development	-	-	-	-	-	-	42,809	42,809
Culture and recreation	74,820	-	-	-	-	-	112,667	187,487
Debt service:								
Principal	6,318	-	-	-	-	-	495,000	501,318
Interest and fees	382	-	-	130,831	-	-	51,425	182,638
Capital outlay	25,546	-	-	-	-	-	35,223	60,769
Total expenditures	<u>1,147,227</u>	<u>17,452</u>	<u>89,004</u>	<u>515,086</u>	<u>288,621</u>	<u>260,572</u>	<u>1,184,257</u>	<u>3,502,219</u>
Excess (deficiency) of revenues over expenditures	<u>122,001</u>	<u>637,105</u>	<u>-</u>	<u>(74,092)</u>	<u>(61,660)</u>	<u>-</u>	<u>(465,065)</u>	<u>158,289</u>
<b>Other financing sources (uses)</b>								
Proceeds from issuance of debt	-	-	-	4,934,000	-	-	-	4,934,000
Payoff of bonds refunded	-	-	-	(4,965,000)	-	-	-	(4,965,000)
Transfers in	50,013	-	-	170,000	257,066	-	767,599	1,244,678
Transfers out	(214,000)	(643,194)	-	-	-	-	(50,000)	(907,194)
Total other financing sources and uses	<u>(163,987)</u>	<u>(643,194)</u>	<u>-</u>	<u>139,000</u>	<u>257,066</u>	<u>-</u>	<u>717,599</u>	<u>306,484</u>
Net change in fund balances	<u>(41,986)</u>	<u>(6,089)</u>	<u>-</u>	<u>64,908</u>	<u>195,406</u>	<u>-</u>	<u>252,534</u>	<u>464,773</u>
Fund balances - beginning	<u>758,503</u>	<u>412,810</u>	<u>-</u>	<u>3</u>	<u>397,440</u>	<u>-</u>	<u>1,005,819</u>	<u>2,574,575</u>
Fund balances - ending	<u>\$ 716,517</u>	<u>\$ 406,721</u>	<u>\$ -</u>	<u>\$ 64,911</u>	<u>\$ 592,846</u>	<u>\$ -</u>	<u>\$ 1,258,353</u>	<u>\$ 3,039,348</u>

See Notes to the Financial Statements

**CITY OF RUGBY, NORTH DAKOTA**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES -**  
**MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Net change in fund balances - total governmental funds: \$ 464,773

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Capital outlays	60,769
Depreciation expense	(649,472)

Net repayment of long-term debt principal made on behalf of proprietary funds	(31,000)
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Proceeds from long-term debt provides financial resources to the governmental funds but the issuance increases long-term liabilities in the statement of net position.	(4,934,000)
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Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	5,466,318
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Governmental funds report the effects of premiums, discounts, and similar items when debt is first issued. In contrast, these amounts are deferred and amortized in the Statement of Activities.

Amortization	14,954
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Change in net position of governmental activities	\$ 392,342
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See Notes to the Financial Statements

**CITY OF RUGBY, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**DECEMBER 31, 2023**

	Water Operating	Sanitation Sewer Operations	Storm Water	Other Enterprise Funds	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,190,780	\$ 598,032	\$ 249,188	\$ 1,095,849	\$3,133,849
Investments	-	-	11,572	-	11,572
Total current assets	<u>1,190,780</u>	<u>598,032</u>	<u>260,760</u>	<u>1,095,849</u>	<u>3,145,421</u>
Non-current assets:					
Capital assets:					
Land and improvements	23,000	29,420	-	-	52,420
Construction in progress	1,039,199	-	-	-	1,039,199
Buildings and infrastructure	7,192,009	2,703,979	2,082,161	-	11,978,149
Equipment and vehicles	767,977	272,009	7,682	15,290	1,062,958
Less accumulated depreciation	(3,404,338)	(253,532)	(54,003)	(10,039)	(3,721,912)
Total non-current assets	<u>5,617,847</u>	<u>2,751,876</u>	<u>2,035,840</u>	<u>5,251</u>	<u>10,410,814</u>
Total assets	<u>6,808,627</u>	<u>3,349,908</u>	<u>2,296,600</u>	<u>1,101,100</u>	<u>13,556,235</u>
<b>LIABILITIES</b>					
Current liabilities:					
Bonds, notes and loans payable	88,006	39,208	26,139	-	153,353
Total current liabilities	<u>88,006</u>	<u>39,208</u>	<u>26,139</u>	<u>-</u>	<u>153,353</u>
Non-current liabilities:					
Bonds, notes and loans payable	1,606,498	2,033,072	1,355,381	-	4,994,951
Total non-current liabilities	<u>1,606,498</u>	<u>2,033,072</u>	<u>1,355,381</u>	<u>-</u>	<u>4,994,951</u>
Total liabilities	<u>1,694,504</u>	<u>2,072,280</u>	<u>1,381,520</u>	<u>-</u>	<u>5,148,304</u>
<b>NET POSITION</b>					
Net investment in capital assets	3,923,343	679,596	654,320	5,251	5,262,510
Unrestricted	<u>1,190,780</u>	<u>598,032</u>	<u>260,760</u>	<u>1,095,849</u>	<u>3,145,421</u>
Total net position	<u>\$5,114,123</u>	<u>\$ 1,277,628</u>	<u>\$ 915,080</u>	<u>\$ 1,101,100</u>	<u>\$8,407,931</u>

See Notes to the Financial Statements

**CITY OF RUGBY, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Water Operating	Sanitation Sewer Operations	Storm Water	Other Enterprise Funds	Total
Revenues					
Charges for services	\$1,105,722	\$ 351,015	\$ 61,629	\$ 339,121	\$1,857,487
Total operating revenues	<u>1,105,722</u>	<u>351,015</u>	<u>61,629</u>	<u>339,121</u>	<u>1,857,487</u>
Operating expenses					
Water operating	685,132	-	42,901	-	728,033
Sanitary sewer	-	131,838	-	-	131,838
Garbage	-	-	-	251,327	251,327
Other supplies and expenses	-	-	-	-	-
Depreciation	230,542	81,179	46,523	2,184	360,428
Total operating expenses	<u>915,674</u>	<u>213,017</u>	<u>89,424</u>	<u>253,511</u>	<u>1,471,626</u>
Operating income (loss)	<u>190,048</u>	<u>137,998</u>	<u>(27,795)</u>	<u>85,610</u>	<u>385,861</u>
Non-operating revenues (expenses)					
Interest and investment revenue	-	-	144	-	144
Other reimbursements	14,150	-	-	-	14,150
Capital contributions	509,904	168,445	405,050	(2,184)	1,081,215
Interest and fees	(1,055)	4,690	3,126	-	6,761
Total non-operating revenues (expenses)	<u>522,999</u>	<u>173,135</u>	<u>408,320</u>	<u>(2,184)</u>	<u>1,102,270</u>
Income before contributions and transfers	<u>713,047</u>	<u>311,133</u>	<u>380,525</u>	<u>83,426</u>	<u>1,488,131</u>
Transfers in	94,853	28,000	-	217,000	339,853
Transfers out	(407,484)	(75,000)	-	(194,853)	(677,337)
Total transfers	<u>(312,631)</u>	<u>(47,000)</u>	<u>-</u>	<u>22,147</u>	<u>(337,484)</u>
Change in net position	400,416	264,133	380,525	105,573	1,150,647
Total net position - beginning	<u>4,713,707</u>	<u>1,013,495</u>	<u>534,555</u>	<u>995,527</u>	<u>7,257,284</u>
Total net position - ending	<u>\$5,114,123</u>	<u>\$ 1,277,628</u>	<u>\$ 915,080</u>	<u>\$1,101,100</u>	<u>\$8,407,931</u>

See Notes to the Financial Statements

**CITY OF RUGBY, NORTH DAKOTA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS -**  
**MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Water Fund	Sanitation Sewer Operations	Storm Water	Other Enterprise Funds	Total
Cash flows from operating activities:					
Receipts from customers and users	\$1,105,722	\$351,015	\$ 61,629	\$ 339,121	\$1,857,487
Payments to suppliers and employees	(685,132)	(131,838)	(42,901)	(251,327)	(1,111,198)
Net cash provided (used) by operating activities	420,590	219,177	18,728	87,794	746,289
Cash flows from non-capital financing activities:					
Net cash transfers	(312,631)	(47,000)	-	22,147	(337,484)
Net cash provided by noncapital and related financing activities	(312,631)	(47,000)	-	22,147	(337,484)
Cash flows from capital and related financing activities:					
Grants and contributions	14,150	-	-	-	14,150
Repayment of long-term debt	(85,000)	-	-	-	(85,000)
Interest paid on long-term debt	(9,273)	-	-	-	(9,273)
Purchase of capital assets	-	(33,670)	-	-	(33,670)
Net cash used by capital and related financing activities	(80,123)	(33,670)	-	-	(113,793)
Cash flows from investing activities					
Interest from investments	-	-	144	-	144
Net cash provided (used) by investing activities	-	-	144	-	144
Net change in cash and cash equivalents	27,836	138,507	18,872	109,941	295,156
Cash and cash equivalents, January 1	1,162,944	459,525	230,316	985,908	2,838,693
Cash and cash equivalents, December 31	\$1,190,780	\$598,032	\$249,188	\$1,095,849	\$3,133,849
Reconciliation of operating income to net cash from operating activities:					
Operating income	\$ 190,048	\$ 137,998	\$ (27,795)	\$ 85,610	\$ 385,861
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	230,542	81,179	46,523	2,184	360,428
Net cash provided (used) by operating activities	\$ 420,590	\$219,177	\$ 18,728	\$ 87,794	\$ 746,289
Noncash investing and financing activities					
Capital Contributions	\$ 500,604	\$ 155,425	\$396,370	\$ (2,184)	\$1,050,215
Debt principal repaid through governmental funds	9,300	13,020	8,680	-	31,000

See Notes to the Financial Statements

**CITY OF RUGBY, NORTH DAKOTA**  
**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**MODIFIED CASH BASIS**  
**DECEMBER 31, 2023**

	<u>Custodial Funds</u>		
	REAP		
	Investment Fund	CVB	Library
<b>Assets</b>			
Cash and cash equivalents	\$ 171	\$ -	\$ 357
Total assets	<u>171</u>	<u>-</u>	<u>357</u>
<b>Liabilities</b>			
Due to other entities	<u>171</u>	<u>-</u>	<u>357</u>
Total liabilities	<u>171</u>	<u>-</u>	<u>357</u>
<b>Net position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Financial Statements

**CITY OF RUGBY, NORTH DAKOTA**  
**STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS**  
**MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Custodial Funds</u>		
	REAP		
	<u>Investment Fund</u>	<u>CVB</u>	<u>Library</u>
<b>Additions</b>			
Taxes and aid collected for other entities	\$ -	\$ 78,284	\$ 55,167
<b>Disbursements</b>			
Taxes and aid disbursed to other entities	-	78,284	55,167
<b>Change in net position</b>	-	-	-
<b>Net position - beginning</b>	-	-	-
<b>Net position - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to the Financial Statements



**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 DESCRIPTION OF THE CITY AND REPORTING ENTITY**

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

**Reporting Entity**

The financial statements of the reporting entity include those of the City of Rugby (the primary government), its component units, and other organizations that are included to ensure that the financial statements are not misleading. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of an organization's governing body and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the City. Fiscal dependence can include the City's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

**Rugby Job Development Authority (JDA)**

The City's JDA governing board is appointed by the City's governing board. The City does not have authority to approve or modify the JDA's operations. The JDA has the authority to issue its own debt.

Based on the above criteria, the Rugby JDA is a discretely presented component unit of the City of Rugby. The component unit column in the government-wide financial statements includes the financial data of the City's one component unit. The unit is reported in a separate column to emphasize that it is legally separate from the City.

Separate financial statements for JDA can be obtained by contacting the City of Rugby's auditor at 701-766-6181.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City's financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

**Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**Government-wide Financial Statements**

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the City as a whole.

The statement of net position presents the financial condition of the governmental activities of the City at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the City. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

The government-wide financial statements do not include fiduciary funds or component units that are fiduciary in nature.

**Fund Financial Statements**

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

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

Each major fund is presented as a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column.

**Fund Accounting**

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

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

*Governmental Funds*

Governmental funds are utilized to account for most of the City's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The City's major governmental funds are as follows:

General fund - This fund is the general operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.

Special revenue funds – These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City reports the following major special revenue fund:

*American Rescue Plan Act* – This special revenue fund is used to account for funding received under the American Rescue Plan Act to be used for employee salaries.

Capital project funds – These funds account for the financial resources associated with the City's capital projects. The City reports the following major capital project funds:

*Infrastructure and Maintenance Fund* – This capital project fund is used to account for a portion of the City sales tax collections and payments dedicated to maintaining the City's infrastructure. This fund is also funded with bond proceeds.

*Municipal Infrastructure Fund* – This capital project fund is used to account for State distributions dedicated for essential infrastructure projects.

*2 ½ Avenue Improvement* – This capital project fund accounts for USDA funds which are being used to update the City's water distribution network; install new sanitary sewer mains, manholes, and service lines; and install new storm sewer mains, manholes, and inlets.

*DWR WTP Improvements* – This capital project fund is used to account for State grant funds dedicated for water treatment plant improvements.

*Proprietary Funds*

The reporting focus of proprietary funds is on the determination of net income, financial position, and changes in financial position (economic resources). These funds are used to account for activities which are similar to those found in the private sector. The funds are maintained on the modified cash basis of accounting. The City has the following major proprietary funds:

*Water Operating* - This fund is used to account for the provision of water services to the residents of the City.

*Sanitation Sewer operations* - This fund is used to account for the provisions of sanitation sewer services to the residents of the City.

*Storm water* - This fund is used to account for the provisions of storm water services to the residents of the City.

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

*Fiduciary Funds (not included in government-wide statements)*

Custodial Funds – The City includes three custodial funds as follows:

*REAP Investment Fund* – The City applies for various grants on behalf of the REAP Investment Fund and the proceeds are submitted to the REAP Investment Fund Board.

*Library* – Property taxes are levied and other state aid is collected on behalf of the Library and submitted to the Library Board.

*CVB* – Hotel/Motel and Restaurant/Lodging Taxes are collected on behalf of the Convention and Visitors Bureau and submitted to the Convention and Visitors Bureau Board.

### **Measurement Focus and Basis of Accounting**

#### *Measurement Focus*

Measurement focus is a term used to describe “how” transactions are recorded within various financial statements.

Government-wide financial statements: In the government-wide Statement of Net Position and the Statement of Activities, the government-type activities, business-type activities, and the component unit are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

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

- a. All governmental funds utilize a “current financial resources” measurement focus within the limitations of the modified cash basis of accounting. 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 within the limitations of the modified cash basis of accounting. 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.

Proprietary funds distinguish *operating* revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City of Rugby’s enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

- c. The fiduciary funds are reported using the economic resources measurement focus. Agency funds are not involved in the measurement of operations; therefore, measurement focus is not applicable to them.

*Basis of Accounting*

The basis of accounting determines “when” transactions are recorded regardless of the measurement focus applied.

The government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities, and the discretely presented component unit 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 grant receivables and unearned grant revenue in both the government-wide and fund statements, and capital assets, related depreciation, and debt in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) 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.

**Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with the modified cash basis of accounting. Annual appropriated budgets are adopted for the general and special revenue funds. However, the City did not adopt a 2022 budget for American Rescue Plan Act funds. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds.

On or before August 1 of each year, all departments of the City submit requests for appropriation to the City's auditor so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. A preliminary budget is to be prepared on or before September 10 of each year.

Before October 1, the proposed budget is presented to the City's council for review. The City's council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City's auditor or the revenue estimates must be changed by an affirmative vote of a majority of the City's council. Expenditures may not legally exceed budgeted appropriations at the activity level. The final budget and tax levy must be approved by October 7, with the final budget being submitted to the County auditor no later than October 10.

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

**Investments**

North Dakota state statute authorizes Cities to invest their surplus funds in: a) bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed, c) certificates of deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) obligations of the state.

As of December 31, 2023, all of the City's investments consisted of certificates of deposit with local financial institutions that did not meet the criteria of cash and cash equivalents. Certificates of deposit are recorded at amortized cost.

**Due from Other Governments**

Amounts due from other governments consist of unreimbursed state grant expenditures as of December 31, 2023.

**Land Held for Resale**

The Rugby JDA currently owns 34 lots that are being developed for resale.

**Capital Assets**

Capital assets, which include infrastructure, property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the City's fiscal year. Improvements that significantly extend the useful life of the asset are also capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All capital assets are depreciated over their estimated useful lives on a straight-line basis. A capitalization threshold of \$5,000 is used to report capital assets. The City of Rugby has established the following useful lives:

Buildings and Infrastructure	20 to 100 years
Equipment and Vehicles	5 to 20 years

**Unearned Revenue**

Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.



**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**Premiums/Discount**

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued 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. For all fund types, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Premiums and discounts on bonds will be amortized on a straight-line basis over the life of the loan associated with the premium or discount. The amortization expense will be included with interest expense in the governmental activities' column of the government-wide financial statements.

**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 to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt 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 are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of the remaining undepreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset.

Net position is reported as restricted when external creditors, grantors, or other governmental organizations impose specific restrictions on the City. External restrictions may be imposed through state or local laws, and grant or contract provisions.

**Fund Balance Classifications**

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

*Nonspendable* - consists of amounts that are not in spendable form, such as inventory, prepaid items, and loans receivable.

*Restricted* - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - consists of internally imposed constraints. These constraints are established by Resolution of the Council.

*Assigned* - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the Council and/or management.

# CITY OF RUGBY, NORTH DAKOTA

## DECEMBER 31, 2023

*Unassigned* - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

The City has classified the spendable fund balances as Restricted and Unassigned and considers each to have been spent when expenditures are incurred.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

## Revenues, Expenditures, and Expenses

### Program revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

### Operating revenues and expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

*Expenditures/expenses*

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental funds – by character	Current (further classified by function)
	Debt service
	Capital outlay

Proprietary fund – by operating and nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

## Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

### *Fund financial statements*

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



**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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

*Government-wide financial statements*

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

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

**Use of Estimates**

The preparation of the financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**NOTE 3 CUSTODIAL CREDIT RISK**

This is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, “all state funds must be deposited in the Bank of North Dakota” or must be deposited in accordance with constitutional and statutory provisions.

The City does have a deposit policy. The City maintains cash on deposit at various financial institutions. The amount on deposit was insured by the FDIC up to \$250,000 at each institution. At December 31, 2023, the City's bank balance totaled \$7,263,855. Of the bank balance, \$651,343 was covered through FDIC and the remaining \$6,612,511 was covered through collateral pledged on behalf of the City.

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

The JDA maintains cash on deposit at various financial institutions. The amount on deposit was insured by the FDIC up to \$250,000 at each institution. At December 31, 2023, the JDA's bank balance totaled \$495,852. Of the bank balance, \$465,050 was covered through FDIC. The remaining balance \$30,802 was covered through collateral pledged on behalf of the JDA.

**NOTE 4    PROPERTY TAXES**

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

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

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

**NOTE 5    CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023 is as follows:

	<u>Balance 1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2023</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 237,332	\$ -	\$ -	\$ 237,332
Total capital assets not being depreciated	<u>237,332</u>	<u>-</u>	<u>-</u>	<u>237,332</u>
Capital assets being depreciated				
Buildings and infrastructure	13,244,474	9,511	-	13,253,985
Machines and vehicles	<u>1,814,841</u>	<u>51,258</u>	<u>(35,002)</u>	<u>1,831,097</u>
Total capital assets being depreciated	<u>15,059,315</u>	<u>60,769</u>	<u>(35,002)</u>	<u>15,085,082</u>
Less accumulated depreciation:				
Buildings and infrastructure	7,089,281	548,060	-	7,637,341
Machines and vehicles	<u>1,123,900</u>	<u>101,412</u>	<u>(35,002)</u>	<u>1,190,310</u>
Total accumulated depreciation	<u>8,213,181</u>	<u>649,472</u>	<u>(35,002)</u>	<u>8,827,651</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>6,846,134</u>	<u>(588,703)</u>	<u>-</u>	<u>6,257,431</u>
<b>Governmental capital assets, net of accumulated depreciation</b>	<u>\$ 7,083,466</u>	<u>\$ (588,703)</u>	<u>\$ -</u>	<u>\$ 6,494,763</u>

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

	<u>Balance 1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2023</u>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 52,420	\$ -	\$ -	\$ 52,420
Construction in progress	662,474	376,725	-	1,039,199
Total capital assets not being depreciated	<u>714,894</u>	<u>376,725</u>	<u>-</u>	<u>1,091,619</u>
Capital assets being depreciated				
Buildings and infrastructure	11,304,659	673,491	-	11,978,150
Machines and vehicles	1,029,287	33,670	-	1,062,957
Total capital assets being depreciated	<u>12,333,946</u>	<u>707,161</u>	<u>-</u>	<u>13,041,107</u>
Less accumulated depreciation:				
Buildings and infrastructure	2,818,269	282,726	-	3,100,995
Machines and vehicles	543,214	77,703	-	620,917
Total accumulated depreciation	<u>3,361,483</u>	<u>360,429</u>	<u>-</u>	<u>3,721,912</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>8,972,463</u>	<u>346,732</u>	<u>-</u>	<u>9,319,195</u>
<b>Business-type activities capital assets, net of accumulated depreciation</b>	<u>\$ 9,687,357</u>	<u>\$ 723,457</u>	<u>\$ -</u>	<u>\$ 10,410,814</u>

	<u>Balance 1/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2023</u>
<b>Component Unit, JDA</b>				
Capital assets being depreciated:				
Buildings and infrastructure	\$ 804,610	\$ -	\$ -	\$ 804,610
Equipment and fixtures	3,996	-	-	3,996
Total capital assets being depreciated	<u>808,606</u>	<u>-</u>	<u>-</u>	<u>808,606</u>
Capital assets being amortized:				
Intangibles	3,585	-	-	3,585
Less accumulated depreciation:				
Buildings and infrastructure	239,952	20,116	-	260,068
Equipment and fixtures	3,996	-	-	3,996
Total accumulated depreciation	<u>243,948</u>	<u>20,116</u>	<u>-</u>	<u>264,064</u>
Less accumulated amortization:				
Intangibles	1,701	359	-	2,060
Total capital assets being depreciated or amortized, net of accumulated depreciation	<u>566,542</u>	<u>(20,475)</u>	<u>-</u>	<u>546,067</u>
Component unit capital assets, net of accumulated depreciation	<u>\$ 566,542</u>	<u>\$ (20,475)</u>	<u>\$ -</u>	<u>\$ 546,067</u>

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:	
General government	\$ 91,721
Public safety	26,967
Public works	530,784
Total depreciation expense for governmental activities	<u>\$ 649,472</u>
Business-type Activities:	
Water operating	\$ 230,542
Sewer operating	81,179
Garbage operating	2,184
Storm Water operating	46,523
Total depreciation expense for business-type activities	<u>\$ 360,428</u>

**NOTE 6 NOTES AND BONDS PAYABLE**

The following is a summary of long-term debt of the City of Rugby for the year ended December 31, 2023:

	Year-End Balance
<i>Governmental activities:</i>	
Refunding Improvement Bonds of 2017 (Build America Bonds) The bonds carry interest rates of 3.0% and are scheduled to be fully repaid on May 1, 2024.	\$ 320,000
Refunding Improvement Bonds of 2021 The bonds carry interest rates of 2.00% and are scheduled to be fully repaid on May 1, 2033.	1,545,000
General Obligation Fire Station Bonds of 2015. The bonds carry interest rates of 1.40% - 3.00% and are scheduled to be fully repaid on May 1, 2025.	90,000
Merchant Bank Ford F150. This loan carries an interest rate of 2.95% and is scheduled to be fully repaid on March 1, 2024.	<u>6,439</u>
Total Notes and Bonds Payable- Governmental Funds Before Bond Discounts/Premiums	1,961,439
Less: Bond discount, net of amortization	(1,200)
Add: Bond premium, net of amortization	<u>81,050</u>
Total Notes and Bonds Payable- Governmental Funds	<u>\$ 2,041,289</u>

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

<i>Business-type activities:</i>	<u>Year-End Balance</u>
Series 2023 Water and Sewer Revenue Bonds. The Bonds will carry an interest rate of 1.375% and are scheduled to be fully retired on November 21, 2063	\$ 4,934,000
Water Revenue Bonds of 2018. The bonds carry interest rates of 1.5% and are scheduled to be fully retired on September 1, 2038.	97,000
Water Revenue Bonds of 2015. The bonds carry interest rates of 2.00% - 4.00% and are scheduled to be fully retired on June 1, 2025.	<u>110,000</u>
Total Notes and Bonds Payable - Proprietary Funds Before Bond Premiums	5,141,000
Add: Bond premium, net of amortization	<u>7,304</u>
Total Notes and Bonds Payable - Proprietary Funds	<u><u>\$ 5,148,304</u></u>
 <i>Component unit:</i>	 <u>Year-End Balance</u>
Bremer Bank note. The note carries an interest rate of 7.0% and is scheduled to be fully repaid on January 1, 2026.	 <u>\$ 52,923</u>
Total Notes Payable - Component Unit	 <u><u>\$ 52,923</u></u>

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

The annual payment requirements on the above debt as of December 31, 2023 are as follows:

Year Ending December 31	Governmental Activities	
	Bonds and Notes	
	Principal	Interest
2024	\$ 511,439	\$ 36,518
2025	190,000	27,325
2026	145,000	23,750
2027	150,000	20,800
2028	150,000	17,800
2029-2033	815,000	41,450
	<u>\$ 1,961,439</u>	<u>\$ 167,643</u>

Year Ending December 31	Business-type Activities	
	Bonds	
	Principal	Interest
2024	\$ 158,353	\$ 73,423
2025	159,635	69,239
2026	105,936	66,413
2027	112,255	64,944
2028	113,593	63,381
2029-2033	550,675	293,285
2034-2038	549,975	255,995
2039-2043	588,840	217,130
2044-2048	630,451	175,519
2049-2053	675,003	130,967
2054-2058	722,703	83,267
2059-2063	773,581	32,196
	<u>\$ 5,141,000</u>	<u>\$ 1,525,759</u>

Year Ending December 31	Component Unit	
	Notes	
	Principal	Interest
2024	\$ 52,923	\$ 1,701
	<u>\$ 52,923</u>	<u>\$ 1,701</u>

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

The following is a summary of the activity in long-term liabilities for the year ended December 31, 2023:

	Balance 1/1/2023	Additions	Reductions	Balance 12/31/2023	Due Within One Year
<i>Governmental activities:</i>					
Refunding Improvement Bonds of 2017	\$ 630,000	\$ -	\$ (310,000)	\$ 320,000	\$ 320,000
General Obligation Fire Station Bonds of 2015	135,000	-	(45,000)	90,000	45,000
Refunding Improvement Bonds of 2021	1,685,000	-	(140,000)	1,545,000	140,000
Merchant Bank Loans	12,757	-	(6,318)	6,439	6,439
Unamortized Bond Premiums	96,804	-	(15,754)	81,050	-
Unamortized Bond Discount	(2,000)	-	800	(1,200)	-
	<u>\$ 2,557,561</u>	<u>\$ -</u>	<u>\$ (516,272)</u>	<u>\$ 2,041,289</u>	<u>\$ 511,439</u>
<i>Business-type activities:</i>					
Loan Anticipation Revenue Bonds 2022	\$ 4,965,000	\$ -	\$ (4,965,000)	\$ -	\$ -
Water and Sewer Revenue Bonds 2023	-	4,934,000	-	4,934,000	93,353
Water Revenue Bonds 2015	160,000	-	(50,000)	110,000	50,000
Water Revenue Bonds 2018	132,000	-	(35,000)	97,000	10,000
Unamortized Bond Premium	12,173	-	(4,869)	7,304	-
	<u>\$ 5,269,173</u>	<u>\$ 4,934,000</u>	<u>\$ (5,054,869)</u>	<u>\$ 5,148,304</u>	<u>\$ 153,353</u>
<i>Component unit:</i>					
Bremer Bank Note	\$ 102,512	\$ -	\$ (49,589)	\$ 52,923	\$ 52,923
	<u>\$ 102,512</u>	<u>\$ -</u>	<u>\$ (49,589)</u>	<u>\$ 52,923</u>	<u>\$ 52,923</u>

During 2010, the Job Development Authority made an interest prepayment of \$44,160 on the Bremer bank note. Interest recognized in 2023 on the prepayment was \$718. As of December 31, 2023, prepaid interest was fully amortized.

Principal on the 2022 Loan Anticipation Revenue Bonds was paid on December 1, 2023 with permanent financing from the USDA Series 2023 Water and Sewer Revenue Bonds, which are scheduled for repayment over a period of 40 years.

## **NOTE 7 FUND BALANCE**

### **Classifications**

At December 31, 2023, governmental fund balances are restricted as follows:

	Infrastructure Maintenance Fund	2 1/2 Avenue Improvement	DWR WTP Improvements	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Capital Projects	\$ 406,721	\$ 64,911	\$ 592,846	\$ 360,704	\$ 1,425,182
Highways and Streets	-	-	-	74,684	74,684
Debt Service	-	-	-	593,377	593,377
Recreation	-	-	-	43,588	43,588
Snow Removal	-	-	-	15,484	15,484
Economic Developer Director	-	-	-	23,195	23,195
Building Reserve	-	-	-	147,321	147,321
	<u>\$ 406,721</u>	<u>\$ 64,911</u>	<u>\$ 592,846</u>	<u>\$ 1,258,353</u>	<u>\$ 2,322,831</u>

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**Minimum Fund Balance Policy**

The City's policy is to maintain a minimum fund balance of \$600,000 in the general fund. The minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue and to maintain a budget stabilization commitment.

**NOTE 8 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund transfers for the year ended December 31, 2023 were as follows:

	General Fund	Infrastructure Maintenance Fund	2 1/2 Ave Improvements	DWR WTP Improvements	Other Governmental Funds
Transfers in	\$ 50,013	\$ -	\$ 170,000	\$ 257,066	\$ 767,599
Transfers out	(214,000)	(643,194)	-	-	(50,000)
	<u>\$ (163,987)</u>	<u>\$ (643,194)</u>	<u>\$ 170,000</u>	<u>\$ 257,066</u>	<u>\$ 717,599</u>

  

	Water Operating Fund	Sanitation Sewer Operations	Other Enterprise Funds	Total
Transfer in	\$ 94,853	\$ 28,000	\$ 217,000	\$ 1,584,531
Transfer out	(407,484)	(75,000)	(194,853)	(1,584,531)
	<u>\$ (312,631)</u>	<u>\$ (47,000)</u>	<u>\$ 22,147</u>	<u>\$ -</u>

Transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires or allows to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 9 RISK MANAGEMENT**

The City of Rugby is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the mid-1980's, the City was not able to obtain general liability insurance at a cost it considered to be economically justifiable. In 1986, the state and other political subdivisions 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. All members joined to help capitalize the NDIRF. The City pays an annual premium to NDIRF for its general insurance, personal injury insurance, auto insurance, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence. In the past three years, no settled claims have exceeded insurance coverage.

The City continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee health and accident insurance.



**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 10 PENSION PLAN**

**North Dakota Public Employees' Retirement System (Main System)**

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions 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 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with passage of North Dakota House Bill 1040. The closure of the plan will be effective on 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 RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. The City's contributions to the pension plan were \$55,909 for the year ended December 31, 2023.

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

**NOTE 11 OTHER POSTEMPLOYMENT 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.

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

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

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. The City's contributions to the OPEB plan were \$4,010 for the year ended December 31, 2023.

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

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

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

**NOTE 12 NEW PRONOUNCEMENTS**

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The statement is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

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

**NOTE 13 COMMITMENTS**

The City has a commitment associated with its NAWS contract with the North Dakota State Water Commission. Under the terms of the contract, the City is required to remit (on a quarterly basis) fifteen cents per each thousand gallons of water to the Commission's OM&R fund. The current contract expires February 23, 2038. As of December 31, 2023, the City has remitted a total of \$276,072 to the Commission.

In 2012, the City entered into an agreement with HACTC Housing to pay \$65/day per prisoner sentenced from the City of Rugby. The rate increased to \$78/day in December 2019 and \$79.50/day in January 2022. The City makes monthly payments in proportion to the services rendered. Since the agreement was entered into, the City has paid \$50,431 for prisoner housing to HACTC.

In 2023, the City entered into a contract for water treatment plant improvements. The total price of the contract is \$536,000. As of December 31, 2023, the City has made payments of \$222,511.

**NOTE 14 CONTINGENCIES**

The City receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The City's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claims would not have a material adverse effect on the overall financial position.

**CITY OF RUGBY, NORTH DAKOTA**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2023**

**NOTE 15 JOINT VENTURES**

**Rugby Volunteer Fire Department**

Under the authorization of state statutes, the City joined the Rugby Rural Fire Protection District to establish and operate the Rugby Volunteer Fire Department. The operating and capital expenses are funded by contributions from each government.

Complete financial information can be obtained from Joel Berg, Fire Chief, PO Box 202, Rugby, ND 58368.

**Heart of America Library**

Under the authorization of state statutes, the City joined Pierce County to operate the Heart of America Library. The public library will be governed by a Joint Library Board, which is comprised of four members appointed by the City, four members appointed by Pierce County, and one additional member from each governing board. The operating and capital expenses are funded by a 3.73 mill contribution from Pierce County and a 6.47 mill contribution from the City. Other contributions include amounts from the state library fund, donations, and used book sales. The City shall cover all additional expenses not covered by these shares of funds.

Complete financial information can be obtained from Mandie Medalen, Library Director, 201 3<sup>rd</sup> Street SW, Rugby, ND 58368

**NOTE 16 SUBSEQUENT EVENTS**

There were no significant events that occurred subsequent to the City's year end. Subsequent events have been evaluated through October 9, 2024, which is the date these financial statements were available to be issued.



**CITY OF RUGBY, NORTH DAKOTA**  
**BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Original/Final Budget	Actual Amounts, Modified Cash Basis	Variance with Budget
<b>Revenues</b>			
Taxes and special assessments	\$ 860,368	\$ 835,206	\$ (25,162)
Sales and miscellaneous taxes	8,600	6,397	(2,203)
Fees and fines	41,800	30,355	(11,445)
Licenses and permits	19,150	19,890	740
Intergovernmental	219,023	268,256	49,233
Charges for services	36,650	28,424	(8,226)
Investment earnings	7,500	22,317	14,817
Other revenue	59,000	58,383	(617)
Total revenues	<u>1,252,091</u>	<u>1,269,228</u>	<u>17,137</u>
<b>Expenditures</b>			
Current:			
General government	466,530	466,930	(400)
Public safety	581,772	566,772	15,000
Public works	6,459	6,459	-
Culture and recreation	88,820	74,820	14,000
Debt Service:			
Principal	-	6,318	(6,318)
Interest and other charges	-	382	(382)
Capital outlay	32,246	25,546	6,700
Total expenditures	<u>1,175,827</u>	<u>1,147,227</u>	<u>28,600</u>
Excess (deficiency) of revenues over expenditures	<u>76,264</u>	<u>122,001</u>	<u>45,737</u>
<b>Other financing sources (uses)</b>			
Transfers in	50,000	50,013	13
Transfers out	(185,000)	(214,000)	(29,000)
Total other financing sources and uses	<u>(135,000)</u>	<u>(163,987)</u>	<u>(28,987)</u>
Net change in fund balances	(58,736)	(41,986)	16,750
Fund balances - beginning	758,503	758,503	-
Fund balances - ending	<u>\$ 699,767</u>	<u>\$ 716,517</u>	<u>\$ 16,750</u>

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

To the City Council  
City of Rugby  
Rugby, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Rugby, North Dakota as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Rugby's basic financial statements and have issued our report thereon dated October 9, 2024.

**Report On Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Rugby'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 Rugby's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-001 and 2023-002 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 deficiencies described in the accompanying schedule of findings and responses as items 2023-003 to be a significant deficiency.

## **Report On Compliance and Other Matters**

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

## **City's Responses to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on City of Rugby's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of Rugby'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

October 9, 2024

**CITY OF RUGBY, NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**2023-001** *Financial Statement Preparation*

**Criteria**

An appropriate system of internal control requires the City to prepare financial statements in compliance with 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 council. However, the City currently does not prepare financial statements, including accompanying note disclosures, as required by 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 City 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**

Due to the financial, efficiency and time constraints, it has been determined by the City of Rugby's management that it is in the best interest of the City and all interested parties to have the footnotes to the financial statements prepared by the auditing firm at the time of the audit.

**CITY OF RUGBY, NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**2023-002** *Proposition of Journal Entries*

**Criteria**

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

**Condition**

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

**Cause**

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

**Effect**

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

**Recommendation**

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

**Views of responsible officials and planned corrective actions**

Due to the financial, efficiency and time constraints, it has been determined by the City of Rugby's management that it is in the best interest of the City and all interested parties to have the footnotes to the financial statements prepared by the auditing firm at the time of the audit.

**CITY OF RUGBY, NORTH DAKOTA**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

**2023-003** *Segregation of Duties*

**Criteria**

A proper system of internal control has the proper segregation 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 keepings and reconciliation.

**Cause**

The City is subject to size and budget constraints limiting the number of personnel within the accounting department.

**Effect**

The design of 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**

We recommend the City review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

**Views of responsible officials and planned corrective actions**

The Council will review its current monitoring functions and determine if any additional monitoring procedures are warranted. However, due to the small size of the City, it is not cost effective for the City to hire additional accounting personnel to address this deficiency.