

**CITY OF RICHARDTON  
RICHARDTON, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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**CITY OF RICHARDTON**  
CITY OFFICIALS (UNAUDITED)  
DECEMBER 31, 2016 AND 2015

**December 31, 2016**

Frank Kirschenheiter	Commission President
Joshua Reisenauer	Commissioner
Koleen Hoff	Commissioner
Jon Sletmoe	Commissioner
Dan Pladson	Commissioner
Thea Thompson	City Auditor

**December 31, 2015**

Frank Kirschenheiter	Commission President
Joshua Reisenauer	Commissioner
Koleen Hoff	Commissioner
Ralph Weisenberger	Commissioner
Lea Florberg	Commissioner
Thea Thompson	City Auditor



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To the City Commission  
City of Richardton  
Richardton, North Dakota

### Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richardton as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the City of Richardton's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1, this includes determining that the cash basis of accounting is an acceptable basis for presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Richardton, as of December 31, 2016 and 2015, and the respective changes in cash basis financial position, where applicable, cash flows thereof for the years then ended in conformity with the cash basis of accounting.

## **Basis of Accounting**

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

## **Other Matters**

### *Correction of Error*

As described in Note 13 to the financial statements, a prior period adjustment has been made to properly reflect funds for financial statement reporting purposes as of December 31, 2014. Our opinion is not modified with respect to this matter.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Richardton's basic financial statements. The combining non-major fund statements and budgetary information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund statements and budgetary information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the cash basis of accounting. In our opinion, the combining non-major fund statements and budgetary information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of city officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on this schedule.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2018, on our consideration of the City of Richardton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Richardton's internal control over financial reporting and compliance.



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

January 19, 2018

**CITY OF RICHARDTON**  
**STATEMENT OF NET POSITION - CASH BASIS**  
**DECEMBER 31, 2016**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,087,618	\$ 352,162	\$ 3,439,780
Cash and cash equivalents - restricted	<u>270,038</u>	<u>-</u>	<u>270,038</u>
Total assets	<u>3,357,656</u>	<u>352,162</u>	<u>3,709,818</u>
<b>NET POSITION</b>			
Restricted:			
Debt service	648,213	-	648,213
Emergency	8,159	-	8,159
Advertising	3,168	-	3,168
Planning	1,057	-	1,057
Business enhancement	36,506	-	36,506
Airport	6,605	-	6,605
Haliburton related expenses	150,038	-	150,038
Unrestricted	<u>2,503,910</u>	<u>352,162</u>	<u>2,856,072</u>
Total net position	<u>\$ 3,357,656</u>	<u>\$ 352,162</u>	<u>\$ 3,709,818</u>

See Notes to the Financial Statements



**CITY OF RICHARDTON**  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 235,670	\$ 13,730	\$ -	\$ -	\$ (221,940)	\$ -	(221,940)
Public safety	12,856	-	-	-	(12,856)	-	(12,856)
Public works	62,757	-	911	297,546	235,700	-	235,700
Health and welfare	63,081	-	-	-	(63,081)	-	(63,081)
Culture and recreation	17,979	-	-	-	(17,979)	-	(17,979)
Capital improvements	561,794	-	-	-	(561,794)	-	(561,794)
Principal retirement	125,000	-	-	-	(125,000)	-	(125,000)
Interest and fiscal charges	44,173	-	-	-	(44,173)	-	(44,173)
<b>Total governmental activities</b>	<b>1,123,310</b>	<b>13,730</b>	<b>911</b>	<b>297,546</b>	<b>(811,123)</b>	<b>-</b>	<b>(811,123)</b>
Business-type activities:							
Water operating fund	152,862	209,053	-	-	-	56,191	56,191
Sewer operating fund	45,495	77,390	-	-	-	31,895	31,895
Garbage operating fund	111,251	116,262	-	-	-	5,011	5,011
<b>Total business-type activities</b>	<b>309,608</b>	<b>409,610</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,002</b>	<b>100,002</b>
<b>Total primary government</b>	<b>\$ 1,432,918</b>	<b>\$ 423,340</b>	<b>\$ 911</b>	<b>\$ 297,546</b>	<b>(811,123)</b>	<b>100,002</b>	<b>(711,121)</b>
General Revenues							
Taxes:							
Property taxes					213,245	-	213,245
Cigarette tax					1,601	-	1,601
Sales taxes					173,874	-	173,874
Highway tax					38,615	-	38,615
Oil and gas tax					268,493	-	268,493
State aid					41,985	-	41,985
Interest income					319	29	348
Miscellaneous					25,462	-	25,462
<b>Total general revenues</b>					<b>763,594</b>	<b>29</b>	<b>763,623</b>
Change in net position					(47,529)	100,031	52,502
Net position - January 1					3,405,185	252,131	3,657,316
Net position - December 31					<b>\$ 3,357,656</b>	<b>\$ 352,162</b>	<b>\$ 3,709,818</b>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**BALANCE SHEET - CASH BASIS - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	General	Insurance Reserve	Street	Water, Sewer, and Lagoon	Nonmajor Governmental Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,503,910	\$ -	\$ -	\$ 471,760	\$ 111,948	\$ 3,087,618
Cash and cash equivalents - restricted	150,038	-	-	100,000	20,000	270,038
Due from other funds	19,958	-	-	-	-	19,958
Total assets	<u>\$ 2,673,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 571,760</u>	<u>\$ 131,948</u>	<u>\$ 3,377,614</u>
<b>LIABILITIES</b>						
Due to other funds	<u>\$ -</u>	<u>\$ 4,166</u>	<u>\$ 14,066</u>	<u>\$ -</u>	<u>\$ 1,726</u>	<u>\$ 19,958</u>
<b>FUND BALANCES</b>						
Restricted	150,038	-	-	571,760	131,948	853,746
Unassigned	<u>2,523,868</u>	<u>(4,166)</u>	<u>(14,066)</u>	<u>-</u>	<u>(1,726)</u>	<u>2,503,910</u>
Total fund balances	<u>2,673,906</u>	<u>(4,166)</u>	<u>(14,066)</u>	<u>571,760</u>	<u>130,222</u>	<u>3,357,656</u>
Total liabilities and fund balances	<u>\$ 2,673,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 571,760</u>	<u>\$ 131,948</u>	<u>\$ 3,377,614</u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Insurance Reserve</u>	<u>Street</u>	<u>Water, Sewer, and Lagoon</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>						
Taxes	\$ 425,133	\$ 4,342	\$ 38,615	\$ 163,036	\$ 64,702	\$ 695,828
Licenses, permits and fees	13,730	-	-	-	-	13,730
Intergovernmental	41,985	-	-	297,546	-	339,531
Interest income	319	-	-	-	-	319
Miscellaneous	6,787	31	911	-	18,644	26,373
Total revenues	<u>487,954</u>	<u>4,373</u>	<u>39,526</u>	<u>460,582</u>	<u>83,346</u>	<u>1,075,781</u>
<b>EXPENDITURES</b>						
Current:						
General government	223,219	2,942	-	-	9,509	235,670
Public safety	12,696	-	-	-	160	12,856
Public works	-	-	62,757	-	-	62,757
Health and welfare	63,081	-	-	-	-	63,081
Culture and recreation	15,125	-	-	-	2,854	17,979
Capital outlay	322,799	-	-	236,579	2,416	561,794
Debt service:						
Principal retirement	-	-	-	110,000	15,000	125,000
Interest and fiscal charges	-	-	-	33,709	10,464	44,173
Total expenditures	<u>636,920</u>	<u>2,942</u>	<u>62,757</u>	<u>380,288</u>	<u>40,403</u>	<u>1,123,310</u>
Excess of revenues over (under) expenditures	(148,966)	1,431	(23,231)	80,294	42,943	(47,529)
Fund balance - January 1	<u>2,822,872</u>	<u>(5,597)</u>	<u>9,165</u>	<u>491,466</u>	<u>87,279</u>	<u>3,405,185</u>
Fund balance - December 31	<u>\$ 2,673,906</u>	<u>\$ (4,166)</u>	<u>\$ (14,066)</u>	<u>\$ 571,760</u>	<u>\$ 130,222</u>	<u>\$ 3,357,656</u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF NET POSITION - CASH BASIS - PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**

	Business-type Activities - Enterprise Funds				
	Water	Garbage	Sewer	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 164,467	\$ 4,349	\$ 120,940	\$ 62,406	\$ 352,162
<b>NET POSITION</b>					
Unrestricted	\$ 164,467	\$ 4,349	\$ 120,940	\$ 62,406	\$ 352,162

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - CASH BASIS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds
	Water	Garbage	Sewer	Nonmajor Enterprise Funds	
<b>OPERATING REVENUES</b>					
Charges for sales and services:					
Water operations	\$ 193,616	\$ -	\$ -	\$ 15,437	\$ 209,053
Sewer operations	-	-	77,390	-	77,390
Garbage operations	-	116,262	-	-	116,262
Other operating receipts	6,905	-	-	-	6,905
Total operating revenues	200,521	116,262	77,390	15,437	409,610
<b>OPERATING EXPENDITURES</b>					
Water	152,862	-	-	-	152,862
Sewer	-	-	45,495	-	45,495
Garbage	-	111,251	-	-	111,251
Total operating expenses	152,862	111,251	45,495	-	309,608
Operating income	47,659	5,011	31,895	15,437	100,002
<b>NON-OPERATING INCOME</b>					
Interest income	29	-	-	-	29
Change in net position	47,688	5,011	31,895	15,437	100,031
Net position - January 1	116,779	(662)	89,045	46,969	252,131
Net position - December 31	\$ 164,467	\$ 4,349	\$ 120,940	\$ 62,406	\$ 352,162

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF CASH FLOWS - CASH BASIS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Business-type Activities - Enterprise Funds				Total Enterprise Funds
	Water	Garbage	Sewer	Nonmajor Enterprise Fund	
<u>Cash flows from operating activities:</u>					
Receipts from customers	\$ 200,521	\$ 116,262	\$ 77,390	\$ 15,437	\$ 409,610
Payments to suppliers	(122,040)	(107,929)	(42,173)	-	(272,142)
Payments to employees	(30,822)	(3,322)	(3,322)	-	(37,466)
Net cash provided (used) by operating activities	47,659	5,011	31,895	15,437	100,002
<u>Cash flows from noncapital financing activities:</u>					
Interest income	29	-	-	-	29
Interfund disbursements	-	(662)	-	-	(662)
Interfund receipts	662	-	-	-	662
Net cash provided (used) by noncapital financing activities	691	(662)	-	-	29
Net change in cash and cash equivalents	48,350	4,349	31,895	15,437	100,031
Cash and cash equivalents, January 1	116,117	-	89,045	46,969	252,131
Cash and cash equivalents, December 31	\$ 164,467	\$ 4,349	\$ 120,940	\$ 62,406	\$ 352,162

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF NET POSITION - CASH BASIS**  
**DECEMBER 31, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,255,152	\$ 252,131	\$ 3,507,283
Cash and cash equivalents - restricted	<u>150,033</u>	<u>-</u>	<u>150,033</u>
Total assets	<u>3,405,185</u>	<u>252,131</u>	<u>3,657,316</u>
<b>NET POSITION</b>			
Restricted:			
Debt service	531,271	-	531,271
Street	9,165	-	9,165
Emergency	6,943	-	6,943
Social security	667	-	667
Advertising	3,065	-	3,065
Planning	507	-	507
Business enhancement	30,666	-	30,666
Airport	5,626	-	5,626
Haliburton related expenses	150,033	-	150,033
Unrestricted	<u>2,667,242</u>	<u>252,131</u>	<u>2,919,373</u>
Total net position	<u>\$ 3,405,185</u>	<u>\$ 252,131</u>	<u>\$ 3,657,316</u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 284,277	\$ 54,989	\$ -	\$ -	\$ (229,288)	\$ -	(229,288)
Public safety	12,696	-	-	-	(12,696)	-	(12,696)
Public works	59,558	-	469	215,346	156,257	-	156,257
Health and welfare	137,312	-	-	-	(137,312)	-	(137,312)
Culture and recreation	28,068	-	-	-	(28,068)	-	(28,068)
Capital improvements	1,207,573	-	-	2,257,288	1,049,715	-	1,049,715
Principal retirement	95,000	-	-	-	(95,000)	-	(95,000)
Interest and fiscal charges	42,380	-	-	-	(42,380)	-	(42,380)
Total governmental activities	<u>1,866,864</u>	<u>54,989</u>	<u>469</u>	<u>2,472,634</u>	<u>661,228</u>	<u>-</u>	<u>661,228</u>
Business-type activities:							
Water operating fund	148,517	224,608	-	-	-	76,091	76,091
Sewer operating fund	43,144	73,385	-	-	-	30,241	30,241
Garbage operating fund	107,756	105,014	-	-	-	(2,742)	(2,742)
Other enterprise funds	-	26,315	-	-	-	26,315	26,315
Total business-type activities	<u>299,417</u>	<u>429,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,905</u>	<u>129,905</u>
Total primary government	<u>\$ 2,166,281</u>	<u>\$ 484,311</u>	<u>\$ 469</u>	<u>\$ 2,472,634</u>	<u>661,228</u>	<u>129,905</u>	<u>791,133</u>
General Revenues							
Taxes:							
Property taxes					256,806	-	256,806
Cigarette tax					1,717	-	1,717
Sales taxes					251,936	-	251,936
Highway tax					43,841	-	43,841
Oil and gas tax					245,000	-	245,000
State aid					60,910	-	60,910
Interest income					332	20	352
Miscellaneous					58,974	-	58,974
Total general revenues					<u>919,516</u>	<u>20</u>	<u>919,536</u>
Change in net position					1,580,744	129,925	1,710,669
Net position - January 1					1,824,441	122,206	1,946,647
Net position - December 31					<u>\$ 3,405,185</u>	<u>\$ 252,131</u>	<u>3,657,316</u>

See Notes to the Financial Statements



**CITY OF RICHARDTON**  
**BALANCE SHEET - CASH BASIS – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2015**

	<u>General</u>	<u>Insurance Reserve</u>	<u>Water, Sewer, and Lagoon</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,667,242	\$ -	\$ 491,466	\$ 96,444	\$ 3,255,152
Cash and cash equivalents - restricted	150,033	-	-	-	150,033
Due from other funds	5,597	-	-	-	5,597
Total assets	<u>\$ 2,822,872</u>	<u>\$ -</u>	<u>\$ 491,466</u>	<u>\$ 96,444</u>	<u>\$ 3,410,782</u>
<b>LIABILITIES</b>					
Due to other funds	<u>\$ -</u>	<u>\$ 5,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,597</u>
<b>FUND BALANCES</b>					
Restricted	150,033	-	491,466	96,444	737,943
Unassigned	2,672,839	(5,597)	-	-	2,667,242
Total fund balances	<u>2,822,872</u>	<u>(5,597)</u>	<u>491,466</u>	<u>96,444</u>	<u>3,405,185</u>
Total liabilities and fund balances	<u>\$ 2,822,872</u>	<u>\$ -</u>	<u>\$ 491,466</u>	<u>\$ 96,444</u>	<u>\$ 3,410,782</u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – CASH BASIS – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Insurance Reserve	Water, Sewer, and Lagoon	Nonmajor Governmental Funds	Total
<b>REVENUES</b>					
Taxes	\$ 455,844	\$ 4,142	\$ 207,814	\$ 131,500	\$ 799,300
Licenses, permits and fees	54,989	-	-	-	54,989
Intergovernmental	2,318,198	-	215,346	-	2,533,544
Interest income	332	-	-	-	332
Miscellaneous	36,413	3,916	-	19,114	59,443
Total revenues	<u>2,865,776</u>	<u>8,058</u>	<u>423,160</u>	<u>150,614</u>	<u>3,447,608</u>
<b>EXPENDITURES</b>					
Current:					
General government	264,309	10,040	-	9,928	284,277
Public safety	12,696	-	-	-	12,696
Public works	-	-	-	59,558	59,558
Health and welfare	137,312	-	-	-	137,312
Culture and recreation	24,505	-	-	3,563	28,068
Capital outlay	934,264	-	271,413	1,896	1,207,573
Debt service:					
Principal retirement	-	-	80,000	15,000	95,000
Interest and fiscal charges	-	-	31,611	10,769	42,380
Total expenditures	<u>1,373,086</u>	<u>10,040</u>	<u>383,024</u>	<u>100,714</u>	<u>1,866,864</u>
Excess of revenues over (under) expenditures	<u>1,492,690</u>	<u>(1,982)</u>	<u>40,136</u>	<u>49,900</u>	<u>1,580,744</u>
Fund balance - January 1, as originally stated	1,318,495	(3,615)	-	509,561	1,824,441
Prior period adjustment	11,687	-	451,330	(463,017)	-
Fund balance - January 1, adjusted	<u>1,330,182</u>	<u>(3,615)</u>	<u>451,330</u>	<u>46,544</u>	<u>1,824,441</u>
Fund balance - December 31	<u>\$ 2,822,872</u>	<u>\$ (5,597)</u>	<u>\$ 491,466</u>	<u>\$ 96,444</u>	<u>\$ 3,405,185</u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF NET POSITION – CASH BASIS – PROPRIETARY FUNDS**  
**DECEMBER 31, 2015**

	Business-type Activities - Enterprise Funds			
	Water	Garbage	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 116,117	\$ -	\$ 136,014	\$ 252,131
Due from other funds	662	-	-	662
Total assets	116,779	-	136,014	252,793
<b>LIABILITIES</b>				
Due to other funds	-	662	-	662
<b>NET POSITION</b>				
Unrestricted	116,779	(662)	136,014	252,131
Total liabilities and net position	\$ 116,779	\$ -	\$ 136,014	\$ 252,793

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – CASH BASIS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Business-type Activities - Enterprise Funds			
	Water	Garbage	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Water operations	\$ 207,648	\$ -	\$ 16,960	\$ 224,608
Sewer operations	-	-	73,385	73,385
Garbage operations	-	105,014	-	105,014
Other operating receipts	5,578	-	20,737	26,315
Total operating revenues	<u>213,226</u>	<u>105,014</u>	<u>111,082</u>	<u>429,322</u>
<b>OPERATING EXPENDITURES</b>				
Water	147,786	-	731	148,517
Sewer	-	-	43,144	43,144
Garbage	-	107,756	-	107,756
Total operating expenses	<u>147,786</u>	<u>107,756</u>	<u>43,875</u>	<u>299,417</u>
Operating income	<u>65,440</u>	<u>(2,742)</u>	<u>67,207</u>	<u>129,905</u>
<b>NON-OPERATING INCOME</b>				
Interest income	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>
Change in net position	65,460	(2,742)	67,207	129,925
Net position - January 1	<u>51,319</u>	<u>2,080</u>	<u>68,807</u>	<u>122,206</u>
Net position - December 31	<u><u>\$ 116,779</u></u>	<u><u>\$ (662)</u></u>	<u><u>\$ 136,014</u></u>	<u><u>\$ 252,131</u></u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**STATEMENT OF CASH FLOWS – CASH BASIS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Garbage</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total Enterprise Funds</u>
<u>Cash flows from operating activities:</u>				
Receipts from customers	\$ 213,226	\$ 105,014	\$ 111,082	\$ 429,322
Payments to suppliers	(116,964)	(76,934)	(13,053)	(206,951)
Payments to employees	(30,822)	(30,822)	(30,822)	(92,466)
Net cash provided (used) by operating activities	<u>65,440</u>	<u>(2,742)</u>	<u>67,207</u>	<u>129,905</u>
<u>Cash flows from noncapital financing activities:</u>				
Interest income	20	-	-	20
Interfund disbursements	(662)	-	-	(662)
Interfund receipts	-	662	-	662
Net cash provided (used) by noncapital financing activities	<u>(642)</u>	<u>662</u>	<u>-</u>	<u>20</u>
Net change in cash and cash equivalents	<u>64,798</u>	<u>(2,080)</u>	<u>67,207</u>	<u>129,925</u>
Cash and cash equivalents, January 1	<u>51,319</u>	<u>2,080</u>	<u>68,807</u>	<u>122,206</u>
Cash and cash equivalents, December 31	<u><u>\$ 116,117</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 136,014</u></u>	<u><u>\$ 252,131</u></u>

See Notes to the Financial Statements

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Richardton, North Dakota, was incorporated under the laws of the State of North Dakota and operates under a city commission form of government. The accounting policy of the City of Richardton is to maintain the accounting records on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The City does not maintain capital asset records or related debt for the governmental and business-type activities. Since capital asset records are not maintained, depreciation is not recognized and recorded as an expense. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

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

**Financial Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

**CITY OF RICHARDTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2016 AND 2015

**Fund Financial Statements**

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

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

The City reports the following major governmental funds:

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

*Insurance Reserve Fund.* This fund is used to account for tax money received and expenditures incurred for insurance.

*Street Fund (2016 only).* This fund is used to account for money received to be used for street upkeep and repairs and the related expenditures made.

*Water, Sewer, and Lagoon.* This fund is used to account for revenues received to pay off the Refunding Improvement bonds issued, the proceeds of the Refunding Improvement bonds, and costs of the Water and Sewer District #8 project.

The City reports the following major enterprise funds:

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

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

*Sewer Fund (2016 only).* This fund is used to account for customer receipts for sewer fees and operating expenditures for sewer services.

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2016 AND 2015**

**Measurement Focus and Basis of Accounting**

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

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined below.

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

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

**Basis of Accounting**

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

In the government-wide statements of net position and statement of activities and the fund financial statements, both governmental and business-like activities are presented using the cash basis of accounting. This basis recognizes assets and net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions in the government-wide statements, and proprietary fund statements. 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 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.



**CITY OF RICHARDTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2016 AND 2015

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.

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits.

**Fund Balance Classifications**

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

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

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

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

*Assigned* – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Commission and City Auditor have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

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

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

The City does not have a minimum fund balance policy.

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2016 AND 2015**

**Interfund Transactions**

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

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

**Use of Estimates**

The preparation of financial statements in conformity with the cash basis requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 LEGAL COMPLIANCE - BUDGETS**

Budgetary Information:

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

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

- On or before September 10 of the preceding fiscal year, the City prepares a preliminary budget for the next succeeding year beginning January 1. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 7.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2016 AND 2015**

Budget Amendments

The city's governing board did not amend the budgets during the years ended December 31, 2016 and 2015.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds during the year ended December 31, 2016:

Governmental Funds:

General	\$ 269,078
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Expenditures exceeded budget in the following funds during the year ended December 31, 2015:

Governmental Funds:

General	\$ 436,386
Insurance Reserve	4,240

No remedial action is anticipated or required by the City regarding these excess expenditures.

**NOTE 3 DEPOSITS**

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

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

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

The City maintains cash on deposit at a financial institution. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2016 and 2015, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. \$3,498,449 and \$3,484,935 of the City's deposits are covered by pledged securities held in the City's name as of December 31, 2016 and 2015, respectively.

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2016 AND 2015**

Credit Risk:

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

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.
- (e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less

As of December 31, 2016 and 2015, the City had no investments.

Concentration of Credit Risk:

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

**NOTE 4 CASH AND CASH EQUIVALENTS – RESTRICTED**

The City has \$270,038 and \$150,033 reported as cash and cash equivalents – restricted as of December 31, 2016 and 2015, respectively. The amount as of December 31, 2016 is made up of \$150,038 of cash from Halliburton and \$100,000 of cash held in reserve as part of a bond agreement. All of the amount as of December 31, 2015 is related to cash received from Halliburton. Cash received from Halliburton is restricted to use as follows: to cover expenses directly incurred by the City for legal counsel, engineering reports, and other costs associated with the zoning, annexation, roadway construction, and railway development issues. Cash held in reserve is restricted in use for principal and interest payment on the Sales Tax Revenue Bonds of 2013 if collections of sales tax are not sufficient to make the payment.

**NOTE 5 PROPERTY TAXES**

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

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

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

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 6 DUE TO/DUE FROM OTHER FUNDS**

The due to and due from other funds as of December 31, 2016 and 2015 consist of cash overdrafts.

The amounts are as follows as of December 31, 2016:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
<u>Governmental Funds:</u>		
General	Insurance Reserve	\$ 4,166
General	Street	14,066
General	Non-major governmental	<u>1,726</u>
		<u><u>\$ 19,958</u></u>

The amounts are as follows as of December 31, 2015:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>
<u>Governmental Funds:</u>		
General	Insurance Reserve	<u>\$ 5,597</u>
<u>Enterprise Funds:</u>		
Water	Garbage	<u><u>\$ 662</u></u>

**NOTE 7 DEFICIT BALANCES**

The following funds were in a deficit position at December 31, 2016:

<u>Governmental Funds:</u>	
Insurance Reserve	\$ 4,166
Street	14,066
Social Security	<u>1,726</u>
	<u><u>\$ 19,958</u></u>

The following funds were in a deficit position at December 31, 2015:

<u>Governmental Funds:</u>	
Insurance Reserve	<u>\$ 5,597</u>
<u>Enterprise Funds:</u>	
Garbage	<u><u>\$ 662</u></u>

The deficits will be alleviated by tax collections, fee collections, debt financing, grant proceeds, or transfers from the general fund.

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 8 LONG-TERM DEBT**

Below is a summary of long-term debt owed by the City. This information is not included in the financial statements, as the financial statements are prepared on a cash basis.

During the year ended December 31, 2016, the following changes occurred in long-term debt:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Sales Tax Revenue Bonds of 2013	\$ 370,000	\$ -	\$ 15,000	\$ 355,000	\$ 15,000
Refunding Improvement Bonds of 2014	<u>1,270,000</u>	<u>-</u>	<u>110,000</u>	<u>1,160,000</u>	<u>105,000</u>
Total	<u>\$1,640,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$1,515,000</u>	<u>\$ 120,000</u>

During the year ended December 31, 2015, the following changes occurred in long-term debt:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Sales Tax Revenue Bonds of 2013	\$ 385,000	\$ -	\$ 15,000	\$ 370,000	\$ 15,000
Refunding Improvement Bonds of 2014	<u>1,350,000</u>	<u>-</u>	<u>80,000</u>	<u>1,270,000</u>	<u>110,000</u>
Total	<u>\$1,735,000</u>	<u>\$ -</u>	<u>\$ 95,000</u>	<u>\$1,640,000</u>	<u>\$ 125,000</u>

Long-term debt of the governmental activities at December 31, 2016 and 2015 consisted of the following issues:

**Sales Tax Revenue Bonds of 2013**

\$400,000 sales tax revenue bonds series 2013 due in annual payments of \$15,000 through 2017, \$20,000 through 2029, and \$25,000 annually through 2033. Interest payments are made semiannually in May and November with an annual interest rate of 2.85%.

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2016 AND 2015**

The City is required to maintain a cash reserve in connection with the sales tax revenue bonds. The cash reserve requirement was not met as of December 31, 2016. The City was required to have an amount of at least the minimum of the following in reserve: 10% of the stated principal of the bond, the maximum annual principal and interest payment requirements of the bonds, or 125% of the average annual debt service requirements of the bond.

The City has an agreement in place with a developer who is to pay an annual \$18,644 payment, which includes interest of 4.50% to the City to help offset the costs through 2038.

**Refunding Improvement Bonds of 2014**

\$1,350,000 refunding improvement bonds due in annual payments ranging from \$80,000 to \$110,000 through 2028. Interest payments are made semiannually in May and November with an annual interest rate ranging from 0.50-4.00%.

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

Year Ending December 31	Principal	Interest
2017	\$ 120,000	\$ 38,563
2018	125,000	37,475
2019	120,000	35,710
2020	120,000	34,010
2021	120,000	31,610
2022-2026	570,000	114,966
2027-2031	290,000	28,650
2032-2035	50,000	2,250
Total	<u>\$1,515,000</u>	<u>\$ 323,234</u>

**NOTE 9 RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of Richardton pays an annual premium to NDRIF for its general liability, auto, and equipment insurance coverage. The coverage by NDRIF is limited to losses of \$1,000,000 per occurrence for general liability and automobile and \$407,395 for equipment.

The City of Richardton also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$1,300,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2016 AND 2015**

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

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

**NOTE 10 FUND BALANCES**

At December 31, 2016, a summary of the governmental fund balance classifications is as follows:

	General	Insurance Reserve	Street	Water, Sewer, and Lagoon	Non-major Governmental Funds	Total
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ 571,760	\$ 76,453	\$ 648,213
Emergency	-	-	-	-	8,159	8,159
Advertising	-	-	-	-	3,168	3,168
Planning	-	-	-	-	1,057	1,057
Business enhancement	-	-	-	-	36,506	36,506
Airport	-	-	-	-	6,605	6,605
Haliburton related expenses*	150,038	-	-	-	-	150,038
Unassigned	2,523,868	(4,166)	(14,066)	-	(1,726)	2,503,910
	<u>\$2,673,906</u>	<u>\$ (4,166)</u>	<u>\$ (14,066)</u>	<u>\$ 571,760</u>	<u>\$ 130,222</u>	<u>\$3,357,656</u>

At December 31, 2015, a summary of the governmental fund balance classifications is as follows:

	General	Insurance Reserve	Water, Sewer, and Lagoon	Non-major Governmental Funds	Total
Restricted for:					
Debt service	\$ -	\$ -	\$ 491,466	\$ 39,805	\$ 531,271
Street	-	-	-	9,165	9,165
Emergency	-	-	-	6,943	6,943
Social security	-	-	-	667	667
Advertising	-	-	-	3,065	3,065
Planning	-	-	-	507	507
Business enhancement	-	-	-	30,666	30,666
Airport	-	-	-	5,626	5,626
Haliburton related expenses*	150,033	-	-	-	150,033
Unassigned	2,672,839	(5,597)	-	-	2,667,242
	<u>\$2,822,872</u>	<u>\$ (5,597)</u>	<u>\$ 491,466</u>	<u>\$ 96,444</u>	<u>\$3,405,185</u>

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



**CITY OF RICHARDTON**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2016 AND 2015

**NOTE 11 NEW GASB POUNDNCEMENTS**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units and amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2016 AND 2015**

circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

**CITY OF RICHARDTON**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2016 AND 2015**

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

**NOTE 12 COMMITMENTS**

In September 2016, the City entered into construction contracts for pump house improvement projects. The total amount of the construction commitment was \$571,470. As of December 31, 2016, \$566,070 remains to be paid on the contracts.

**NOTE 13 PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was posted to the December 31, 2014 financial statements to properly re-group funds for financial statement reporting purposes. This adjustment had no effect on opening net position.

**NOTE 14 SUBSEQUENT EVENTS**

The City has entered into various construction contracts since year end totaling \$316,860 for capital projects.

The City entered into a lease to purchase a sweeper for \$48,500, with payments to be made over 4 years and with a 5% interest rate.

Subsequent events have been evaluated through January 19, 2018, which is the date these financial statements were available to be issued.

**CITY OF RICHARDTON**  
**BUDGETARY COMPARISON SCHEDULE - CASH BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 195,733	\$ 195,733	\$ 425,133	\$ 229,400
Licenses, permits and fees	36,790	36,790	13,730	(23,060)
Intergovernmental	61,700	61,700	41,985	(19,715)
Interest income	250	250	319	69
Miscellaneous	9,700	9,700	6,787	(2,913)
Total revenues	<u>304,173</u>	<u>304,173</u>	<u>487,954</u>	<u>183,781</u>
<b>EXPENDITURES</b>				
Current:				
General government	355,150	355,150	223,219	131,931
Public safety	12,692	12,692	12,696	(4)
Health and welfare	-	-	63,081	(63,081)
Culture and recreation	-	-	15,125	(15,125)
Other	-	-	322,799	(322,799)
Total expenditures	<u>367,842</u>	<u>367,842</u>	<u>636,920</u>	<u>(269,078)</u>
Excess of revenues over (under) expenditures	<u>\$ (63,669)</u>	<u>\$ (63,669)</u>	(148,966)	<u>\$ (85,297)</u>
Fund balance - January 1			<u>2,822,872</u>	
Fund balance - December 31			<u>\$ 2,673,906</u>	

**CITY OF RICHARDTON**  
**BUDGETARY COMPARISON SCHEDULE - CASH BASIS – INSURANCE RESERVE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 4,305	\$ 4,305	\$ 4,342	\$ 37
Miscellaneous	-	-	31	31
Total revenues	<u>4,305</u>	<u>4,305</u>	<u>4,373</u>	<u>68</u>
<b>EXPENDITURES</b>				
Current:				
General government	<u>10,041</u>	<u>10,041</u>	<u>2,942</u>	<u>7,099</u>
Excess of revenues over (under) expenditures	<u><u>\$ (5,736)</u></u>	<u><u>\$ (5,736)</u></u>	1,431	<u><u>\$ 7,167</u></u>
Fund balance - January 1			<u>(5,597)</u>	
Fund balance - December 31			<u><u>\$ (4,166)</u></u>	

**CITY OF RICHARDTON**  
**BUDGETARY COMPARISON SCHEDULE - CASH BASIS – STREET FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 45,000	\$ 45,000	\$ 38,615	\$ (6,385)
Miscellaneous	410	410	911	501
Total revenues	45,410	45,410	39,526	(5,884)
 <b>EXPENDITURES</b>				
Current:				
Public works	64,750	64,750	62,757	1,993
Excess of revenues over (under) expenditures	\$ (19,340)	\$ (19,340)	(23,231)	\$ (3,891)
Fund balance - January 1			9,165	
Fund balance - December 31			\$ (14,066)	

**CITY OF RICHARDTON**  
**COMBINING BALANCE SHEET – CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	<u>Emergency</u>	<u>Social Security</u>	<u>Advertising</u>	<u>Planning</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,159	\$ -	\$ 3,168	\$ 1,057
Cash and cash equivalents - restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 8,159</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,168</u></u>	<u><u>\$ 1,057</u></u>
 <b>LIABILITIES</b>				
Due to other funds	<u>\$ -</u>	<u>\$ 1,726</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>FUND BALANCES</b>				
Restricted	8,159	-	3,168	1,057
Unassigned	<u>-</u>	<u>(1,726)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>8,159</u>	<u>(1,726)</u>	<u>3,168</u>	<u>1,057</u>
Total liabilities and fund balances	<u><u>\$ 8,159</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,168</u></u>	<u><u>\$ 1,057</u></u>

**CITY OF RICHARDTON**  
 COMBINING BALANCE SHEET – CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS - CONTINUED  
 DECEMBER 31, 2016

	Business Enhancement	Airport	Water/Sewer Extension	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 36,506	\$ 6,605	\$ 56,453	\$ 111,948
	-	-	20,000	20,000
Total assets	\$ 36,506	\$ 6,605	\$ 76,453	\$ 131,948
 <b>LIABILITIES</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ 1,726
 <b>FUND BALANCES</b>				
Restricted	36,506	6,605	76,453	131,948
Unassigned	-	-	-	(1,726)
Total fund balances	36,506	6,605	76,453	130,222
Total liabilities and fund balances	\$ 36,506	\$ 6,605	\$ 76,453	\$ 131,948



**CITY OF RICHARDTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Emergency</u>	<u>Social Security</u>	<u>Advertising</u>	<u>Planning</u>
<b>REVENUES</b>				
Taxes	\$ 1,376	\$ 6,669	\$ 550	\$ 550
Miscellaneous	-	-	-	-
Total revenues	<u>1,376</u>	<u>6,669</u>	<u>550</u>	<u>550</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	9,062	447	-
Public safety	160	-	-	-
Culture and recreation	-	-	-	-
Other	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>160</u>	<u>9,062</u>	<u>447</u>	<u>-</u>
Excess of revenues over (under) expenditures	1,216	(2,393)	103	550
Fund balance - January 1	<u>6,943</u>	<u>667</u>	<u>3,065</u>	<u>507</u>
Fund balance - December 31	<u><u>\$ 8,159</u></u>	<u><u>\$ (1,726)</u></u>	<u><u>\$ 3,168</u></u>	<u><u>\$ 1,057</u></u>

**CITY OF RICHARDTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Business Enhancement	Airport	Water/Sewer Extension	Total
<b>REVENUES</b>				
Taxes	\$ 8,694	\$ 3,395	\$ 43,468	\$ 64,702
Miscellaneous	-	-	18,644	18,644
Total revenues	<u>8,694</u>	<u>3,395</u>	<u>62,112</u>	<u>83,346</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	9,509
Public safety	-	-	-	160
Culture and recreation	2,854	-	-	2,854
Other	-	2,416	-	2,416
Debt service:				
Principal retirement	-	-	15,000	15,000
Interest and fiscal charges	-	-	10,464	10,464
Total expenditures	<u>2,854</u>	<u>2,416</u>	<u>25,464</u>	<u>40,403</u>
Excess of revenues over (under) expenditures	5,840	979	36,648	42,943
Fund balance - January 1	30,666	5,626	39,805	87,279
Fund balance - December 31	<u>\$ 36,506</u>	<u>\$ 6,605</u>	<u>\$ 76,453</u>	<u>\$ 130,222</u>

**CITY OF RICHARDTON**  
 COMBINING STATEMENT OF NET POSITION – CASH BASIS – NONMAJOR PROPRIETARY FUNDS  
 DECEMBER 31, 2016

	Transfer Account	Water Replacement	RD E&E RES	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 953	\$ 52,493	\$ 8,960	\$ 62,406
<b>NET POSITION</b>				
Unrestricted	\$ 953	\$ 52,493	\$ 8,960	\$ 62,406

**CITY OF RICHARDTON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION – CASH BASIS – NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR DECEMBER 31, 2016**

	<u>Transfer Account</u>	<u>Water Replacement</u>	<u>RD E&amp;E RES</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for sales and services:				
Water operations	\$ -	\$ 15,437	\$ -	\$ 15,437
Change in net position	-	15,437	-	15,437
Net position - January 1	<u>953</u>	<u>37,056</u>	<u>8,960</u>	<u>46,969</u>
Net position - December 31	<u>\$ 953</u>	<u>\$ 52,493</u>	<u>\$ 8,960</u>	<u>\$ 62,406</u>

**CITY OF RICHARDTON**  
**BUDGETARY COMPARISON SCHEDULE - CASH BASIS – GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 144,400	\$ 144,400	\$ 455,844	\$ 311,444
Licenses, permits and fees	21,050	21,050	54,989	33,939
Intergovernmental	555,150	555,150	2,318,198	1,763,048
Interest income	120	120	332	212
Miscellaneous	11,750	11,750	36,413	24,663
Total revenues	<u>732,470</u>	<u>732,470</u>	<u>2,865,776</u>	<u>2,133,306</u>
<b>EXPENDITURES</b>				
Current:				
General government	424,000	424,000	264,309	159,691
Public safety	12,700	12,700	12,696	4
Health and welfare	-	-	137,312	(137,312)
Culture and recreation	-	-	24,505	(24,505)
Other	500,000	500,000	934,264	(434,264)
Total expenditures	<u>936,700</u>	<u>936,700</u>	<u>1,373,086</u>	<u>(436,386)</u>
Excess of revenues over (under) expenditures	<u>\$ (204,230)</u>	<u>\$ (204,230)</u>	1,492,690	<u>\$ 1,696,920</u>
Fund balance - January 1			<u>1,330,182</u>	
Fund balance - December 31			<u>\$ 2,822,872</u>	

**CITY OF RICHARDTON**  
**BUDGETARY COMPARISON SCHEDULE - CASH BASIS – INSURANCE RESERVE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 4,046	\$ 4,046	\$ 4,142	\$ 96
Miscellaneous	<u>-</u>	<u>-</u>	<u>3,916</u>	<u>3,916</u>
Total revenues	<u>4,046</u>	<u>4,046</u>	<u>8,058</u>	<u>4,012</u>
 <b>EXPENDITURES</b>				
Current:				
General government	<u>5,800</u>	<u>5,800</u>	<u>10,040</u>	<u>(4,240)</u>
Excess of revenues over (under) expenditures	<u><u>\$ (1,754)</u></u>	<u><u>\$ (1,754)</u></u>	<u>(1,982)</u>	<u><u>\$ (228)</u></u>
Fund balance - January 1			<u>(3,615)</u>	
Fund balance - December 31			<u><u>\$ (5,597)</u></u>	

**CITY OF RICHARDTON**  
 COMBINING BALANCE SHEET – CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2015

	<u>Street</u>	<u>Emergency</u>	<u>Social Security</u>	<u>Advertising</u>	<u>Planning</u>
<b>ASSETS</b>					
Cash and cash equivalents	<u>\$ 9,165</u>	<u>\$ 6,943</u>	<u>\$ 667</u>	<u>\$ 3,065</u>	<u>\$ 507</u>
<b>FUND BALANCES</b>					
Restricted	<u>\$ 9,165</u>	<u>\$ 6,943</u>	<u>\$ 667</u>	<u>\$ 3,065</u>	<u>\$ 507</u>

**CITY OF RICHARDTON**  
**COMBINING BALANCE SHEET - CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED**  
**DECEMBER 31, 2015**

	<u>Business Enhancement</u>	<u>Airport</u>	<u>Water/Sewer Extension</u>	<u>Rural Development</u>	<u>Street Improvement District #6</u>
<b>ASSETS</b>					
Cash and cash equivalents	<u>\$ 30,666</u>	<u>\$ 5,626</u>	<u>\$ 39,805</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>					
Restricted	<u>\$ 30,666</u>	<u>\$ 5,626</u>	<u>\$ 39,805</u>	<u>\$ -</u>	<u>\$ -</u>



**CITY OF RICHARDTON**  
 COMBINING BALANCE SHEET - CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED  
 DECEMBER 31, 2015

	<u>Special Assessment Deficiency</u>	<u>City Share of Special Assessment</u>	<u>Ambulance</u>	<u>Fire Building and Equipment</u>	<u>Energy Impact Grant Fund</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -

**CITY OF RICHARDTON**  
**COMBINING BALANCE SHEET - CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED**  
**DECEMBER 31, 2015**

	Water and Sewer District #8	Infrastructure	Capital Projects	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 96,444
<b>FUND BALANCES</b>				
Restricted	\$ -	\$ -	\$ -	\$ 96,444

**CITY OF RICHARDTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Street</u>	<u>Emergency</u>	<u>Social Security</u>	<u>Advertising</u>	<u>Planning</u>
<b>REVENUES</b>					
Taxes	\$ 43,841	\$ 1,297	\$ 6,457	\$ 516	\$ 530
Miscellaneous	469	-	-	-	-
Total revenues	<u>44,310</u>	<u>1,297</u>	<u>6,457</u>	<u>516</u>	<u>530</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	9,592	336	-
Public safety	-	-	-	-	-
Public works	59,558	-	-	-	-
Culture and recreation	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>59,558</u>	<u>-</u>	<u>9,592</u>	<u>336</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(15,248)</u>	<u>1,297</u>	<u>(3,135)</u>	<u>180</u>	<u>530</u>
Fund balance - January 1, as originally stated	24,413	5,646	3,802	2,885	(23)
Prior period adjustment	-	-	-	-	-
Fund balance - January 1, adjusted	<u>24,413</u>	<u>5,646</u>	<u>3,802</u>	<u>2,885</u>	<u>(23)</u>
Fund balance - December 31	<u>\$ 9,165</u>	<u>\$ 6,943</u>	<u>\$ 667</u>	<u>\$ 3,065</u>	<u>\$ 507</u>

**CITY OF RICHARDTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Business Enhancement</u>	<u>Airport</u>	<u>Water/Sewer Extension</u>	<u>Rural Development</u>	<u>Street Improvement District #6</u>
<b>REVENUES</b>					
Taxes	\$ 12,597	\$ 3,278	\$ 62,984	\$ -	\$ -
Miscellaneous	-	-	18,645	-	-
Total revenues	<u>12,597</u>	<u>3,278</u>	<u>81,629</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	3,563	-	-	-	-
Other	-	1,896	-	-	-
Debt service:					
Principal retirement	-	-	15,000	-	-
Interest and fiscal charges	-	-	10,769	-	-
Total expenditures	<u>3,563</u>	<u>1,896</u>	<u>25,769</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>9,034</u>	<u>1,382</u>	<u>55,860</u>	<u>-</u>	<u>-</u>
Fund balance - January 1, as originally stated	21,632	4,244	-	(26,035)	4,476
Prior period adjustment	-	-	(16,055)	26,035	(4,476)
Fund balance - January 1, adjusted	<u>21,632</u>	<u>4,244</u>	<u>(16,055)</u>	<u>-</u>	<u>-</u>
Fund balance - December 31	<u>\$ 30,666</u>	<u>\$ 5,626</u>	<u>\$ 39,805</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF RICHARDTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Special Assessment Deficiency</u>	<u>City Share of Special Assessment</u>	<u>Ambulance</u>	<u>Fire Building and Equipment</u>	<u>Energy Impact Grant Fund</u>
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - January 1, as originally stated	863	3,045	189	7	(126,498)
Prior period adjustment	<u>(863)</u>	<u>(3,045)</u>	<u>(189)</u>	<u>(7)</u>	<u>126,498</u>
Fund balance - January 1, adjusted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF RICHARDTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Water and Sewer District #8	Infrastructure	Capital Projects	Total
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ 131,500
Miscellaneous	-	-	-	19,114
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,614</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	-	-	9,928
Public safety	-	-	-	-
Public works	-	-	-	59,558
Culture and recreation	-	-	-	3,563
Other	-	-	-	1,896
Debt service:				
Principal retirement	-	-	-	15,000
Interest and fiscal charges	-	-	-	10,769
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,714</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,900</u>
Fund balance - January 1, as originally stated	206,676	58,993	325,246	509,561
Prior period adjustment	<u>(206,676)</u>	<u>(58,993)</u>	<u>(325,246)</u>	<u>(463,017)</u>
Fund balance - January 1, adjusted	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,544</u>
Fund balance - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,444</u>

**CITY OF RICHARDTON**  
**COMBINING STATEMENT OF NET POSITION - CASH BASIS - NONMAJOR PROPRIETARY FUNDS**  
**DECEMBER 31, 2015**

	<u>Sewer</u>	<u>Transfer Account</u>	<u>Water Replacement</u>	<u>RD E&amp;E RES</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	<u>\$ 89,045</u>	<u>\$ 953</u>	<u>\$ 37,056</u>	<u>\$ 8,960</u>	<u>\$ 136,014</u>
<b>NET POSITION</b>					
Unrestricted	<u>\$ 89,045</u>	<u>\$ 953</u>	<u>\$ 37,056</u>	<u>\$ 8,960</u>	<u>\$ 136,014</u>

**CITY OF RICHARDTON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION - CASH BASIS - NONMAJOR PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Sewer</u>	<u>Transfer Account</u>	<u>Water Replacement</u>	<u>RD E&amp;E RES</u>	<u>Total</u>
<b>OPERATING REVENUES</b>					
Charges for sales and services:					
Water operations	\$ -	\$ -	\$ 16,960	\$ -	\$ 16,960
Sewer operations	73,385	-	-	-	73,385
Other operating receipts	<u>20,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,737</u>
Total operating revenues	<u>94,122</u>	<u>-</u>	<u>16,960</u>	<u>-</u>	<u>111,082</u>
<b>OPERATING EXPENDITURES</b>					
Water	-	-	731	-	731
Sewer	<u>43,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,144</u>
Total operating expenses	<u>43,144</u>	<u>-</u>	<u>731</u>	<u>-</u>	<u>43,875</u>
Change in net position	50,978	-	16,229	-	67,207
Net position - January 1	<u>38,067</u>	<u>953</u>	<u>20,827</u>	<u>8,960</u>	<u>68,807</u>
Net position - December 31	<u><u>\$ 89,045</u></u>	<u><u>\$ 953</u></u>	<u><u>\$ 37,056</u></u>	<u><u>\$ 8,960</u></u>	<u><u>\$ 136,014</u></u>





CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

To the City Commission  
City of Richardton  
Richardton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Richardton, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise City of Richardton's basic financial statements and have issued our report thereon dated January 19, 2018.

**Internal Control Over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items #2 and #3 in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as item #1 in the accompany schedule of findings and responses to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Richardton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described as items #4, #5, #6, and #7 in the accompanying schedule of findings and responses.

### **City of Richardton's Response to Findings**

City of Richardton's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Richardton's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



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

January 19, 2018

**CITY OF RICHARDTON**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**#1 - Auditor Preparation of Financial Statements – Significant Deficiency**

Criteria

An appropriate system of internal control requires the entity to determine that financial statements are properly stated in compliance with the cash basis of accounting. This requires the entity's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the city commission. However, the City does not have internal resources to prepare full-disclosure financial statements for external reporting.

Cause

The City's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect

An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with the cash basis of accounting. However, the City is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation

We recommend that the City reviews its current training system to determine if it is cost effective for the entity to obtain this knowledge internally. 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 City of Richardton's management that it is in the best interest of City of Richardton 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 RICHARDTON**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**#2 - Segregation of Duties - Material Weakness**

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions:

No response is considered necessary.

**CITY OF RICHARDTON**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**#3 - Material Journal Entries Proposed by Auditors - Material Weakness**

Criteria

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

Condition

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

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

Due to the financial, efficiency and time constraints, it has been determined by the Board and the management of the City of Richardton that it is in the best interest of Board, the City of Richardton and all interested parties to have adjustments proposed by the auditing firm in order to for the general ledger accounts to be reflected on a the cash basis of accounting.

**CITY OF RICHARDTON**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**#4 – Semi Annual Approval of Pledge Securities – Significant Deficiency**

Criteria

North Dakota Century Code 21-04-11 requires the board of commissioners to approve “any securities as a pledge for repayment of deposits” at least semiannually.

Condition

During fiscal year 2016, the board of commissioners approved pledged securities at their September 12, 2016 meeting. During fiscal year 2015, the board of commissioners approved pledged securities at their August 10, 2015 meeting. Pledges were not reviewed semi-annually, only annually.

Cause

The City has not implemented policies and procedures to ensure the board of commissioners is reviewing a listing of pledged securities semi-annually.

Effect

The City is not in compliance with North Dakota Century Code requirements.

Recommendation

We recommend the City implement policies and procedures to ensure the listing of pledged securities is reviewed and approved by the board of commissioners at least semi-annually.

Views of Responsible Officials and Planned Corrective Actions

The Commission has been reviewing the pledges of securities as they are received.

**CITY OF RICHARDTON**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**#5 - Designated Depositories – Significant Deficiency**

Criteria

North Dakota Century Code 21-04-13 requires the governing board to designate depositories of public funds in January of each even-numbered year. In addition, the City should solicit for proposals at this time and all proposals shall be opened in front of the City Commission in accordance with North Dakota Century Code 21-04-14.

Condition

There was no solicitation of proposals for depositories nor did the City approve a financial institution for deposits during fiscal year 2016.

Cause

The City has not implemented policies and procedures to ensure the approval of a depository at the time required by North Dakota Century Code.

Effect

The City is not in compliance with North Dakota Century Code requirements.

Recommendation

We recommend the City implement policies and procedures to ensure the proposal are obtained for depositories and that the City designates depositories at their January meeting in every even-numbered year going forward.

Views of Responsible Officials and Planned Corrective Actions

The City will implement procedures to be in compliance with North Dakota Century Code requirements.

**CITY OF RICHARDTON**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**#6: Preliminary Budget Approval – Significant Deficiency**

Criteria

North Dakota Century Code 40-40-04 requires the governing body to prepare a preliminary budget by September 10<sup>th</sup> of each year.

Condition

The 2016 preliminary budget was approved at the October 12, 2015 board meeting and the 2017 preliminary budget was approved at the September 26, 2016 board meeting. These dates are after the required date by North Dakota Century Code.

Cause

The City has not implemented policies and procedures to ensure the preliminary budget is prepared within the time required by North Dakota Century Code.

Effect

The City is not in compliance with North Dakota Century Code requirements.

Recommendation

We recommend the City implement policies and procedures to ensure the preliminary budget is presented and approved by the City Commission prior to September 10<sup>th</sup>.

Views of Responsible Officials and Planned Corrective Actions

The City will implement procedures to be in compliance with North Dakota Century Code requirements.



**CITY OF RICHARDTON**  
**SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**#7: Final Budget Approval – Significant Deficiency**

Criteria

North Dakota Century Code 40-40-06 requires the governing body adopt the final budget by October 1<sup>st</sup> of each year.

Condition

The 2016 final budget was approved at the December 28, 2015 board meeting and the 2017 final budget was approved at the October 10, 2016 board meeting. These dates are after the required date by North Dakota Century Code.

Cause

The City has not implemented policies and procedures to ensure the final budget is prepared within the time required by North Dakota Century Code.

Effect

The City is not in compliance with North Dakota Century Code requirements.

Recommendation

We recommend the City implement policies and procedures to ensure the final budget is presented and approved by the City Commission prior to October 1<sup>st</sup>.

Views of Responsible Officials and Planned Corrective Actions

The City will implement procedures to be in compliance with North Dakota Century Code requirements