

# **AUDIT REPORT**

CITY OF ENDERLIN  
Enderlin, North Dakota

For the Year Ended December 31, 2018

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

CITY OF ENDERLIN  
Enderlin, North Dakota

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CITY OF ENDERLIN  
Enderlin, North Dakota

CITY OFFICIALS

|                   |                |
|-------------------|----------------|
| Deon Maasjo       | Mayor          |
| Kevin Bunn        | Council Member |
| Steve Friederichs | Council Member |
| Kayl Hamre        | Council Member |
| Shelly Hanson     | Council Member |
| Roger Maras       | Council Member |
| Duane Skramstad   | Council Member |
| Cyndee Chesley    | Auditor        |

# Rath & Mehrer

Certified Public Accountants

*Specializing in Governmental Auditing*

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Jayson Rath, CPA  
Ken Mehrer, CPA

425 North Fifth Street  
Bismarck, ND 58501

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Enderlin  
Enderlin, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Enderlin, Enderlin, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the city'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 modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 judgement, 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 city'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 city'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 modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Enderlin, Enderlin, North Dakota, as of December 31, 2018, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The management's discussion and analysis, budgeting comparison information and schedule of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

The management's discussion and analysis, budgeting comparison information and schedule of fund activity arising from cash transactions 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 auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis, budgeting comparison information and schedule of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2019 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

March 8, 2019

CITY OF ENDERLIN

Management's Discussion and Analysis

December 31, 2018

The Management's Discussion and Analysis (MD&A) of the City of Enderlin's financial performance provides an overall review of the city's financial activities for the fiscal year ended December 31, 2018. The intent of the MD&A is to look at the city's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*". Certain comparative information between the current fiscal year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended December 31, 2018 are as follows:

- \* Total net position of the city increased \$275,105 as a result of the current year's operations. Net position of the governmental activities increased \$203,470 and net position of the business-type activities increased \$71,635.
- \* Governmental net position totaled \$747,631 and business-type net position totaled \$4,788,820.
- \* Total revenues from all sources were \$1,274,704 for governmental activities and \$1,226,134 for business-type activities.
- \* Total expenses were \$990,203 for governmental activities and \$1,235,530 for business-type activities.
- \* The city's general fund had \$523,655 in total revenues and \$664,554 in total expenditures. There was a total of \$34,450 received from other financing sources. Overall, the general fund balance decreased by \$106,448 for the year ended December 31, 2018.

**USING THIS ANNUAL REPORT**

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the city as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.



The Statement of Net Position and Statement of Activities provide information about the activities of the whole city, presenting both an aggregate view of the city's finances and a longer-term view of those finances. These statements present information as follows:

- \* Governmental activities - this includes most of the city's basic services which are primarily supported by property taxes, user fees and intergovernmental revenues.
- \* Business-type activities - this includes those services which are intended to recover all or a significant part of their costs through user fees.

Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. 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.

#### **REPORTING ON THE CITY AS A WHOLE**

##### Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the city to provide programs and activities and attempt to answer the question "How did the city do financially during the year ended December 31, 2018?"

The Statement of Net Position presents information on all the city's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.

The Statement of Activities presents information on how the city's net position changed during the fiscal year. This statement is presented using the modified cash basis of accounting. This basis recognizes revenues and expenses when they result from cash transactions with provisions for depreciation of capital assets, and issuance of and payments made on long-term debt issues.

These two statements report the city's net position and changes in that position. This change in net position is important because it tells the reader whether, for the city as a whole, the financial position of the city has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the city reports governmental and business-type activities. Governmental activities are the activities where most of the city's programs and services are reported including, but not limited to, general government, public safety, streets and public works, urban and economic development, culture and recreation, and debt service. Business-type activities are where the city's enterprise services are reported including, but not limited to, water, sewer and garbage.

**REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS**

Balance Sheet - Governmental Funds

The city uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the city to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the city's major funds. Using the criteria established by GASB Statement No. 34, the city's general fund, sales tax fund and pool project construction fund are considered "major governmental funds". The city's water and sewer fund is considered a "major enterprise fund".

The city's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds" or "Other Enterprise Funds".

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

Table I provides a summary of the city's net position as of December 31, 2018. A comparative analysis of city-wide data is presented for both current and prior year.

As indicated in the financial highlights above, the city's net position increased by \$275,105 for the year ended December 31, 2018. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2018, the city's net position of \$5,536,451 is segregated into three separate categories. Net investment in capital assets represents 80% of the city's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 34% of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents a negative 14% of the city's net position and is available to meet the city's ongoing obligations.

Table I  
Net Position  
As of December 31, 2018

|   | <u>Governmental</u>     | <u>Business-<br/>Type</u> |
|---|-------------------------|---------------------------|
| <u>Assets</u>                                       |                         |                           |
| Current Assets                                      | 1,123,150               | 854,024                   |
| Capital Assets (net of<br>accumulated depreciation) | 2,500,419               | 7,584,796                 |
| Total Assets  | <u>3,623,569</u>        | <u>8,438,820</u>          |
| <u>Liabilities</u>                                  |                         |                           |
| Current Liabilities                                 | 1,200,938               | 295,000                   |
| Long-Term Liabilities                               | 1,675,000               | 3,355,000                 |
| Total Liabilities                                   | <u>2,875,938</u>        | <u>3,650,000</u>          |
| <u>Net Position</u>                                 |                         |                           |
| Net Investment in Capital                           |                         |                           |
| Assets  | 478,506                 | 3,934,796                 |
| Restricted  | 1,048,580               | 823,052                   |
| Unrestricted  | (779,454)               | 30,973                    |
| Total Net Position                                  | <u>747,631</u><br>===== | <u>4,788,820</u><br>===== |



Net Position  
As of December 31, 2017

|   | <u>Governmental</u> | <u>Business-<br/>Type</u> |
|---|---------------------|---------------------------|
| <b><u>Assets</u></b>                                |                     |                           |
| Current Assets                                      | 835,227             | 1,000,135                 |
| Capital Assets (net of<br>accumulated depreciation) | 1,893,611           | 7,902,051                 |
| Total Assets  | 2,728,838           | 8,902,186                 |
| <b><u>Liabilities</u></b>                           |                     |                           |
| Current Liabilities                                 | 181,849             | 370,000                   |
| Long-Term Liabilities                               | 2,002,828           | 3,815,000                 |
| Total Liabilities                                   | 2,184,677           | 4,185,000                 |
| <b><u>Net Position</u></b>                          |                     |                           |
| Net Investment in Capital                           |                     |                           |
| Assets  | 493,392             | 3,717,051                 |
| Restricted  | 802,586             | 922,596                   |
| Unrestricted  | (751,817)           | 77,539                    |
| Total Net Position                                  | 544,161             | 4,717,186                 |

Table II shows the changes in net position for the fiscal year ended December 31, 2018. A comparative analysis of city-wide data is presented for both current and prior year.

Table II  
Changes in Net Position  
As of December 31, 2018

|  | <u>Governmental</u> | <u>Business-<br/>Type</u> |
|--|---------------------|---------------------------|
| <b>Revenues</b>                            |                     |                           |
| <b><u>Program Revenues:</u></b>            |                     |                           |
| Charges for Services                       | 81,729              | 1,196,348                 |
| Operating Grants and<br>Contributions      | 74,029              |                           |
| <b><u>General Revenues:</u></b>            |                     |                           |
| Property Taxes                             | 686,476             |                           |
| Other Taxes                                | 280,136             |                           |
| Intergovernmental - Unrestricted           | 54,700              |                           |
| Interest Earnings and<br>Other Revenue     | 97,634              | 29,786                    |
| Total Revenues                             | 1,274,704           | 1,226,134                 |
| <b>Expenses</b>                            |                     |                           |
| General Government                         | 259,389             |                           |
| Public Safety                              | 164,423             |                           |
| Streets and Public Works                   | 337,771             |                           |
| Urban and Economic Development             | 114,527             |                           |
| Culture and Recreation                     | 40,904              |                           |
| Conservation of Natural Resources          | 3,265               |                           |
| Other                                      | 1,345               |                           |
| Discount on Bonds Issued                   | 19,058              |                           |
| Interest on Long-Term Debt                 | 49,521              |                           |
| Water and Sewer                            |                     | 1,148,424                 |
| Water Deposits                             |                     | 50                        |
| Garbage                                    |                     | 87,056                    |
| Total Expenses                             | 990,203             | 1,235,530                 |
| Net Change in Position<br>Before Transfers | 284,501             | (9,396)                   |
| Transfers                                  | (81,031)            | 81,031                    |
| Net Change in Position                     | 203,470             | 71,635                    |

Property taxes constituted 27%, other taxes 11%, unrestricted intergovernmental 2%, operating grants and contributions 3%, and charges for services made up 51% of the total revenues of all activities of the city for the fiscal year ended December 31, 2018.

General government constituted 12%, public safety 7%, streets and public works 15%, and enterprise 56% of total expenses for all activities during the fiscal year ended December 31, 2018.

Changes in Net Position  
As of December 31, 2017

|   | <u>Governmental</u>     | <u>Business-<br/>Type</u> |
|---|-------------------------|---------------------------|
| <b>Revenues</b>                         |                         |                           |
| <u>Program Revenues:</u>                |                         |                           |
| Charges for Services                    | 83,105                  | 1,279,909                 |
| Operating Grants and Contributions      | 73,392                  |                           |
| <u>General Revenues:</u>                |                         |                           |
| Property Taxes                          | 516,871                 |                           |
| Other Taxes                             | 223,664                 |                           |
| Intergovernmental - Unrestricted        | 50,198                  |                           |
| Interest Earnings and Other Revenue     | 487,737                 | 13,012                    |
| Total Revenues                          | <u>1,434,968</u>        | <u>1,292,921</u>          |
| <b>Expenses</b>                         |                         |                           |
| General Government                      | 263,453                 |                           |
| Public Safety                           | 147,697                 |                           |
| Streets and Public Works                | 400,109                 |                           |
| Urban and Economic Development          | 121,450                 |                           |
| Culture and Recreation                  | 45,169                  |                           |
| Conservation of Natural Resources       | 2,915                   |                           |
| Other                                   | 2,223                   |                           |
| Interest on Long-Term Debt              | 77,567                  |                           |
| Water and Sewer                         |                         | 1,144,187                 |
| Meter Deposit                           |                         | 250                       |
| Garbage                                 |                         | 96,660                    |
| Total Expenses                          | <u>1,060,583</u>        | <u>1,241,097</u>          |
| Net Change in Position Before Transfers | <u>374,385</u>          | <u>51,824</u>             |
| Transfers                               | <u>(75,093)</u>         | <u>75,093</u>             |
| Net Change in Position                  | <u>299,292</u><br>===== | <u>126,917</u><br>=====   |

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services for governmental activities. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III  
Total and Net Cost of Services  
As of December 31, 2018

|                                   | Total Cost<br>Year Ended<br><u>Dec. 31, 2018</u> | Net Cost<br>Year Ended<br><u>Dec. 31, 2018</u> |
|-----------------------------------|--|--|
| General Government                | 259,389  | 231,463  |
| Public Safety                     | 164,423  | 164,267  |
| Streets and Public Works          | 337,771  | 225,845  |
| Urban and Economic Development    | 114,527  | 114,528  |
| Culture and Recreation            | 40,904   | 32,443   |
| Conservation of Natural Resources | 3,265  | 3,265  |
| Other                             | 1,345  | 1,345  |
| Discount on Bonds Issued          | 19,058   | 19,058   |
| Interest on Long-Term Debt        | 49,521   | 42,232   |
| <br>                              |  |  |
| Total Expenses                    | 990,203<br>=====                                 | 834,446<br>=====                               |

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the city's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the city's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified cash basis of accounting. The city's governmental funds had total revenue of \$1,274,704 and expenditures of \$1,746,259 for the year ended December 31, 2018. As of December 31, 2018, the unassigned fund balance of the city's general fund was a deficit \$843,470 and total unassigned fund balances for all the city's governmental funds was a deficit \$884,176.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal year 2018, the city amended the general fund budget. The gross effect of the amendments was to increase estimated revenues by \$24,580, decrease appropriations by \$37,675 and decrease transfers in by \$235,000.

Actual revenue for the year ended December 31, 2018 was \$1,525 less than budgeted. Actual expenditures for the year ended December 31, 2018 were under budget by \$4,127.



## CAPITAL ASSETS

As of December 31, 2018, the city had \$10,085,215 invested in capital assets. The following table shows the balances, for governmental and business-type activities, as of December 31, 2018.

Table IV

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2018

|                              | <u>Governmental</u>       | <u>Business-<br/>Type</u> |
|------------------------------|---------------------------|---------------------------|
| Land                         |                           | 92,000                    |
| Construction in Progress     | 699,709                   |                           |
| Buildings and Infrastructure | 1,523,047                 | 7,398,987                 |
| Machinery and Vehicles       | 277,663                   | 93,809                    |
| Total (net of depreciation)  | <u>2,500,419</u><br>===== | <u>7,584,796</u><br>===== |

This total represents an increase of \$289,553 in capital assets from January 1, 2018. The increase in construction in progress was due to a swimming pool project. For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 6 to the audited financial statements which follow this analysis.

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2017

|                              | <u>Governmental</u>       | <u>Business-<br/>Type</u> |
|------------------------------|---------------------------|---------------------------|
| Land                         |                           | 92,000                    |
| Buildings and Infrastructure | 1,612,969                 | 7,706,329                 |
| Machinery and Vehicles       | 280,642                   | 103,722                   |
| Total (net of depreciation)  | <u>1,893,611</u><br>===== | <u>7,902,051</u><br>===== |

## DEBT ADMINISTRATION

As of December 31, 2018, the city had \$5,671,913 in outstanding debt of which \$641,913 was due within one year. During fiscal year 2018, the city issued one new long-term debt obligation:

Revenue Bonds Payable, in the amount of \$790,000. The city issued the Sales Tax Revenue Bonds, Series 2018 to fund a swimming pool project. These bonds will have a final payment on November 1, 2038.

For a detailed breakdown of the long-term debt, readers are referred to Note 8 to the audited financial statements which follow this analysis.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the city's finances and to show the city's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Cyndee Chesley, City Auditor, Enderlin, ND.

CITY OF ENDERLIN  
Enderlin, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2018

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| <b>ASSETS:</b>                                    |                            |                             |                      |
| Cash and Cash Equivalents                         | 1,035,839.83               |                             | 1,035,839.83         |
| Economic Development Loans Receivable             | 87,310.07                  |                             | 87,310.07            |
| Interfund Receivables                             |                            | 854,024.44                  | 854,024.44           |
| Capital Assets (net of accumulated depreciation): |                            |                             |                      |
| Land  |                            | 92,000.00                   | 92,000.00            |
| Construction in Progress                          | 699,709.00                 |                             | 699,709.00           |
| Buildings and Infrastructure                      | 1,523,047.00               | 7,398,987.00                | 8,922,034.00         |
| Machinery and Vehicles                            | 277,663.00                 | 93,809.00                   | 371,472.00           |
| <b>Total Capital Assets</b>                       | <b>2,500,419.00</b>        | <b>7,584,796.00</b>         | <b>10,085,215.00</b> |
| <b>Total Assets</b>                               | <b>3,623,568.90</b>        | <b>8,438,820.44</b>         | <b>12,062,389.34</b> |
| <b>LIABILITIES:</b>                               |                            |                             |                      |
| Interfund Payables                                | 854,024.44                 |                             | 854,024.44           |
| Long-Term Liabilities:                            |                            |                             |                      |
| Due Within One Year:                              |                            |                             |                      |
| Capital Lease Payable                             | 191,913.45                 |                             | 191,913.45           |
| General Obligation Bonds Payable                  | 40,000.00                  | 65,000.00                   | 105,000.00           |
| Revenue Bonds Payable                             | 115,000.00                 | 230,000.00                  | 345,000.00           |
| Due After One Year:                               |                            |                             |                      |
| General Obligation Bonds Payable                  | 90,000.00                  | 140,000.00                  | 230,000.00           |
| Revenue Bonds Payable                             | 1,585,000.00               | 3,215,000.00                | 4,800,000.00         |
| <b>Total Liabilities</b>                          | <b>2,875,937.89</b>        | <b>3,650,000.00</b>         | <b>6,525,937.89</b>  |
| <b>NET POSITION:</b>                              |                            |                             |                      |
| Net Investment in Capital Assets                  | 478,505.55                 | 3,934,796.00                | 4,413,301.55         |
| Restricted for:                                   |                            |                             |                      |
| Debt Service                                      | 277,145.31                 | 823,051.52                  | 1,100,196.83         |
| Special Purposes                                  | 771,434.28                 |                             | 771,434.28           |
| Unrestricted                                      | (779,454.13)               | 30,972.92                   | (748,481.21)         |
| <b>Total Net Position</b>                         | <b>747,631.01</b>          | <b>4,788,820.44</b>         | <b>5,536,451.45</b>  |

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

Component Units

| Enderlin<br>Library | Enderlin<br>Cemetery | Enderlin<br>Airport<br>Authority | Enderlin<br>Fine Arts |
|---------------------|----------------------|----------------------------------|-----------------------|
| 43,783.25           | 301,985.92           | 41,872.81                        | 15,097.88             |
|                     |                      | 236,003.00                       |                       |
|                     |                      | 236,003.00                       |                       |
| 43,783.25           | 301,985.92           | 277,875.81                       | 15,097.88             |
|                     |                      | 15,000.00                        |                       |
|                     |                      | 105,000.00                       |                       |
|                     |                      | 120,000.00                       |                       |
|                     |                      | 116,003.00                       |                       |
| 43,783.25           | 301,985.92           | 41,872.81                        | 15,097.88             |
| 43,783.25           | 301,985.92           | 157,875.81                       | 15,097.88             |



CITY OF ENDERLIN  
Enderlin, North Dakota

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2018

Net (Expense) Revenue and Changes in Net Position

|                                       | Program Revenues |                      |                                    |                         | Primary Government       |              |                  | Component Units   |                            |                    |
|---------------------------------------|------------------|----------------------|------------------------------------|-------------------------|--------------------------|--------------|------------------|-------------------|----------------------------|--------------------|
|                                       | Expenses         | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total        | Enderlin Library | Enderlin Cemetery | Enderlin Airport Authority | Enderlin Fine Arts |
| <b>Functions/Programs</b>             |                  |                      |                                    |                         |                          |              |                  |                   |                            |                    |
| <b>Primary Government:</b>            |                  |                      |                                    |                         |                          |              |                  |                   |                            |                    |
| <u>Governmental Activities:</u>       |                  |                      |                                    |                         |                          |              |                  |                   |                            |                    |
| General Government                    | 259,389.35       | 27,926.18            |                                    | (231,463.17)            |                          | (231,463.17) |                  |                   |                            |                    |
| Public Safety                         | 164,423.00       | 156.25               |                                    | (164,266.75)            |                          | (164,266.75) |                  |                   |                            |                    |
| Streets and Public Works              | 337,770.57       | 45,185.80            | 66,739.84                          | (225,844.93)            |                          | (225,844.93) |                  |                   |                            |                    |
| Urban and Economic Development        | 114,527.43       |                      |                                    | (114,527.43)            |                          | (114,527.43) |                  |                   |                            |                    |
| Culture and Recreation                | 40,903.80        | 8,461.05             |                                    | (32,442.75)             |                          | (32,442.75)  |                  |                   |                            |                    |
| Conserv. of Natural Resources         | 3,265.00         |                      |                                    | (3,265.00)              |                          | (3,265.00)   |                  |                   |                            |                    |
| Other                                 | 1,345.02         |                      |                                    | (1,345.02)              |                          | (1,345.02)   |                  |                   |                            |                    |
| Discount on Bonds Issued              | 19,058.00        |                      |                                    | (19,058.00)             |                          | (19,058.00)  |                  |                   |                            |                    |
| Interest on Long-Term Debt            | 49,521.22        |                      | 7,289.08                           | (42,232.14)             |                          | (42,232.14)  |                  |                   |                            |                    |
| <u>Total Governmental Activities</u>  | 990,203.39       | 81,729.28            | 74,028.92                          | (834,445.19)            |                          | (834,445.19) |                  |                   |                            |                    |
| <b>Business-Type Activities:</b>      |                  |                      |                                    |                         |                          |              |                  |                   |                            |                    |
| Water and Sewer                       | 1,148,423.50     | 1,118,331.85         |                                    |                         | (30,091.65)              | (30,091.65)  |                  |                   |                            |                    |
| Water Deposits                        | 50.00            | 1,400.00             |                                    |                         | 1,350.00                 | 1,350.00     |                  |                   |                            |                    |
| Garbage                               | 87,056.00        | 76,616.30            |                                    |                         | (10,439.70)              | (10,439.70)  |                  |                   |                            |                    |
| <u>Total Business-Type Activities</u> | 1,235,529.50     | 1,196,348.15         |                                    |                         | (39,181.35)              | (39,181.35)  |                  |                   |                            |                    |
| <b>Total Primary Government</b>       | 2,225,732.89     | 1,278,077.43         | 74,028.92                          | (834,445.19)            | (39,181.35)              | (873,626.54) |                  |                   |                            |                    |
| <b>Component Units:</b>               |                  |                      |                                    |                         |                          |              |                  |                   |                            |                    |
| Library                               | 52,463.56        |                      | 3,500.00                           |                         |                          |              | (48,963.56)      |                   |                            |                    |
| Cemetery                              | 17,987.57        |                      |                                    |                         |                          |              | (17,987.57)      |                   |                            |                    |
| Airport Authority                     | 64,555.67        |                      | 2,916.07                           |                         |                          |              |                  | (61,639.60)       |                            |                    |
| Fine Arts                             | 38,139.59        | 9,142.86             |                                    |                         |                          |              |                  |                   | (28,996.73)                |                    |
| <u>Total Component Units</u>          | 173,146.39       | 9,142.86             | 6,416.07                           |                         |                          |              | (48,963.56)      | (17,987.57)       | (61,639.60)                | (28,996.73)        |

| <u>General Revenues:</u>                                      |              |              |
|---|--------------|--------------|
| Taxes:  |              |              |
| Property taxes; levied for general purposes                   | 320,835.58   | 320,835.58   |
| Property taxes; levied for special purposes                   | 365,640.45   | 365,640.45   |
| Sales taxes   | 266,723.31   | 266,723.31   |
| Cigarette taxes   | 2,463.32     | 2,463.32     |
| Homestead credit taxes  | 10,949.45    | 10,949.45    |
| Intergovernmental revenue not restricted to specific programs | 54,700.16    | 54,700.16    |
| Earnings on investments and other revenue                     | 97,633.72    | 29,785.59    |
| Transfers   | (81,030.65)  | 81,030.65    |
|   |              | 2,918.69     |
|   |              | 34,682.12    |
|   |              | 25,137.61    |
|   |              | 9,887.64     |
| Total General Revenues and Transfers                          | 1,037,915.34 | 110,816.24   |
|   |              | 1,148,731.58 |
| Change in Net Position  | 203,470.15   | 71,634.89    |
|   |              | 275,105.04   |
| Net Position - January 1                                      | 544,160.86   | 4,717,185.55 |
|   |              | 5,261,346.41 |
| Net Position - December 31                                    | 747,631.01   | 4,788,820.44 |
|   |              | 5,536,451.45 |
|   |              | 35,741.21    |
|   |              | 5,900.09     |
|   |              | 21,840.64    |
|   |              | 12,913.76    |
|   |              | 38,659.90    |
|   |              | 40,582.21    |
|   |              | 46,978.25    |
|   |              | 22,801.40    |
|   |              | (10,303.66)  |
|   |              | 22,594.64    |
|   |              | (14,661.35)  |
|   |              | (6,195.33)   |
|   |              | 54,086.91    |
|   |              | 279,391.28   |
|   |              | 172,537.16   |
|   |              | 21,293.21    |
|   |              | 43,783.25    |
|   |              | 301,985.92   |
|   |              | 157,875.81   |
|   |              | 15,097.88    |

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

CITY OF ENDERLIN  
Enderlin, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2018

|   | Major Funds  |            |                              |                                |              |
|---|--------------|------------|------------------------------|--------------------------------|--------------|
|   | General      | Sales Tax  | Pool Project<br>Construction | Other<br>Governmental<br>Funds |              |
| <b>ASSETS:</b>                              |              |            |                              |                                |              |
| Cash and Cash Equivalents                   |              | 233,239.73 | 359,948.75                   | 442,651.35                     | 1,035,839.83 |
| Economic Development Loans Receivable       |              | 87,310.07  |                              |                                | 87,310.07    |
| Interfund Receivables                       |              | 30,151.34  |                              |                                | 30,151.34    |
| <hr/>                                       |              |            |                              |                                |              |
| Total Assets                                | -0-          | 350,701.14 | 359,948.75                   | 442,651.35                     | 1,153,301.24 |
| <hr style="border-top: 1px dashed black;"/> |              |            |                              |                                |              |
| <b>LIABILITIES AND FUND BALANCES</b>        |              |            |                              |                                |              |
| <b>Liabilities:</b>                         |              |            |                              |                                |              |
| Interfund Payables                          | 843,469.80   |            |                              | 40,705.98                      | 884,175.78   |
| <hr/>                                       |              |            |                              |                                |              |
| <b>Fund Balances:</b>                       |              |            |                              |                                |              |
| <b>Nonspendable:</b>                        |              |            |                              |                                |              |
| Economic Development Loans                  |              | 87,310.07  |                              |                                | 87,310.07    |
| <b>Restricted for:</b>                      |              |            |                              |                                |              |
| General Government                          |              |            |                              | 1,186.56                       | 1,186.56     |
| Urban and Economic Development              |              | 263,391.07 |                              |                                | 263,391.07   |
| Culture and Recreation                      |              |            | 359,948.75                   | 49,986.80                      | 409,935.55   |
| Conserv. of Natural Resources               |              |            |                              | 5,171.84                       | 5,171.84     |
| Emergency Purposes                          |              |            |                              | 4,439.19                       | 4,439.19     |
| Debt Service                                |              |            |                              | 277,145.31                     | 277,145.31   |
| <b>Assigned to:</b>                         |              |            |                              |                                |              |
| Streets and Public Works                    |              |            |                              | 2,162.12                       | 2,162.12     |
| Culture and Recreation                      |              |            |                              | 101,587.98                     | 101,587.98   |
| Other Purposes                              |              |            |                              | 971.55                         | 971.55       |
| Unassigned                                  | (843,469.80) |            |                              | (40,705.98)                    | (884,175.78) |
| <hr/>                                       |              |            |                              |                                |              |
| Total Fund Balances                         | (843,469.80) | 350,701.14 | 359,948.75                   | 401,945.37                     | 269,125.46   |
| <hr/>                                       |              |            |                              |                                |              |
| Total Liabilities and Fund Balances         | -0-          | 350,701.14 | 359,948.75                   | 442,651.35                     | 1,153,301.24 |
| <hr style="border-top: 1px dashed black;"/> |              |            |                              |                                |              |

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



CITY OF ENDERLIN  
Enderlin, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
For the Year Ended December 31, 2018

|  |                |                     |
|--|----------------|---------------------|
| Total Fund Balances for Governmental Funds   |                | 269,125.46          |
| <p>Total net position reported for government activities in the statement of net position is different because:</p> <p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>  |                |                     |
| Cost of Capital Assets   | 3,986,401.00   |                     |
| Less Accumulated Depreciation  | (1,485,982.00) |                     |
| Net Capital Assets   |                | 2,500,419.00        |
| <p>Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2018 are:</p> |                |                     |
| Capital Lease Payable  | (191,913.45)   |                     |
| General Obligation Bonds Payable   | (130,000.00)   |                     |
| Revenue Bonds Payable  | (1,700,000.00) |                     |
| Total Long-Term Liabilities  |                | (2,021,913.45)      |
| Total Net Position of Governmental Activities  |                | 747,631.01<br>===== |

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

CITY OF ENDERLIN  
Enderlin, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Modified Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2018

|  | Major Funds         |                     |                              | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------|------------------------------|--------------------------------|--------------------------------|
|  | General             | Sales Tax           | Pool Project<br>Construction |                                |                                |
| <b>Revenues:</b>   |                     |                     |                              |                                |                                |
| Taxes  | 320,835.58          | 230,106.68          |                              | 402,257.08                     | 953,199.34                     |
| Special Assessments  |                     |                     |                              | 7,289.08                       | 7,289.08                       |
| Licenses, Permits and Fees                                   | 15,160.25           |                     |                              |                                | 15,160.25                      |
| Intergovernmental  | 131,474.55          |                     |                              | 3,378.22                       | 134,852.77                     |
| Charges for Services   | 36,675.23           |                     |                              | 29,738.35                      | 66,413.58                      |
| Fines and Forfeits   | 156.25              |                     |                              |                                | 156.25                         |
| Miscellaneous  | 19,353.63           | 2,259.00            |                              | 76,020.29                      | 97,632.92                      |
| <b>Total Revenues</b>  | <b>523,655.49</b>   | <b>232,365.68</b>   |                              | <b>518,683.02</b>              | <b>1,274,704.19</b>            |
| <b>Expenditures:</b>   |                     |                     |                              |                                |                                |
| <b>Current:</b>  |                     |                     |                              |                                |                                |
| General Government   | 249,300.35          |                     |                              |                                | 249,300.35                     |
| Public Safety  | 144,423.00          | 20,000.00           |                              |                                | 164,423.00                     |
| Streets and Public Works                                     | 214,047.55          | 12,667.77           | 993.25                       |                                | 227,708.57                     |
| Urban and Economic Development                               | 39,719.69           | 60,233.37           |                              | 14,574.37                      | 114,527.43                     |
| Culture and Recreation                                       |                     | 240.00              |                              | 40,663.80                      | 40,903.80                      |
| Conservation of Natural Resources                            | 3,265.00            |                     |                              |                                | 3,265.00                       |
| Other  |                     |                     |                              | 1,345.02                       | 1,345.02                       |
| Capital Outlay   |                     | 27,250.00           | 660,000.00                   | 39,709.00                      | 726,959.00                     |
| <b>Debt Service:</b>   |                     |                     |                              |                                |                                |
| Principal Retirement   | 13,306.03           |                     |                              | 155,000.00                     | 168,306.03                     |
| Interest and Service Charges                                 | 491.97              |                     |                              | 49,029.25                      | 49,521.22                      |
| <b>Total Expenditures</b>                                    | <b>664,553.59</b>   | <b>120,391.14</b>   | <b>660,993.25</b>            | <b>300,321.44</b>              | <b>1,746,259.42</b>            |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>(140,898.10)</b> | <b>111,974.54</b>   | <b>(660,993.25)</b>          | <b>218,361.58</b>              | <b>(471,555.23)</b>            |
| <b>Other Financing Sources (Uses):</b>                       |                     |                     |                              |                                |                                |
| Transfers In   | 34,450.00           | 173,662.48          | 250,000.00                   | 73,000.00                      | 531,112.48                     |
| Transfers Out  |                     | (325,950.00)        |                              | (286,193.13)                   | (612,143.13)                   |
| Revenue Bonds Issued   |                     |                     | 790,000.00                   |                                | 790,000.00                     |
| Discount on Bonds Issued                                     |                     |                     | (19,058.00)                  |                                | (19,058.00)                    |
| <b>Total Other Financing Sources<br/>(Uses)</b>              | <b>34,450.00</b>    | <b>(152,287.52)</b> | <b>1,020,942.00</b>          | <b>(213,193.13)</b>            | <b>689,911.35</b>              |
| <b>Net Change in Fund Balances</b>                           | <b>(106,448.10)</b> | <b>(40,312.98)</b>  | <b>359,948.75</b>            | <b>5,168.45</b>                | <b>218,356.12</b>              |
| <b>Fund Balance - January 1</b>                              | <b>(737,021.70)</b> | <b>391,014.12</b>   |                              | <b>396,776.92</b>              | <b>50,769.34</b>               |
| <b>Fund Balance - December 31</b>                            | <b>(843,469.80)</b> | <b>350,701.14</b>   | <b>359,948.75</b>            | <b>401,945.37</b>              | <b>269,125.46</b>              |

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

CITY OF ENDERLIN  
Enderlin, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds 218,356.12

The change in net position reported for governmental activities in the statement of activities is different because:

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

|                                   |              |            |
|-----------------------------------|--------------|------------|
| Current Year Capital Outlay       | 726,959.00   |            |
| Current Year Depreciation Expense | (120,151.00) | 606,808.00 |
|                                   |              |            |

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

|                   |              |              |
|-------------------|--------------|--------------|
| Debt Proceeds     | (790,000.00) |              |
| Repayment of Debt | 168,306.03   | (621,693.97) |
|                   |              |              |

Change in Net Position of Governmental Activities 203,470.15  
=====

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



CITY OF ENDERLIN  
Enderlin, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2018

|   | Major<br>Enterprise<br>Fund |                              | Total<br>Enterprise<br>Funds |
|---|-----------------------------|------------------------------|------------------------------|
|   | Water &<br>Sewer            | Other<br>Enterprise<br>Funds |                              |
| <b>ASSETS</b>                             |                             |                              |                              |
| <b>Current Assets:</b>                    |                             |                              |                              |
| Interfund Receivables                     | 805,015.31                  | 49,009.13                    | 854,024.44                   |
| <b>Noncurrent Assets:</b>                 |                             |                              |                              |
| Capital Assets (net of accumulated depr): |                             |                              |                              |
| Land                                      | 92,000.00                   |                              | 92,000.00                    |
| Buildings and Infrastructure              | 7,389,987.00                | 9,000.00                     | 7,398,987.00                 |
| Machinery and Vehicles                    | 93,809.00                   |                              | 93,809.00                    |
| <b>Total Noncurrent Assets</b>            | <b>7,575,796.00</b>         | <b>9,000.00</b>              | <b>7,584,796.00</b>          |
| <b>Total Assets</b>                       | <b>8,380,811.31</b>         | <b>58,009.13</b>             | <b>8,438,820.44</b>          |
| =====                                     |                             |                              |                              |
| <b>LIABILITIES</b>                        |                             |                              |                              |
| <b>Current Liabilities:</b>               |                             |                              |                              |
| General Obligation Bonds Payable          | 65,000.00                   |                              | 65,000.00                    |
| Revenue Bonds Payable                     | 230,000.00                  |                              | 230,000.00                   |
| <b>Total Current Liabilities</b>          | <b>295,000.00</b>           |                              | <b>295,000.00</b>            |
| <b>Noncurrent Liabilities:</b>            |                             |                              |                              |
| General Obligation Bonds Payable          | 140,000.00                  |                              | 140,000.00                   |
| Revenue Bonds Payable                     | 3,215,000.00                |                              | 3,215,000.00                 |
| <b>Total Noncurrent Liabilities</b>       | <b>3,355,000.00</b>         |                              | <b>3,355,000.00</b>          |
| <b>Total Liabilities</b>                  | <b>3,650,000.00</b>         |                              | <b>3,650,000.00</b>          |
| <b>NET POSITION</b>                       |                             |                              |                              |
| Net Investment in Capital Assets          | 3,925,796.00                | 9,000.00                     | 3,934,796.00                 |
| Restricted for:                           |                             |                              |                              |
| Debt Service                              | 823,051.52                  |                              | 823,051.52                   |
| Unrestricted                              | (18,036.21)                 | 49,009.13                    | 30,972.92                    |
| <b>Total Net Position</b>                 | <b>4,730,811.31</b>         | <b>58,009.13</b>             | <b>4,788,820.44</b>          |
| =====                                     |                             |                              |                              |

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

CITY OF ENDERLIN  
Enderlin, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds

For the Year Ended December 31, 2018

|  | Major<br>Enterprise<br>Fund |                              | Total<br>Enterprise<br>Funds |
|--|-----------------------------|------------------------------|------------------------------|
|  | Water &<br>Sewer            | Other<br>Enterprise<br>Funds |                              |
| <u>Operating Revenues:</u>                     |                             |                              |                              |
| Charges for Sales and Services:                |                             |                              |                              |
| Water Collections                              | 963,100.62                  |                              | 963,100.62                   |
| Sewer Collections                              | 131,311.73                  |                              | 131,311.73                   |
| Garbage Collections                            |                             | 76,616.30                    | 76,616.30                    |
| Recycling                                      | 16,089.50                   |                              | 16,089.50                    |
| Water Deposits                                 |                             | 1,400.00                     | 1,400.00                     |
| Penalty on Late Water Bills                    | 7,830.00                    |                              | 7,830.00                     |
| <b>Total Operating Revenues</b>                | <b>1,118,331.85</b>         | <b>78,016.30</b>             | <b>1,196,348.15</b>          |
| <u>Operating Expenses:</u>                     |                             |                              |                              |
| Water and Sewer Operating                      | 705,142.49                  |                              | 705,142.49                   |
| Garbage Contract                               |                             | 82,800.00                    | 82,800.00                    |
| Recycling Expense                              |                             | 3,256.00                     | 3,256.00                     |
| Meter Deposit Refunds                          |                             | 50.00                        | 50.00                        |
| Depreciation                                   | 316,255.00                  | 1,000.00                     | 317,255.00                   |
| <b>Total Operating Expenses</b>                | <b>1,021,397.49</b>         | <b>87,106.00</b>             | <b>1,108,503.49</b>          |
| <b>Operating Income (Loss)</b>                 | <b>96,934.36</b>            | <b>(9,089.70)</b>            | <b>87,844.66</b>             |
| <u>Non-Operating Revenues (Expenses):</u>      |                             |                              |                              |
| Interest Income                                | 1,172.73                    |                              | 1,172.73                     |
| Miscellaneous Revenues                         | 28,612.86                   |                              | 28,612.86                    |
| Interest Payments                              | (112,186.68)                |                              | (112,186.68)                 |
| Service Charges                                | (14,839.33)                 |                              | (14,839.33)                  |
| <b>Total Non-Operating Revenues (Expenses)</b> | <b>(97,240.42)</b>          |                              | <b>(97,240.42)</b>           |
| <b>Income (Loss) Before Transfers</b>          | <b>(306.06)</b>             | <b>(9,089.70)</b>            | <b>(9,395.76)</b>            |
| Transfers In                                   | 605,686.65                  |                              | 605,686.65                   |
| Transfers Out                                  | (521,456.00)                | (3,200.00)                   | (524,656.00)                 |
| <b>Change in Net Position</b>                  | <b>83,924.59</b>            | <b>(12,289.70)</b>           | <b>71,634.89</b>             |
| <b>Net Position - January 1</b>                | <b>4,646,886.72</b>         | <b>70,298.83</b>             | <b>4,717,185.55</b>          |
| <b>Net Position - December 31</b>              | <b>4,730,811.31</b>         | <b>58,009.13</b>             | <b>4,788,820.44</b>          |

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

CITY OF ENDERLIN  
Enderlin, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2018

|  | Major<br>Enterprise<br>Fund | Other<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds |
|--|-----------------------------|------------------------------|------------------------------|
|  | Water &<br>Sewer            |                              |                              |
| <u>Cash flows from operating activities:</u>                         |                             |                              |                              |
| Receipts from customers  | 1,118,331.85                | 78,016.30                    | 1,196,348.15                 |
| Payments to suppliers  | (469,685.11)                | (86,106.00)                  | (555,791.11)                 |
| Payments to employees  | (156,864.70)                |                              | (156,864.70)                 |
| Payments on behalf of employees                                      | (78,592.68)                 |                              | (78,592.68)                  |
| Net cash provided (used) by operating activities                     | 413,189.36                  | (8,089.70)                   | 405,099.66                   |
| <u>Cash flows from noncapital financing activities:</u>              |                             |                              |                              |
| Miscellaneous receipts   | 28,612.86                   |                              | 28,612.86                    |
| Transfers in   | 605,686.65                  |                              | 605,686.65                   |
| Transfers out  | (521,456.00)                | (3,200.00)                   | (524,656.00)                 |
| Interfund loan transaction   | (20,557.77)                 | (49,009.13)                  | (69,566.90)                  |
| Net cash provided (used) by noncapital financing activities          | 92,285.74                   | (52,209.13)                  | 40,076.61                    |
| <u>Cash flows from capital and related financing activities:</u>     |                             |                              |                              |
| Principal payments   | (535,000.00)                |                              | (535,000.00)                 |
| Interest payments  | (112,186.68)                |                              | (112,186.68)                 |
| Service charges  | (14,839.33)                 |                              | (14,839.33)                  |
| Net cash provided (used) by capital and related financing activities | (662,026.01)                |                              | (662,026.01)                 |
| <u>Cash flows from investing activities:</u>                         |                             |                              |                              |
| Interest income  | 1,172.73                    |                              | 1,172.73                     |
| Net increase in cash and cash equivalents                            | (155,378.18)                | (60,298.83)                  | (215,677.01)                 |
| Cash and cash equivalents, January 1                                 | 155,378.18                  | 60,298.83                    | 215,677.01                   |
| Cash and cash equivalents, December 31                               | -0-                         | -0-                          | -0-                          |

(continued)



CITY OF ENDERLIN  
Enderlin, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2018  
(continued)

|   | Major<br>Enterprise<br>Fund |                              |                              |
|---|-----------------------------|------------------------------|------------------------------|
|   | Water &<br>Sewer            | Other<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds |
| <u>Reconciliation of Operating Income to Net<br/>Cash Provided (Used) by Operating Activities</u>         |                             |                              |                              |
| Operating income (loss)   | 96,934.36                   | (9,089.70)                   | 87,844.66                    |
| <u>Adjustments to reconcile operating income to net<br/>cash provided (used) by operating activities:</u> |                             |                              |                              |
| Depreciation expense  | 316,255.00                  | 1,000.00                     | 317,255.00                   |
| Net cash provided (used) by operating activities  | 413,189.36                  | (8,089.70)                   | 405,099.66                   |

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

CITY OF ENDERLIN  
Enderlin, North Dakota

Notes to the Financial Statements  
December 31, 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Based on these criteria, the component units discussed below are included within the city's reporting entity because of the significance of their operational or financial relationship with the city.

**Discretely Presented Component Units:** The component units' columns in the basic financial statements include the financial data of the city's four component units. These units are reported in separate columns to emphasize that they are legally separate from the city.

**Enderlin Library:** The Enderlin Library's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the library budget. The library has the authority to issue its own debt.

**Enderlin Cemetery:** The Enderlin Cemetery's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the cemetery budget. The cemetery has the authority to issue its own debt.

**Enderlin Airport Authority:** The Enderlin Airport Authority's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the airport authority budget. The airport authority has the authority to issue its own debt.

**Enderlin Fine Arts Association:** The Enderlin Fine Arts Association's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the fine arts association budget. The fine arts association has the authority to issue its own debt.

The financial statements of each of the four discretely presented component units are presented in the basic financial statements.

## B. Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

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

*Sales Tax.* This fund accounts for the city's sales tax collections which are to be used for economic development and debt service payments for the Sales Tax Revenue Bonds of 2011 and Sales Tax Revenue Bonds, Series 2018.

*Pool Project Construction.* This fund accounts for the proceeds of the Sales Tax Revenue Bonds, Series 2018 to be used for the construction of a new swimming pool.



The city reports the following major enterprise fund:

*Water and Sewer.* This fund accounts for the activities of the city's water distribution system and sewage collection system.

The city reports the following fund type:

*Agency Funds.* These funds account for assets held by the city in a custodial capacity as an agent on behalf of others. The city's agency funds are used to account for various deposits of other governments.

#### C. Measurement Focus and Basis of Accounting

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

##### Measurement Focus

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

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

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

##### Basis of Accounting

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

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

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

#### D. Cash and Cash Equivalents

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

#### E. Capital Assets

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

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

|                              |                |
|------------------------------|----------------|
| Buildings and Infrastructure | 20 to 75 years |
| Machinery and Vehicles       | 8 to 20 years  |

#### F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.



#### G. Long-Term Obligations

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

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

#### H. Fund Equity

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

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

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

**Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

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

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

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



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

- \* Committed
- \* Assigned
- \* Unassigned

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

#### I. Interfund Transactions

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

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

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

#### J. Use of Estimates

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

#### Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2018 the city's carrying amount of deposits was \$1,035,840 and the bank balance was \$1,052,619. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$802,619 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 ECONOMIC DEVELOPMENT LOANS RECEIVABLE

Economic development loan receivables consist of loans of city sales tax funds to local businesses for urban and economic development. At December 31, 2018 the following loans were outstanding:

|                        |                  |
|------------------------|------------------|
| Queen Pin              | 1,666.44         |
| Greg Pfaff             | 23,650.00        |
| Tri State Roofing      | 25,002.12        |
| Eagles Nest            | 13,000.00        |
| Friendly Tavern        | 8,750.00         |
| Trio Bar               | 4,629.00         |
| Enderlin Golf Course   | 8,000.00         |
| Charly Marbell         | 2,612.51         |
| Total Loans Receivable | <u>87,310.07</u> |
|                        | =====            |



Note 5 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by negative cash balances in various funds. The amounts shown as interfund payables represent the amounts of negative cash in the funds. Interfund receivables/payables for the year ended December 31, 2018 are as follows:

|                         | <u>Receivable<br/>Fund</u> | <u>Payable<br/>Fund</u> |
|-------------------------|----------------------------|-------------------------|
| Sales Tax               | 30,151.34                  |                         |
| Water and Sewer         | 805,015.31                 |                         |
| Meter Deposit           | 27,875.00                  |                         |
| Garbage                 | 21,134.13                  |                         |
| General                 |                            | 843,469.80              |
| Oasis & Social Security |                            | 26,105.01               |
| City Share of Specials  |                            | 1,026.10                |
| Retirement              |                            | 8,813.15                |
| City Auditorium         |                            | 4,761.72                |

Note 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2018:

|  | <u>Balance<br/>January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance<br/>December 31</u> |
|--|------------------------------|------------------|------------------|--------------------------------|
| <b>Governmental Activities:</b>                        |                              |                  |                  |                                |
| <i>Capital assets not<br/>being depreciated:</i>       |                              |                  |                  |                                |
| Construction in<br>Progress                            |                              | 699,709          |                  | 699,709                        |
| <i>Capital assets<br/>being depreciated:</i>           |                              |                  |                  |                                |
| Buildings and<br>Infrastructure                        | 2,794,900                    |                  |                  | 2,794,900                      |
| Machinery and<br>Vehicles                              | 464,542                      | 27,250           |                  | 491,792                        |
| <b>Total</b>   | <u>3,259,442</u>             | <u>27,250</u>    |                  | <u>3,286,692</u>               |
| <i>Less accumulated<br/>depreciation for:</i>          |                              |                  |                  |                                |
| Buildings and<br>Infrastructure                        | 1,181,931                    | 89,922           |                  | 1,271,853                      |
| Machinery and<br>Vehicles                              | 183,900                      | 30,229           |                  | 214,129                        |
| <b>Total</b>   | <u>1,365,831</u>             | <u>120,151</u>   |                  | <u>1,485,982</u>               |
| <b>Total capital assets<br/>being depreciated, net</b> | <u>1,893,611</u>             | <u>(92,901)</u>  |                  | <u>1,800,710</u>               |
| <b>Governmental Activities<br/>Capital Assets, Net</b> | <u>1,893,611</u>             | <u>606,808</u>   | <u>-0-</u>       | <u>2,500,419</u>               |
|  | =====                        | =====            | =====            | =====                          |



|  | <u>Balance</u><br><u>January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u><br><u>December 31</u> |
|--|------------------------------------|------------------|------------------|--------------------------------------|
| <b>Business-type Activities:</b>                               |                                    |                  |                  |                                      |
| <i>Capital assets not being depreciated:</i>                   |                                    |                  |                  |                                      |
| Land   | 92,000                             |                  |                  | 92,000                               |
| <i>Capital assets being depreciated:</i>                       |                                    |                  |                  |                                      |
| Buildings and Infrastructure                                   | 12,247,007                         |                  |                  | 12,247,007                           |
| Machinery and Vehicles   | 205,439                            |                  |                  | 205,439                              |
| <b>Total</b>   | <b>12,452,446</b>                  |                  |                  | <b>12,452,446</b>                    |
| <i>Less accumulated depreciation for:</i>                      |                                    |                  |                  |                                      |
| Buildings and Infrastructure                                   | 4,540,678                          | 307,342          |                  | 4,848,020                            |
| Machinery and Vehicles   | 101,717                            | 9,913            |                  | 111,630                              |
| <b>Total</b>   | <b>4,642,395</b>                   | <b>317,255</b>   |                  | <b>4,959,650</b>                     |
| <b>Total capital assets being depreciated, net</b>             | <b>7,810,051</b>                   | <b>(317,255)</b> |                  | <b>7,492,796</b>                     |
| <b>Business-type Activities Capital Assets, Net</b>            | <b>7,902,051</b>                   | <b>(317,255)</b> | <b>-0-</b>       | <b>7,584,796</b>                     |
|  | =====                              | =====            | =====            | =====                                |
|  | <u>Balance</u><br><u>January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u><br><u>December 31</u> |
| <b>Discretely Presented Component Unit:</b>                    |                                    |                  |                  |                                      |
| <i>Capital assets being depreciated:</i>                       |                                    |                  |                  |                                      |
| Buildings and Infrastructure                                   | 590,000                            |                  |                  | 590,000                              |
| <i>Less accumulated depreciation for:</i>                      |                                    |                  |                  |                                      |
| Buildings and Infrastructure                                   | 314,664                            | 39,333           |                  | 353,997                              |
| <b>Discretely Presented Component Unit Capital Assets, Net</b> | <b>275,336</b>                     | <b>(39,333)</b>  | <b>-0-</b>       | <b>236,003</b>                       |
|  | =====                              | =====            | =====            | =====                                |

Depreciation expense was charged to functions/programs of the city as follows:

|   |         |
|---|---------|
| <u>Governmental Activities:</u>                     |         |
| General Government                                  | 10,089  |
| Streets and Public Works                            | 110,062 |
|   | -----   |
| Total   | 120,151 |
|   | =====   |
| <br><u>Business-type Activities:</u>                |         |
| Water and Sewer                                     | 316,255 |
| Garbage   | 1,000   |
|   | -----   |
| Total   | 317,255 |
|   | =====   |
| <br><u>Discretely Presented<br/>Component Unit:</u> |         |
| Airport   | 39,333  |
|   | =====   |

Note 7 CAPITAL LEASE PAYABLE

The city has entered into the following lease agreement.

|  |            |
|--|------------|
| \$233,000.00 lease-purchase of a Volvo Motor Grader, due in final installment of \$196,079.64 on January 29, 2019; interest is at 2.15%. | 191,913.45 |
|  | =====      |

This lease agreement qualifies as a capital leases for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under this capital lease, and the net present value of the minimum lease payments at December 31, 2018:

|   |   |
|---|---|
|   | Governmental<br>Activities<br>Lease<br>Payments |
| <u>Year Ending<br/>December 31</u>                | <u>                    </u>                     |
| 2019  | 196,079.64                                      |
| Less: amt. representing interest                  | (4,166.19)                                      |
|   | -----   |
| Present value of future minimum<br>lease payments | 191,913.45                                      |
|   | =====   |

Note 8 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2018, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities:

|                          | <u>Balance</u><br><u>January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u><br><u>December 31</u> | <u>Due Within</u><br><u>One Year</u> |
|--------------------------|------------------------------------|------------------|------------------|--------------------------------------|--------------------------------------|
| Capital Leases Payable   | 205,219                            |                  | 13,306           | 191,913                              | 191,913                              |
| General Obligation Bonds | 170,000                            |                  | 40,000           | 130,000                              | 40,000                               |
| Special Assessment Bonds | 30,000                             |                  | 30,000           |                                      |                                      |
| Revenue Bonds            | 995,000                            | 790,000          | 85,000           | 1,700,000                            | 115,000                              |
| <b>Total</b>             | <u>1,400,219</u>                   | <u>790,000</u>   | <u>168,306</u>   | <u>2,021,913</u>                     | <u>346,913</u>                       |

Business-type Activities (Proprietary Funds):

|                          | <u>Balance</u><br><u>January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u><br><u>December 31</u> | <u>Due Within</u><br><u>One Year</u> |
|--------------------------|------------------------------------|------------------|------------------|--------------------------------------|--------------------------------------|
| General Obligation Bonds | 265,000                            |                  | 60,000           | 205,000                              | 65,000                               |
| Revenue Bonds            | 3,920,000                          |                  | 475,000          | 3,445,000                            | 230,000                              |
| <b>Total</b>             | <u>4,185,000</u>                   | <u>-0-</u>       | <u>535,000</u>   | <u>3,650,000</u>                     | <u>295,000</u>                       |

Discretely Presented Component Unit

|               | <u>Balance</u><br><u>January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u><br><u>December 31</u> | <u>Due Within</u><br><u>One Year</u> |
|---------------|------------------------------------|------------------|------------------|--------------------------------------|--------------------------------------|
| Revenue Bonds | 130,000                            | -0-              | 10,000           | 120,000                              | 15,000                               |

Outstanding debt at December 31, 2018 consists of the following:

Governmental Activities:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2018, is as follows:

General Obligation Bonds. The city has issued general obligation bonds to provide funds for the construction/renovation of the city's auditorium. General obligation bonds outstanding at December 31, 2018 are as follows:

|  |                     |
|--|---------------------|
| \$500,000 General Obligation Bonds of 2006<br>due in annual installments of \$40,000 to<br>\$45,000 through May 1, 2021; interest is<br>at 4.5%. | 130,000.00<br>===== |
|--|---------------------|

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

| <u>Year Ending</u><br><u>December 31</u> | <u>Principal</u>  | <u>Interest</u> |
|--|-------------------|-----------------|
| 2019                                     | 40,000.00         | 4,950.00        |
| 2020                                     | 45,000.00         | 3,037.50        |
| 2021                                     | 45,000.00         | 1,012.50        |
| <b>Total</b>                             | <u>130,000.00</u> | <u>9,000.00</u> |



Revenue Bonds. The city has issued bonds to install water lines and provide funds for street projects. Revenue bonds outstanding at December 31, 2018 are as follows:

|  |                              |
|--|------------------------------|
| \$205,000 Tax Increment Financing Revenue Bonds of 2010, due in annual installments of \$15,000 to \$20,000 through May 1, 2027; interest is 4.65%.    | 140,000.00                   |
| \$600,000 Refunding Improvement Bonds of 2010, due in annual installments of \$35,000 to \$50,000 through May 1, 2027; interest is at 2.6% to 3.6%.    | 395,000.00                   |
| \$595,000 Sales Tax Revenue Bonds of 2011, due in annual installments of \$35,000 to \$85,000 through November 1, 2026; interest is at 3% to 4.25%.    | 375,000.00                   |
| \$790,000 Sales Tax Revenue Bonds, Series 2018 due in annual installments of \$30,000 to \$55,000 through November 1, 2038; interest is at 2.9% to 4%. | 790,000.00                   |
| Total  | <u>1,700,000.00</u><br>===== |

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

| <u>Year Ending</u><br><u>December 31</u> | <u>Principal</u>          | <u>Interest</u>         |
|--|---------------------------|-------------------------|
| 2019                                     | 115,000                   | 63,402                  |
| 2020                                     | 125,000                   | 58,433                  |
| 2021                                     | 125,000                   | 53,985                  |
| 2022                                     | 130,000                   | 49,458                  |
| 2023                                     | 135,000                   | 44,850                  |
| 2024-2028                                | 605,000                   | 145,866                 |
| 2029-2033                                | 210,000                   | 76,550                  |
| 2034-2038                                | 255,000                   | 31,600                  |
| Total                                    | <u>1,700,000</u><br>===== | <u>524,143</u><br>===== |

Business-type Activities (Proprietary Funds):

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2018, is as follows:

General Obligation Bonds. The city has issued general obligation bonds to provide funds for a housing development. General obligation bonds outstanding at December 31, 2018 are as follows:

|   |                     |
|---|---------------------|
| \$660,000 Refunding Improvement Bonds of 2006 due in annual installments of \$65,000 to \$70,000 through May 1, 2021; interest is at 4.35%. | 205,000.00<br>===== |
|---|---------------------|

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

| <u>Year Ending<br/>December 31</u> | <u>Principal</u>  | <u>Interest</u>  |
|------------------------------------|-------------------|------------------|
| 2019                               | 65,000.00         | 7,503.75         |
| 2020                               | 70,000.00         | 4,567.50         |
| 2021                               | 70,000.00         | 1,522.50         |
| Total                              | <u>205,000.00</u> | <u>13,593.75</u> |
|                                    | =====             | =====            |

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2018, are as follows:

\$87,500 Water Treatment Revenue Bonds of 2002, due in annual installments of \$5,000 to \$6,000 through September 1, 2022; interest is at 2.5%. 22,000.00

\$184,307 Water Treatment Revenue Bonds of 2005, due in annual installments of \$10,000 to \$11,000 through September 1, 2024; interest is at 2.5%. 63,000.00

\$1,836,790 Water Treatment Revenue Bonds of 2009, due in annual installments of \$100,000 to \$135,000 through September 1, 2029; interest is at 2.5%. 1,290,000.00

\$263,855 Wastewater Treatment Revenue Bonds of 2009, due in annual installments of \$15,000 to \$20,000 through September 1, 2029; interest is at 2.5%. 190,000.00

\$1,620,000 Water Revenue Refunding Bonds of 2013, due in annual installments of \$70,000 to \$105,000 through March 1, 2033; interest is at 1.3% to 4%. 1,280,000.00

\$365,500 Wastewater Treatment Revenue Bonds of 2014, due in annual installments of \$15,000 to \$25,000 through September 1, 2034; interest is at 2%. 305,000.00

\$327,000 Water Treatment Revenue Bonds, Series 2016, due in annual installments of \$15,000 to \$20,000 through September 1, 2035; interest is at 2%. 295,000.00

Total 3,445,000.00  
=====

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

| <u>Year Ending<br/>December 31</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------------|------------------|-----------------|
| 2019                               | 230,000          | 90,605          |
| 2020                               | 235,000          | 85,513          |
| 2021                               | 241,000          | 79,906          |
| 2022                               | 252,000          | 74,219          |
| 2023                               | 256,000          | 69,125          |
| 2024-2028                          | 1,326,000        | 267,563         |
| 2029-2033                          | 855,000          | 72,175          |
| 2034-2035                          | 50,000           | 1,400           |
| Total                              | 3,445,000        | 740,505         |
|                                    | =====            | =====           |

Discretely Presented Component Unit:

Revenue Bonds. The airport authority has issued bonds for the purpose of a hanger/runway project. Revenue bonds outstanding at December 31, 2018 are as follows:

|  |            |
|--|------------|
| \$200,000 Airport Revenue Bonds of 2010, due in annual installments of \$15,000 through December 1, 2026; interest is at 2.5%. | 120,000.00 |
|  | =====      |

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

| <u>Year Ending<br/>December 31</u> | <u>Principal</u> | <u>Interest</u> |
|------------------------------------|------------------|-----------------|
| 2019                               | 15,000           | 4,050           |
| 2020                               | 15,000           | 3,675           |
| 2021                               | 15,000           | 3,150           |
| 2022                               | 15,000           | 2,625           |
| 2023                               | 15,000           | 2,363           |
| 2024-2026                          | 45,000           | 3,150           |
| Total                              | 120,000          | 19,013          |
|                                    | =====            | =====           |

Note 9 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2018:

| <u>Fund</u>       | <u>Transfer In</u> | <u>Transfer Out</u> |
|-------------------|--------------------|---------------------|
| General           | 34,450.00          |                     |
| Sales Tax         |                    | 31,250.00           |
| Garbage           |                    | 3,200.00            |
| Recreation - Pool | 4,300.00           |                     |
| Public Recreation |                    | 4,300.00            |

To subsidize expenditures.



|   |            |            |
|---|------------|------------|
| Sales Tax                               | 173,662.48 |            |
| Crestwood Townhomes                     |            | 173,662.48 |
| To close fund.                          |            |            |
| Recreation - Pool                       | 44,700.00  |            |
| Pool Project Construction               | 250,000.00 |            |
| Sales Tax                               |            | 294,700.00 |
| To subsidize pool construction project. |            |            |
| District 2000-1                         | 177,800.00 |            |
| District 2003-1                         | 24,000.00  |            |
| District 2005-1                         | 13,500.00  |            |
| District 2006-1                         | 70,730.65  |            |
| District 2009-1                         | 163,056.00 |            |
| District 2013 Bond                      | 115,500.00 |            |
| District 2014-1                         | 42,000.00  |            |
| District 2015-1                         | 23,100.00  |            |
| Water and Sewer                         |            | 405,456.00 |
| Def. Levy (06-01)                       |            | 70,730.65  |
| City Share of Special                   |            | 24,000.00  |
| Debt Retirement Reserve                 |            | 13,500.00  |
| District 2000-1 Reserve                 |            | 116,000.00 |
| To subsidize debt service payments.     |            |            |

Note 10 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31, 2018:

|                              |              |
|------------------------------|--------------|
| General Fund                 | (843,469.80) |
| <u>Special Revenue Funds</u> |              |
| Oasis & Social Security      | (26,105.01)  |
| City Share of Specials       | (1,026.10)   |
| Retirement                   | (8,813.15)   |
| City Auditorium              | (4,761.72)   |

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

Note 11 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$4,000,000 per occurrence for general liability and automobile; and \$846,571 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$1,081,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 12 PENSION PLAN

The city provides benefits for all of its full-time employees through a defined contribution plan with Transamerica IDEX Mutual Funds and Western Reserve Life Assurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city matches up to 3% of the employee's gross salary. During the year ended December 31, 2018, the city contributed \$9,242.59.

CITY OF ENDERLIN  
Enderlin, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2018

|  | Original<br>Budget  | Final<br>Budget     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
| <u>Revenues:</u>   |                     |                     |                     |   |
| Taxes  | 324,600.00          | 327,850.00          | 320,835.58          | (7,014.42)  |
| Licenses, Permits and Fees                                   | 13,200.00           | 15,170.00           | 15,160.25           | (9.75)  |
| Intergovernmental  | 125,000.00          | 124,005.00          | 131,474.55          | 7,469.55  |
| Charges for Services   | 31,000.00           | 39,190.00           | 36,675.23           | (2,514.77)  |
| Fines and Forfeits   | 100.00              | 160.00              | 156.25              | (3.75)  |
| Miscellaneous  | 6,700.00            | 18,805.00           | 19,353.63           | 548.63  |
| <b>Total Revenues</b>  | <b>500,600.00</b>   | <b>525,180.00</b>   | <b>523,655.49</b>   | <b>(1,524.51)</b>                                       |
| <u>Expenditures:</u>   |                     |                     |                     |   |
| Current:   |                     |                     |                     |   |
| General Government   | 258,462.00          | 251,912.00          | 249,300.35          | 2,611.65  |
| Public Safety  | 144,423.00          | 144,423.00          | 144,423.00          |   |
| Streets and Public Works                                     | 254,723.00          | 215,098.00          | 214,047.55          | 1,050.45  |
| Urban and Economic Development                               | 31,250.00           | 39,750.00           | 39,719.69           | 30.31   |
| Conservation of Natural Resources                            | 3,700.00            | 3,700.00            | 3,265.00            | 435.00  |
| Debt Service:  |                     |                     |                     |   |
| Principal Retirement   | 13,306.03           | 13,306.03           | 13,306.03           |   |
| Interest and Service Charges                                 | 491.97              | 491.97              | 491.97              |   |
| <b>Total Expenditures</b>                                    | <b>706,356.00</b>   | <b>668,681.00</b>   | <b>664,553.59</b>   | <b>4,127.41</b>   |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>(205,756.00)</b> | <b>(143,501.00)</b> | <b>(140,898.10)</b> | <b>2,602.90</b>   |
| <u>Other Financing Sources:</u>                              |                     |                     |                     |   |
| Transfers In   | 269,450.00          | 34,450.00           | 34,450.00           |   |
| <b>Net Change in Fund Balances</b>                           | <b>63,694.00</b>    | <b>(109,051.00)</b> | <b>(106,448.10)</b> | <b>2,602.90</b>   |
| <b>Fund Balance - January 1</b>                              | <b>(737,021.70)</b> | <b>(737,021.70)</b> | <b>(737,021.70)</b> |   |
| <b>Fund Balance - December 31</b>                            | <b>(673,327.70)</b> | <b>(846,072.70)</b> | <b>(843,469.80)</b> | <b>2,602.90</b>   |



CITY OF ENDERLIN  
Enderlin, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Sales Tax Fund  
For the Year Ended December 31, 2018

|  | Original<br>Budget | Final<br>Budget     | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|---------------------|---------------------|---|
| <u>Revenues:</u>   |                    |                     |                     |   |
| Taxes  | 110,000.00         | 230,300.00          | 230,106.68          | (193.32)  |
| Miscellaneous  | 30,866.00          | 28,666.00           | 2,259.00            | (26,407.00)   |
| <b>Total Revenues</b>  | <b>140,866.00</b>  | <b>258,966.00</b>   | <b>232,365.68</b>   | <b>(26,600.32)</b>                                      |
| <u>Expenditures:</u>   |                    |                     |                     |   |
| Current:   |                    |                     |                     |   |
| Public Safety  | 20,000.00          | 20,000.00           | 20,000.00           |   |
| Streets and Public Works                                     | 13,000.00          | 13,000.00           | 12,667.77           | 332.23  |
| Urban and Economic Development                               | 62,050.00          | 71,170.00           | 60,233.37           | 10,936.63   |
| Culture and Recreation                                       | 240.00             | 240.00              | 240.00              |   |
| Capital Outlay   | 27,250.00          | 27,250.00           | 27,250.00           |   |
| <b>Total Expenditures</b>                                    | <b>122,540.00</b>  | <b>131,660.00</b>   | <b>120,391.14</b>   | <b>11,268.86</b>  |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>18,326.00</b>   | <b>127,306.00</b>   | <b>111,974.54</b>   | <b>(15,331.46)</b>                                      |
| <u>Other Financing Sources:</u>                              |                    |                     |                     |   |
| Transfers In   |                    | 175,650.00          | 173,662.48          | (1,987.52)  |
| Transfers Out  |                    | (325,950.00)        | (325,950.00)        |   |
| <b>Total Other Financing Sources (Uses)</b>                  |                    | <b>(150,300.00)</b> | <b>(152,287.52)</b> | <b>(1,987.52)</b>                                       |
| <b>Net Change in Fund Balances</b>                           | <b>18,326.00</b>   | <b>(22,994.00)</b>  | <b>(40,312.98)</b>  | <b>(17,318.98)</b>                                      |
| <b>Fund Balance - January 1</b>                              | <b>391,014.12</b>  | <b>391,014.12</b>   | <b>391,014.12</b>   |   |
| <b>Fund Balance - December 31</b>                            | <b>409,340.12</b>  | <b>368,020.12</b>   | <b>350,701.14</b>   | <b>(17,318.98)</b>                                      |

CITY OF ENDERLIN  
Enderlin, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2018

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board approved the following amendments to the city's budget for the year ending December 31, 2018:

|  | Original<br>Budget        | Amendment | Amended<br>Budget |
|--|---------------------------|-----------|-------------------|
|  | <u>Estimated Revenues</u> |           |                   |
| General Fund                               | 500,600                   | 24,580    | 525,180           |
| <u>Special Revenue Funds</u>               |                           |           |                   |
| Sales Tax                                  | 140,866                   | 118,100   | 258,966           |
| City Share of Specials                     | 24,000                    | 5,150     | 29,150            |
| Public Recreation                          | 5,000                     | (600)     | 4,400             |
| Recreation - Pool                          | 42,250                    | (100)     | 42,150            |
| Crestwood Townhomes                        | 105,320                   | (101,962) | 3,358             |
| Def Levy (06-01)                           | 72,600                    | (1,200)   | 70,800            |
| <u>Debt Service Funds</u>                  |                           |           |                   |
| Debt Retirement Reserve                    | 22,000                    | (700)     | 21,300            |
| City Auditorium                            | 50,000                    | (5,500)   | 44,500            |
| District 2010-1 and<br>2010-2 Debt Service | 84,600                    | 13,800    | 98,400            |
| Street District 2011-1                     | 50,000                    | 39,000    | 89,000            |
| Pool 2018 Bond                             |                           | 36,617    | 36,617            |

|                              |         | <u>Appropriations</u> |         |
|------------------------------|---------|-----------------------|---------|
| General Fund                 | 706,356 | (37,675)              | 668,681 |
| <u>Special Revenue Funds</u> |         |                       |         |
| Sales Tax                    | 122,540 | 9,120                 | 131,660 |
| Emergency                    | 2,000   | (1,500)               | 500     |
| Recreation - Pool            | 47,600  | 33,100                | 80,700  |
| Crestwood Townhomes          | 94,717  | 82,892                | 11,825  |
| <u>Debt Service Funds</u>    |         |                       |         |
| Street District 2003-1       | 51,145  | 215                   | 31,360  |
| Debt Retirement Reserve      | 11,100  | (10,200)              | 900     |

|                             |         | <u>Transfers In</u> |         |
|-----------------------------|---------|---------------------|---------|
| General Fund                | 269,450 | (235,000)           | 34,450  |
| <u>Special Revenue Fund</u> |         |                     |         |
| Sales Tax                   |         | 175,650             | 175,650 |

|                              |        | <u>Transfers Out</u> |         |
|------------------------------|--------|----------------------|---------|
| <u>Special Revenue Funds</u> |        |                      |         |
| Sales Tax                    |        | 325,950              | 325,950 |
| Public Recreation            | 6,000  | (1,700)              | 4,300   |
| Recreation - Pool            | 5,000  | 44,700               | 49,700  |
| Crestwood Townhomes          |        | 173,663              | 173,663 |
| Def Levy (06-01)             | 72,000 | (1,200)              | 70,800  |
| <u>Debt Service Fund</u>     |        |                      |         |
| Debt Retirement Reserve      | 14,400 | (900)                | 13,500  |

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following fund for the year ending December 31, 2018.

\*Enderlin Housing Deposits      2,837.29

\* A budget was not prepared for this fund.

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



CITY OF ENDERLIN  
Enderlin, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2018

|   | Balance<br>1-1-18   | Receipts            | Transfers<br>In   | Transfers<br>Out  | Disbursements       | Balance<br>12-31-18 |
|---|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| <b>Major Governmental Funds:</b>          |                     |                     |                   |                   |                     |                     |
| General Fund                              | (737,021.70)        | 523,655.49          | 34,450.00         |                   | 664,553.59          | (843,469.80)        |
| Sales Tax                                 | 286,135.21          | 260,684.52          | 173,662.48        | 325,950.00        | 131,141.14          | 263,391.07          |
| Pool Project Construction                 |                     | 770,942.00          | 250,000.00        |                   | 660,993.25          | 359,948.75          |
| <b>Total Major Governmental Funds</b>     | <b>(450,886.49)</b> | <b>1,555,282.01</b> | <b>458,112.48</b> | <b>325,950.00</b> | <b>1,456,687.98</b> | <b>(220,129.98)</b> |
| <b>Non-Major Governmental Funds:</b>      |                     |                     |                   |                   |                     |                     |
| Oasis & Social Security                   | (26,105.01)         |                     |                   |                   |                     | (26,105.01)         |
| City Share of Specials                    | (6,160.09)          | 29,133.99           |                   | 24,000.00         |                     | (1,026.10)          |
| Insurance                                 | 1,186.56            |                     |                   |                   |                     | 1,186.56            |
| Retirement                                | (8,813.15)          |                     |                   |                   |                     | (8,813.15)          |
| Forestry                                  | 5,171.84            |                     |                   |                   |                     | 5,171.84            |
| Emergency                                 | 3,956.49            | 980.72              |                   |                   | 498.02              | 4,439.19            |
| Public Recreation                         | 13.85               | 4,377.16            |                   | 4,300.00          |                     | 91.01               |
| Flood Funds                               | 509.12              |                     |                   |                   |                     | 509.12              |
| City Equipment                            | 2,162.12            |                     |                   |                   |                     | 2,162.12            |
| Recreation - Pool                         | 39,931.47           | 41,337.12           | 49,000.00         |                   | 80,372.80           | 49,895.79           |
| Pool Donations:                           |                     |                     |                   |                   |                     |                     |
| Memorial Fund                             | 29,702.93           | 13,825.04           |                   |                   |                     | 43,527.97           |
| Fund Raising Account                      |                     | 58,060.01           |                   |                   |                     | 58,060.01           |
| Christmas Lights                          | 266.50              | 0.29                |                   |                   |                     | 266.79              |
| Enderlin Housing Deposits                 | 2,837.27            | 0.02                |                   |                   | 2,837.29            |                     |
| Crestwood Townhomes                       | 182,041.67          | 3,357.89            |                   | 173,662.48        | 11,737.08           |                     |
| Def. Levy (06-01)                         |                     | 70,730.65           |                   | 70,730.65         |                     |                     |
| Street District 2003-1                    | 22,056.86           | 7,289.08            | 24,000.00         |                   | 31,359.50           | 21,986.44           |
| G.O.B. Pool                               | 2,070.03            |                     |                   |                   |                     | 2,070.03            |
| Debt Retirement Reserve                   | (5,030.91)          | 21,277.30           |                   | 13,500.00         | 847.00              | 1,899.39            |
| City Auditorium                           | (1,326.68)          | 44,423.96           |                   |                   | 47,859.00           | (4,761.72)          |
| District 2010-1 and 2010-2                |                     |                     |                   |                   |                     |                     |
| Debt Service                              | 81,644.03           | 98,365.17           |                   |                   | 72,769.75           | 107,239.45          |
| Street District 2011-1                    | 70,466.60           | 88,907.77           |                   |                   | 52,041.00           | 107,333.37          |
| Pool 2018 Bond                            |                     | 36,616.63           |                   |                   |                     | 36,616.63           |
| City Auditorium Renovation                | 195.42              | 0.22                |                   |                   |                     | 195.64              |
| <b>Total Non-Major Governmental Funds</b> | <b>396,776.92</b>   | <b>518,683.02</b>   | <b>73,000.00</b>  | <b>286,193.13</b> | <b>300,321.44</b>   | <b>401,945.37</b>   |
| <b>Total Governmental Funds</b>           | <b>(54,109.57)</b>  | <b>2,073,965.03</b> | <b>531,112.48</b> | <b>612,143.13</b> | <b>1,757,009.42</b> | <b>181,815.39</b>   |
| <b>Major Enterprise Fund:</b>             |                     |                     |                   |                   |                     |                     |
| <b>Water and Sewer:</b>                   |                     |                     |                   |                   |                     |                     |
| Operating                                 | (142,190.60)        | 1,075,322.52        |                   | 405,456.00        | 705,142.49          | (177,466.57)        |
| District 2000-1                           | 185,421.86          |                     | 177,800.00        |                   | 252,755.01          | 110,466.85          |
| District 2000-1 Reserve                   | 116,000.00          |                     |                   | 116,000.00        |                     |                     |

(continued)

CITY OF ENDERLIN  
Enderlin, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2018  
(continued)

|   | Balance<br>1-1-18   | Receipts            | Transfers<br>In     | Transfers<br>Out    | Disbursements       | Balance<br>12-31-18 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>Major Enterprise Fund (continued)</u>              |                     |                     |                     |                     |                     |                     |
| District 2002-1                                       | 16,043.66           | 7,140.03            |                     |                     | 5,797.50            | 17,386.19           |
| District 2005-1                                       | 6,509.11            | 83.79               | 13,500.00           |                     | 12,165.00           | 7,927.90            |
| District 2006-1                                       | 19,127.07           | 22,565.79           | 70,730.65           |                     | 71,276.50           | 41,147.01           |
| District 2009-1                                       | 141,333.32          | 284.80              | 163,056.00          |                     | 141,700.00          | 162,974.12          |
| District 2009-3                                       | 47,298.71           | 26,375.48           |                     |                     | 21,150.00           | 52,524.19           |
| Water/Sewer Expansion                                 | 159,430.36          |                     |                     |                     |                     | 159,430.36          |
| District 2013 Bond                                    | 313,017.29          | 16,345.03           | 115,500.00          |                     | 111,432.00          | 333,430.32          |
| District 2014-1                                       | 69,504.37           |                     | 42,000.00           |                     | 23,000.00           | 88,504.37           |
| District 2015-1 Construction                          | 665.00              |                     |                     |                     |                     | 665.00              |
| District 2015-01                                      | 7,675.57            |                     | 23,100.00           |                     | 22,750.00           | 8,025.57            |
| <b>Total Major Enterprise Fund</b>                    | <b>939,835.72</b>   | <b>1,148,117.44</b> | <b>605,686.65</b>   | <b>521,456.00</b>   | <b>1,367,168.50</b> | <b>805,015.31</b>   |
| <u>Non-Major Enterprise Funds:</u>                    |                     |                     |                     |                     |                     |                     |
| Meter Deposit   | 26,525.00           | 1,400.00            |                     |                     | 50.00               | 27,875.00           |
| Garbage   | 33,773.83           | 76,616.30           |                     | 3,200.00            | 86,056.00           | 21,134.13           |
| <b>Total Non-Major Enterprise Funds</b>               | <b>60,298.83</b>    | <b>78,016.30</b>    |                     | <b>3,200.00</b>     | <b>86,106.00</b>    | <b>49,009.13</b>    |
| <b>Total Enterprise Funds</b>                         | <b>1,000,134.55</b> | <b>1,226,133.74</b> | <b>605,686.65</b>   | <b>524,656.00</b>   | <b>1,453,274.50</b> | <b>854,024.44</b>   |
| <u>Agency Funds:</u>                                  |                     |                     |                     |                     |                     |                     |
| Park  |                     | 9,884.91            |                     |                     | 9,884.91            |                     |
| Enderlin Library                                      |                     | 59,590.88           |                     |                     | 59,590.88           |                     |
| Enderlin Cemetery                                     |                     | 5,891.06            |                     |                     | 5,891.06            |                     |
| Enderlin Airport Authority                            |                     | 21,858.33           |                     |                     | 21,858.33           |                     |
| Enderlin Fine Arts                                    |                     | 12,799.38           |                     |                     | 12,799.38           |                     |
| <b>Total Agency Funds</b>                             |                     | <b>110,024.56</b>   |                     |                     | <b>110,024.56</b>   |                     |
| <b>Total Primary Government</b>                       | <b>946,024.98</b>   | <b>3,410,123.33</b> | <b>1,136,799.13</b> | <b>1,136,799.13</b> | <b>3,320,308.48</b> | <b>1,035,839.83</b> |
| <u>Discretely Presented</u>                           |                     |                     |                     |                     |                     |                     |
| <u>Component Units:</u>                               |                     |                     |                     |                     |                     |                     |
| Enderlin Library                                      | 54,086.91           | 42,159.90           |                     |                     | 52,463.56           | 43,783.25           |
| Enderlin Cemetery                                     | 279,391.28          | 40,582.21           |                     |                     | 17,987.57           | 301,985.92          |
| Enderlin Airport Authority                            | 27,201.16           | 49,894.32           |                     |                     | 35,222.67           | 41,872.81           |
| Enderlin Fine Arts                                    | 21,293.21           | 31,944.26           |                     |                     | 38,139.59           | 15,097.88           |
| <b>Total Discretely Presented<br/>Component Units</b> | <b>381,972.56</b>   | <b>164,580.69</b>   |                     |                     | <b>143,813.39</b>   | <b>402,739.86</b>   |
| <b>Total Reporting Entity</b>                         | <b>1,327,997.54</b> | <b>3,574,704.02</b> | <b>1,136,799.13</b> | <b>1,136,799.13</b> | <b>3,464,121.87</b> | <b>1,438,579.69</b> |



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

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Enderlin  
Enderlin, 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Enderlin, Enderlin, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated March 8, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the city's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the city's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items II-1 and II-2, that we consider to be significant deficiencies.



### **Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

March 8, 2019

CITY OF ENDERLIN  
Enderlin, North Dakota

Schedule of Findings and Responses  
For the Year Ended December 31, 2018

**SECTION I - SUMMARY OF AUDIT RESULTS:**

Financial Statements

Type of Auditor's Report Issued:

|                                      |                                |
|--------------------------------------|--------------------------------|
| Governmental Activities              | Unmodified-Modified Cash Basis |
| Business-Type Activities             | Unmodified-Modified Cash Basis |
| Discretely Presented Component Units | Unmodified-Modified Cash Basis |
| Major Governmental Funds             | Unmodified-Modified Cash Basis |
| Major Business-Type Funds            | Unmodified-Modified Cash Basis |
| Aggregate Remaining Fund Information | Unmodified-Modified Cash Basis |

Internal control over financial reporting:

\* Material weakness(es) identified?                           Yes                      X   No

\* Significant deficiency(ies) identified?              X   Yes                           None Reported

Noncompliance Material to financial  
statements noted?           Yes                      X   No

**SECTION II - FINANCIAL STATEMENT FINDINGS:**

Significant Deficiencies

1. Segregation of Duties

*Condition:* The city has one person responsible for most accounting functions.

*Criteria:* There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over assets of the city.

*Effect:* There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare financial statements. This increases the risk of misstatement of the city's financial condition.

*Recommendation:* Due to the size of the city, it is not feasible to obtain proper separation of duties and no recommendation will be made.

*Client Response:* No response is considered necessary.

## 2. Financial Statement Preparation

*Condition:* The city's financial statements as of December 31, 2018 are prepared by the city's external auditors.

*Criteria:* A good system of internal controls requires the city to determine that the financial statements are prepared based on the modified cash basis of accounting. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

*Effect:* A control system is not in place to determine that the financial statements are properly stated and in compliance with the modified cash basis of accounting.

*Recommendation:* We recommend the city obtain the necessary knowledge of current accounting principles to prepare financial statements or outsource the preparation of its financial statements.

*Client Response:* It is not cost effective for the city to prepare its own financial statements.