

CITY OF CASSELTON
CASSELTON, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

City of Casselton
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CITY OF CASSELTON
LIST OF OFFICIALS
DECEMBER 31, 2019

CITY COUNCIL

Office

Lee Anderson
Char Gust
Joan Carvell
Mike Eberhardt
Kent Buss
Charlie Francis
Evan Anderson

Mayor

EMPLOYEES

Sheila Klevgard
Del Losing

City Auditor
City Attorney

Harold J. Rotunda
Certified Public Accountant
INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Casselton
Casselton, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities and each major fund of City of Casselton as of and for the year ended December 31, 2019, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 and each major fund of City of Casselton as of December 31, 2019, and the changes in the modified cash basis financial position and cash flows, where applicable, thereof for the year then ended, in conformance with the modified cash basis of accounting.

Basis of Accounting

I 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. My opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated December 30, 2020, on my considerations of the City's internal control over financial reporting and on my 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 my 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.

West Fargo, North Dakota
December 30, 2020

CITY OF CASSELTON
 STATEMENT OF NET POSITION- MODIFIED CASH BASIS
 DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	3,889,002.16	(559,472.76)	3,329,529.40
Non-current assets:			
Capital assets (net of accumulated de	17,928,697.04	3,982,346.93	21,911,043.97
Total Assets	21,817,699.20	3,422,874.17	25,240,573.37
LIABILITIES			
Current liabilities:			
Accounts Payable			-
Long term liabilities			
Due within one year:	813,964.31	107,073.00	921,037.31
Due in more than one year	12,021,982.97	40,000.00	12,061,982.97
Total liabilities	12,835,947.28	147,073.00	12,983,020.28
NET POSITION			
Net investment capital assets	5,092,749.76	3,835,273.93	8,928,023.69
Restricted for:			
Capital projects	30,324.99		30,324.99
Debt service	2,696,009.47		2,696,009.47
Highways and streets	-		-
Economic development	262,588.01		262,588.01
Community development	755,129.85		755,129.85
Unrestricted	144,949.84	(559,472.76)	(414,522.92)
Total net position	8,981,751.92	3,275,801.17	12,257,553.09

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

CITY OF CASSELTON
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019

	Expenses	Program Revenues			Revenue & Changes in net position Governmental Activities
		Charges for Services	Operating grants and Contributions	Capital grants and Contributions	
Governmental activities:					
General government	592,461.22	44,071.87			(548,389.35)
Public safety	207,277.85				(207,277.85)
Highways and streets	1,047,608.26		153,219.09		(894,389.17)
Economic development	146,748.57				(146,748.57)
					-
Interest expense	428,565.57			809,938.38	381,372.81
					-
Total Governmental Activities	2,422,661.47	44,071.87	153,219.09	809,938.38	(1,415,432.13)
Business-type activities					
Water	533,113.97	544,707.09			11,593.12
Sewer	124,975.78	246,983.79			122,008.01
Garbage	200,837.62	259,446.21			58,608.59
Meter deposits	6,750.00	-			(6,750.00)
Interest expense	7,153.96	68,453.50			61,299.54
					-
Total Business-type activities	872,831.33	1,119,590.59	-	-	246,759.26
Total	3,295,492.80	1,163,662.46	153,219.09	809,938.38	(1,168,672.87)

	Governmental	Business-type	Total
Net expense	(1,415,432.13)	246,759.26	(1,168,672.87)
General Revenues			
Property taxes	623,102.15		623,102.15
Sales taxes	453,702.32		453,702.32
State aid	220,221.65	274,870.67	495,092.32
Interest	116,233.26	-	116,233.26
Other	543,981.99	119,356.65	663,338.64
Total General Revenues	1,957,241.37	394,227.32	2,351,468.69
Transfers in (out)	155,368.82	(155,368.82)	-
Change in Net Position	697,178.06	485,617.76	1,182,795.82
Net Position- January 1	8,284,573.86	2,790,183.41	11,074,757.27
Net Position- December 31	8,981,751.92	3,275,801.17	12,257,553.09

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

CITY OF CASSELTON
 BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 DECEMBER 31, 2019

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	144,949.75	1,017,717.86	2,696,009.47	30,324.99	3,889,002.07
Total Assets	144,949.75	1,017,717.86	2,696,009.47	30,324.99	3,889,002.07
LIABILITIES					
Total liabilities	-	-	-	-	-
FUND BALANCE					
Restricted for					-
Capital projects				30,324.99	30,324.99
Debt service			2,696,009.47		2,696,009.47
Highways and streets					-
Economic development		262,588.01			262,588.01
Community development		755,129.85			755,129.85
Unassigned	144,949.75	-			144,949.75
Total fund balance	144,949.75	1,017,717.86	2,696,009.47	30,324.99	3,889,002.07
Total liabilities and fund balance	144,949.75	1,017,717.86	2,696,009.47	30,324.99	3,889,002.07

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

CITY OF CASSELTON
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET ASSETS
 DECEMBER 31, 2019

Total Fund Balances for Governmental Funds 3,889,002.07

Total net position reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and are not reported in governmental funds

Cost of capital assets	23,617,420.76	
Less accumulated depreciation	5,688,723.72	
Net capital assets		17,928,697.04

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net assets.

Bonds payable	(8,249,236.20)
SRF Notes payable	(3,876,700.00)
Notes payable	(153,954.80)
IRF Notes payable	(556,056.28)

Total Net Position of Governmental Activities 8,981,751.83

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

CITY OF CASSELTON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
Property taxes	327,613.47	253,044.46		42,444.22	623,102.15
Sales taxes		226,851.13	226,851.19	-	453,702.32
Special Assessments		-	776,595.02	33,343.36	809,938.38
Intergovernmental	217,393.21	156,047.53		-	373,440.74
Interest	116,233.26	-		-	116,233.26
Charges for services		21,314.74	314,664.47	-	335,979.21
Other	88,505.47	130,956.82	32,612.36	-	252,074.65
Total Revenues	749,745.41	788,214.68	1,350,723.04	75,787.58	2,964,470.71
Current:					
General government	507,139.10	221,750.12			728,889.22
Public safety	174,277.85	33,000.00			207,277.85
Highways and streets		214,642.58			214,642.58
Economic development		146,748.57	-		146,748.57
Capital outlays		584,281.85	35,761.72	1,106,932.19	1,726,975.76
Debt Service					
Principal		-	1,515,797.58	49,196.13	1,564,993.71
Interest expense		-	417,473.47	11,092.10	428,565.57
Total Expenditures	681,416.95	1,200,423.12	1,969,032.77	1,167,220.42	5,018,093.26
Excess revenues (expenditures)	68,328.46	(412,208.44)	(618,309.73)	(1,091,432.84)	(2,053,622.55)
Other Financing Sources (Uses):					
Transfers in	-	150,384.51	45,292.50	95,434.41	291,111.42
Transfers out	(54,950.10)	-	(45,292.50)	-	(100,242.60)
Bond proceeds		-	-	234,477.31	234,477.31
Total other financing sources and uses	(54,950.10)	150,384.51	-	329,911.72	425,346.13
Net change in fund balances	13,378.36	(261,823.93)	(618,309.73)	(761,521.12)	(1,628,276.42)
Fund Balance- January 1	131,571.39	1,279,541.79	3,314,319.20	791,846.11	5,517,278.49
Fund Balance- December 31	144,949.75	1,017,717.86	2,696,009.47	30,324.99	3,889,002.07

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

CITY OF CASSELTON
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances- Total Governmental Funds (1,628,276.42)

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

Governmental funds report capital outlay 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 outlays exceeded depreciation in the current year.

Current year capital outlay	1,688,868.54	
Current year depreciation expense	693,930.46	994,938.08

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period these amounts are:

Debt issued, net of related premiums and discounts	(234,477.31)
Principal retirement	1,564,993.71

Change in Net Position of Governmental Activities 697,178.06

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

CITY OF CASSELTON
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Water & Sewer	Sanitation	Total
ASSETS			
Current assets:			
Cash and cash equivalents	(633,170.55)	73,697.79	(559,472.76)
Noncurrent assets			
Capital assets (net of accumulated depreciation)	3,982,346.93		3,982,346.93
Total Assets	3,349,176.38	73,697.79	3,422,874.17
LIABILITIES			
Current liabilities:			
Accounts Payable			
Long term liabilities			
Due within one year:			
Due in more than one year	107,073.00		107,073.00
	40,000.00		40,000.00
Total liabilities	147,073.00	-	147,073.00
NET POSITION			
Net investment in capital assets	3,835,273.93		3,835,273.93
Restricted for:			
Capital projects	-		-
Debt service	-		-
Unrestricted	(633,170.55)	73,697.79	(559,472.76)
Total net position	3,202,103.38	73,697.79	3,275,801.17

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

CITY OF CASSELTON
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Water & Sewer	Sanitation	Total
OPERATING REVENUE			
Charges for services	860,144.38	259,446.21	1,119,590.59
OPERATING EXPENSES			
Salaries and benefits	121,568.47	95,594.14	217,162.61
Professional fees	1,883.74	-	1,883.74
Insurance	-	-	-
Contract services	401,716.11	68,720.45	470,436.56
Electricity	22,511.97	1,841.58	24,353.55
Supplies	17,355.88	14,434.85	31,790.73
Repairs and maintenance	63,823.47	16,700.90	80,524.37
Office expense	25,124.48	2,275.65	27,400.13
Telephone	-	-	-
Depreciation	73,075.08	-	73,075.08
Miscellaneous	10,352.01	1,270.05	11,622.06
Total operating expenses	737,411.21	200,837.62	938,248.83
Operating income (loss)	122,733.17	58,608.59	181,341.76
NON-OPERATING REVENUE (EXPENSE)			
Bond proceeds	-	-	-
Interest income	-	-	-
Grant income	274,870.67	-	274,870.67
Interest expense	(7,153.96)	-	(7,153.96)
Capital outlay	108,071.46	-	108,071.46
Other	83,256.34	36,100.31	119,356.65
Total non-operating rev (exp)	459,044.51	36,100.31	495,144.82
Income (loss) before transfers	581,777.68	94,708.90	676,486.58
Transfers in	65,257.50	-	65,257.50
Transfers out	(65,257.50)	(190,868.82)	(256,126.32)
Change in net position	581,777.68	(96,159.92)	485,617.76
Net Position- January 1	2,620,325.70	169,857.71	2,790,183.41
Net Position- December 31	3,202,103.38	73,697.79	3,275,801.17

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

CITY OF CASSELTON
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Water & Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	860,144.38	259,446.21	1,119,590.59
Payments to suppliers	(542,767.66)	(105,243.48)	(648,011.14)
Payments to employees	(121,568.47)	(95,594.14)	(217,162.61)
Other receipts	358,127.01	36,100.31	394,227.32
Net cash provided by (used in) operating activities	553,935.26	94,708.90	648,644.16
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	65,257.50	-	65,257.50
Transfers from other funds	(65,257.50)	(190,868.82)	(256,126.32)
Net cash provided by (used in) noncapital financing activities	-	(190,868.82)	(190,868.82)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(482,251.68)	-	(482,251.68)
Principal paid on capital debt	(125,000.00)	-	(125,000.00)
Interest paid on capital debt	(7,153.96)	-	(7,153.96)
Debt proceeds	-	-	-
Net cash provided by (used in) capital and related financing activities	(614,405.64)	-	(614,405.64)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	-	-
Net cash provided by (used in) investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	(60,470.38)	(96,159.92)	(156,630.30)
Cash and cash equivalents- January 1	(572,700.17)	169,857.71	(402,842.46)
Cash and cash equivalents- December 31	(633,170.55)	73,697.79	(559,472.76)
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	122,733.17	58,608.59	181,341.76
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	73,075.08	-	73,075.08
Change in assets and liabilities:			
Refundable deposits	-	-	-
Miscellaneous receipts (expense)	358,127.01	36,100.31	394,227.32
Net cash provided by operating activities	553,935.26	94,708.90	648,644.16

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

CITY OF CASSELTON
CASSELTON, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Casselton (City) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. 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 such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. 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, there are no component units.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF CASSELTON
Notes to Financial Statements- Continued

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: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses/expenditures. Funds are organized into two major categories: governmental and proprietary. The City currently has no fiduciary funds.

The City reports the following major governmental fund types:

General Fund. The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund- This fund accounts for financial resources that exist for special purposes. The major sources of revenues is property taxes, sales taxes and intergovernmental revenues.

Capital Projects Funds. Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service funds. Debt funds are used to account for the accumulation of financial resources for the payment of principal and interest on the City's debt. The City annually levies special assessments restricted for the retirement of debt.

CITY OF CASSELTON
Notes to Financial Statements- Continued

The City reports the following major enterprise funds:

Water and sewer- accounts for operating activities of the City's water and sewer utility services.

Sanitation- accounts for operating activities of the City's sanitation services

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

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

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 presents 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.

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 assets (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 assets.

CITY OF CASSELTON

Notes to Financial Statements- Continued

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

In the government-wide statements of net position and statement of activities and the fund financial statements, both governmental and business-type activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for long term debt and depreciation in the government-wide statements, and the proprietary fund statements. In accordance with the modified cash basis of accounting, the City reports capital assets and debt. Payments for payroll benefit liabilities are reported in the year that they are incurred and budgeted. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The City's governmental funds use the modified cash basis of accounting. 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.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

CITY OF CASSELTON

Notes to Financial Statements- Continued

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Budgets

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

City taxes must be levied by the governing board on or before October 7. The taxes levied must be certified to the County auditor by October 10. The governing body of the City may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the County auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts and certificates of deposits with maturity of less than 90 days. Investments consist of certificates of deposits, with a maturity date in excess of 90 days, stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2003. Prior to January 1, 2003, governmental funds infrastructure assets were not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF CASSELTON
Notes to Financial Statements- Continued

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 of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful

lives:	ASSETS	YEARS
	Permanent Buildings	50
	Vehicles and equipment	10

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 assets. 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 Balance

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

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

CITY OF CASSELTON
Notes to Financial Statements- Continued

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

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

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

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

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

The council has not set a General Fund minimum fund balance.

I. Interfund Transactions

In the governmental 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.

CITY OF CASSELTON
Notes to Financial Statements- Continued

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Council did not amend the City budget for 2019.

EXPENDITURES OVER APPROPRIATIONS

Expenditures did not exceed budget in the general fund. No remedial action is required by the City.

NOTE 3 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 institution 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 deposit not covered by insurance or bonds.

CITY OF CASSELTON

Notes to Financial Statements- Continued

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

At December 31, 2019, the City's carrying amount of deposits was \$3,329,529. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining balance of \$2,829,529 was collateralized with an irrevocable and unconditional letter of credit held by the Federal Home Loan Bank of Des Moines.

Credit Risk

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

Concentration of Credit Risk

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

CITY OF CASSELTON
Notes to Financial Statements- Continued

NOTE 4: PROPERTY TAXES

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

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

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

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

CITY OF CASSELTON
Notes to Financial Statements- Continued

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2019:

	Balance Jan 1	Increases	Decreases	Balance December 31
Government activities				
Construction in progress	4,498,116	1,587,941		6,086,056
Infrastructure	15,121,062	32,000		15,153,062
Bldgs and Improvements	1,412,324			1,412,324
Vehicles & Equipment	897,050	68,928		965,978
Total	21,928,552	1,688,869		23,617,421
Less accumulated depreciation for:				
Infrastructure	3,327,481	612,080		3,939,561
Buildings & Improve	1,026,887	35,497		1,062,384
Vehicles & Equip	640,425	46,354		686,779
Total Accumulated Dep	4,994,793	693,930		5,688,724
Total net	16,933,759			17,928,697
Business-type activities:				
Construction in progress	2,001,394	533,893		2,535,287
Infrastructure	1,733,141			1,733,141
Bldgs and Improvements	1,079,655			1,079,655
Vehicles & Equipment	219,505	56,430		275,935
Total	5,033,694	590,323		5,624,018
Less accumulated depreciation for:				
Infrastructure	389,957	43,329		433,285
Buildings & Improve	1,068,886	2,153		1,071,040
Vehicles & Equipment	109,752	27,593		137,346
Total	1,568,596	73,075		1,641,671
Total net	3,465,099			3,982,347

Depreciation Expense was charged to functions/programs of the City as follows:

Governmental Activities:	
General government	31,354
Public safety	11,034
Public works	39,462
Infrastructure	612,080
Total	693,930

Business-type Activities:	
Water and Sewer	73,075

CITY OF CASSELTON
Notes to Financial Statements- Continued

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2019, the following changes occurred in liabilities reported in long-term debt:

	Payable 2018	Increases	Decreases	Payable 2019	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	9,477,136		1,227,900	8,249,236	455,432
SRF Notes	4,161,700		285,000	3,876,700	290,000
IRF Notes	349,202	234,477	27,623	556,056	43,000
Notes payable	178,425		24,470	153,955	25,532
TOTAL	14,166,463	234,477	1,558,093	12,835,947	

BUSINESS-TYPE ACTIVITIES

SRF Notes	272,073	125,000	147,073	107,073
TOTAL	272,073	125,000	147,073	

BONDS PAYABLE

Bonds payable consist of the following:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Refunding imp bonds- 2011	05/01/2024	3.0-4.8%	410,000
Refunding imp bonds- 2012	05/01/2026	1.0-3.5%	200,000
Refunding imp bonds- 2015	05/01/2028	2.43%	2,200,000
Refunding imp bonds- 2016	05/01/2037	2.74%	1,843,389
Refunding imp bonds- 2016	05/01/2037	2.74%	460,847
Refunding imp bonds- 2017	05/01/2038	2.25-3.75%	3,135,000
Total			8,249,236

BUSINESS-TYPE ACTIVITIES

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

CITY OF CASSELTON
Notes to Financial Statements- Continued

SRF NOTES PAYABLE

The City obtained financing from the State of North Dakota's State Revolving Loan Fund (SRF) to finance improvements to the City's utility systems. Details relative to the outstanding notes payable are shown below:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Refunding improvement-2012	09/01/2028	2.0%	1,090,000
Water treatment bonds-2004	09/01/2032	2.5%	376,700
Water treatment bonds-2013	09/01/2033	2.0%	2,410,000
Total			3,876,700
BUSINESS-TYPE ACTIVITIES			
Water treatment bonds-2019	09/01/2033	2.0%	32,073
Water treatment bonds-2004	09/01/2023	2.0%	115,000
Total			147,073

NOTES PAYABLE

Notes payable due in semi-annual installments of \$16,000, including interest at 4.37%, through October 2024. Note used for tax increment. 153,955

The City is obligated to the following notes payable

2020	32,000
2021	32,000
2022	<u>110,917</u>
	174,917
Less amount representing interest	<u>20,962</u>
Principal balance remaining	153,955

IRF NOTES PAYABLE

The City received an Infrastructure Revolving Loan Fund for street project. The loan award was for \$3,490,000 and \$556,056 was advanced through December 31, 2019. The loan is for a maximum 30 years at 2%. An amortization schedule will be prepared when the loan is finalized.

CITY OF CASSELTON
Notes to Financial Statements- Continued

The annual long-term debt service requirements for bonds payable, as of December 31, 2019, are as follows:

GOVERNMENTAL ACTIVITIES

Year Ending December 31	Bonds Payable		SRF Notes Payable	
	Principal	Interest	Principal	Interest
2020	455,432	242,263	290,000	82,984
2021	573,372	228,795	295,000	76,634
2022	586,224	212,736	305,000	70,184
2023	594,154	195,997	315,000	63,509
2024	612,028	178,844	320,000	56,609
2025-2029	2,483,861	667,549	1,586,700	174,045
2030-2034	1,617,649	375,480	765,000	38,600
2035-2038	1,326,516	104,293		
TOTAL	8,249,236	2,205,957	3,876,700	562,565

BUSINESS-TYPE ACTIVITIES

2020	107,073	7,875
2021	40,000	2,000
TOTAL	147,073	9,875

NOTE 7. DEFICIT FUND BALANCE

The following fund balances had deficits at December 31, 2019:

Ind Park	237,355	Will be eliminated with specials.
Street #23	18,071	Will be eliminated with specials.
Hwy 10 lift station	496,894	Will be eliminated with transfers.
Levee imp	1,531	Will be eliminated with grants.
City special	28,817	Will be eliminated with taxes.
Water tower	583,289	Will be eliminated with bonds.
Water & Sewer 2019-2	442,798	Will be eliminated with specials.
Storm sewer 2019-1	19,731	Will be eliminated with bonds.
Heartland Avenue	539,363	Will be eliminated with bonds.

NOTE 8: RISK MANAGEMENT

The City 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

CITY OF CASSELTON
Notes to Financial Statements- Continued

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, inland marine and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the City with blanket fidelity bond coverage for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The City has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, and boiler and machinery.

NOTE 9: TRANSFERS

Transfers are used to 1)move unrestricted revenues to finance various programs 2)move sales tax revenues to fund programs and projects and 3)move revenues from the fund with collection authorization to the debt service funds as debt service principal and interest payments become due.

	Transfer in	Transfer out
General Fund		111,571
Special Revenue Fund	326,264	606,693
Capital Project Fund		29,371
Debt Service Fund	300,000	
Total Governmental Funds	626,264	747,581
Water & Sewer Fund	244,155	122,838
Total	870,419	870,419

NOTE 10: RETIREMENT PLAN

The City has a tax sheltered annuity plan under Section 457 of the Internal Revenue Code. The plan covers substantially all full-time employees. Under the plan, the City contributes an amount equal to 9% of the participants' compensation. The City's contribution to the plan for the fiscal years ended December 31, 2019 and 2018 was \$27,003 and \$24,397, respectively.

CITY OF CASSELTON

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2019

City of Casselton
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Harold J. Rotunda

Certified Public Accountant

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 Casselton
Casselton, North Dakota

I 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 and each major fund of City of Casselton as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated December 30, 2020.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Casselton's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify two deficiencies in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2019-1 and 2019-2).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Casselton's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

City's Response to Findings

City of Casselton's response to the finding identified in my audit is described in the accompanying schedule of findings. City of Casselton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Harold Rotunda, CPA
December 30, 2020

CITY OF CASSELTON
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED DECEMBER 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Business-type Activities	Unmodified
Major Funds	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	<u> X </u>	No
Significant deficiencies identified not Considered to be material weaknesses	<u> X </u>	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	<u> X </u>	No

Section II- Financial Statement Findings

**2019-001 Segregation of Duties
 Criteria**

To provide reasonable assurance that segregation of duties takes place while also taking into account the size of the City.

Condition

The City Auditor is responsible for all accounting functions involved. The employee handles all income of monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the City, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

Cause

The City Auditor is the employee responsible for all functions and due to the City's size, they are unable to hire additional staff.

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

The City should separate the duties when it becomes feasible.

CITY OF CASSELTON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Management's Response

Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to being given to the Auditor to receipt and deposit at the various financial institutions. The Council reviews and approves bills before payments are made. The Mayor reviews and signs all checks written. The City will formally segregate other duties when feasible.

**2019-002 Financial Statement Preparation
Criteria**

An appropriate system of internal controls requires that a City make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis of accounting. This requires the City's personnel to maintain a working knowledge of current modified cash basis of accounting required financial statement disclosures.

Condition

The City's auditor prepared the financial statements for the year ended. In addition, adjusting entries were proposed to bring the financial statements into compliance with the modified cash basis of accounting. An appropriate system of internal controls requires that a City must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis. This requires the City's personnel to maintain a working knowledge of current accounting principles in accordance with the modified cash basis.

Cause

The City does not have the resources to prepare full modified cash basis financial statements.

Effect

The City currently does not maintain the working knowledge of current accounting principles for the modified cash basis and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with the modified cash basis.

Recommendation

Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

Management's Response

Management agrees that it is currently not cost-effective.