

AUDIT REPORT

CITY OF EDGELEY
Edgeley, North Dakota

For the Years Ended December 31, 2019 and 2018

RATH & MEHRER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF EDGELEY
Edgeley, North Dakota

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CITY OF EDGELEY
Edgeley, North Dakota

CITY OFFICIALS

Wayne Henderson	Mayor
Michelle Berry	Council Member
Richard Gutschmidt	Council Member
Lucas Madcke	Council Member
Dan Schlosser	Council Member
Joseph Neis	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Edgeley
Edgeley, 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 discretely presented component units, each major fund and the aggregate remaining fund information of the City of Edgeley, Edgeley, North Dakota, as of and for the years ended December 31, 2019 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edgeley, Edgeley, North Dakota, as of December 31, 2019 and 2018, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the years 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information and schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements.

The budgeting comparison information and the schedules 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 audits 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 budgeting comparison information and the schedules 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 July 10, 2020 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

Rath and Mehrer, P.C.

Bismarck, North Dakota

July 10, 2020

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Edgeley Airport Authority	Edgeley Library
ASSETS:					
Cash, Cash Equivalents and Investments	622,662.23	254,654.46	877,316.69	89,322.18	179,125.89
Capital Assets (net of accumulated depreciation):					
Land				148,500.00	
Buildings and Infrastructure	785,100.00	1,437,266.00	2,222,366.00	1,779,590.00	
Machinery and Vehicles	146,399.00		146,399.00	11,244.00	
Total Capital Assets	931,499.00	1,437,266.00	2,368,765.00	1,939,334.00	
Total Assets	1,554,161.23	1,691,920.46	3,246,081.69	2,028,656.18	179,125.89
LIABILITIES:					
Long-Term Liabilities:					
Due Within One Year:					
Capital Lease Payable	9,479.30		9,479.30		
Loan Payable	24,150.53		24,150.53		
Special Assessment Bonds Payable		15,000.00	15,000.00		
Revenue Bonds Payable	30,000.00	9,300.00	39,300.00		
Due After One Year:					
Capital Lease Payable	97,208.65				
Loan Payable	94,845.88		94,845.88		
Special Assessment Bonds Payable		205,000.00	205,000.00		
Revenue Bonds Payable	230,000.00	136,800.00	366,800.00		
Total Liabilities	485,684.36	366,100.00	754,575.71		
NET POSITION:					
Net Investment in Capital Assets	445,814.64	1,071,166.00	1,516,980.64	1,939,334.00	
Restricted for:					
Debt Service		283,811.93	283,811.93		
Special Purposes	473,176.53		473,176.53		
Unrestricted	149,485.70	(29,157.47)	120,328.23	89,322.18	179,125.89
Total Net Position	1,068,476.87	1,325,820.46	2,394,297.33	2,028,656.18	179,125.89

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Edgeley Airport Authority	Edgeley Library
ASSETS:					
Cash, Cash Equivalents and Investments	416,406.97	220,196.93	636,603.90	107,947.57	180,558.93
Capital Assets (net of accumulated depreciation):					
Land				148,500.00	
Buildings and Infrastructure	825,640.00	1,492,375.00	2,318,015.00	1,906,992.00	
Machinery and Vehicles	155,553.00		155,553.00	14,360.00	
Total Capital Assets	981,193.00	1,492,375.00	2,473,568.00	2,069,852.00	
Total Assets	1,397,599.97	1,712,571.93	3,110,171.90	2,177,799.57	180,558.93
LIABILITIES:					
Long-Term Liabilities:					
Due Within One Year:					
Capital Lease Payable	9,176.05		9,176.05		
Loan Payable	23,910.32		23,910.32		
Special Assessment Bonds Payable		15,000.00	15,000.00		
Revenue Bonds Payable	30,000.00	9,100.00	39,100.00		
Due After One Year:					
Capital Lease Payable	106,687.95		106,687.95		
Loan Payable	118,996.41		118,996.41		
Special Assessment Bonds Payable		220,000.00	220,000.00		
Revenue Bonds Payable	260,000.00	146,100.00	406,100.00		
Total Liabilities	548,770.73	390,200.00	938,970.73		
NET POSITION:					
Net Investment in Capital Assets	432,422.27	1,102,175.00	1,534,597.27	2,069,852.00	
Restricted for:					
Debt Service		278,649.41	278,649.41		
Special Purposes	352,321.36		352,321.36		
Unrestricted	64,085.61	(58,452.48)	5,633.13	107,947.57	180,558.93
Total Net Position	848,829.24	1,322,371.93	2,171,201.17	2,177,799.57	180,558.93

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2019

Net (Expense) Revenue and Changes in Net Position

Functions/Programs	Program Revenues			Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Edgeley Airport Authority	Edgeley Library
<u>Primary Government:</u>									
<u>Governmental Activities:</u>									
General Government	89,508.86	1,880.00			(87,628.86)		(87,628.86)		
Public Safety	2,217.00				(2,217.00)		(2,217.00)		
Streets and Public Works	142,696.86		64,633.12		(78,063.74)		(78,063.74)		
Urban and Economic Development	26,320.00				(26,320.00)		(26,320.00)		
Culture and Recreation	113,533.73				(113,533.73)		(113,533.73)		
Other	44,385.22				(44,385.22)		(44,385.22)		
Interest on Long-Term Debt	17,653.63				(17,653.63)		(17,653.63)		
Total Governmental Activities	436,315.30	1,880.00	64,633.12		(369,802.18)		(369,802.18)		
<u>Business-Type Activities:</u>									
Water	176,202.54	198,365.56				22,163.02	22,163.02		
Sewer	109,413.24	77,758.30		28,304.37		(3,350.57)	(3,350.57)		
Garbage	121,813.43	124,136.66				2,323.23	2,323.23		
Total Business-Type Activities	407,429.21	400,260.52		28,304.37		21,135.68	21,135.68		
Total Primary Government	843,744.51	402,140.52	64,633.12	28,304.37	(369,802.18)	21,135.68	(348,666.50)		
<u>Component Units:</u>									
Airport Authority	368,354.19	6,403.97	183,118.98					(178,831.24)	(10,097.98)
Library	17,122.98	3,000.00	4,025.00						
Total Component Units	385,477.17	9,403.97	187,143.98					(178,831.24)	(10,097.98)

<u>General Revenues:</u>			
Taxes:			
Property taxes; levied for general purposes	109,304.25	109,304.25	29,396.17
City sales taxes	246,751.93	246,751.93	4,433.75
Restaurant and lodging taxes	11,913.61	11,913.61	
Telecommunications taxes	2,827.31	2,827.31	
Gaming taxes	1,458.00	1,458.00	
Cigarette taxes	1,482.32	1,482.32	
Homestead credit taxes	4,835.05	4,835.05	
Intergovernmental revenue not restricted to specific programs	39,693.99	39,693.99	
Earnings on investments and other revenue	151,183.35	153,496.20	291.68
Transfers	20,000.00	(20,000.00)	4,231.19
Total General Revenues and Transfers	589,449.81	(17,687.15)	29,687.85
			8,664.94
Change in Net Position	219,647.63	223,096.16	(149,143.39)
Net Position - January 1	848,829.24	1,322,371.93	2,171,201.17
Net Position - December 31	1,068,476.87	1,325,820.46	2,394,297.33
			2,028,656.18
			179,125.89

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

CITY OF EDGELEY
Edgeley, North Dakota

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

Net (Expense) Revenue and Changes in Net Position

Functions/Programs	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Edgeley Airport Authority	Edgeley Library
<u>Primary Government:</u>									
<u>Governmental Activities:</u>									
General Government	134,940.43	2,125.00			(132,815.43)		(132,815.43)		
Public Safety	2,212.51				(2,212.51)		(2,212.51)		
Streets and Public Works	146,107.39		63,992.90		(82,114.49)		(82,114.49)		
Urban and Economic Development	28,593.00				(28,593.00)		(28,593.00)		
Culture and Recreation	44,150.00				(44,150.00)		(44,150.00)		
Other	44,904.65				(44,904.65)		(44,904.65)		
Interest on Long-Term Debt	23,142.99				(23,142.99)		(23,142.99)		
Total Governmental Activities	424,050.97	2,125.00	63,992.90		(357,933.07)		(357,933.07)		
<u>Business-Type Activities:</u>									
Water	284,791.58	213,222.89	84,535.87			12,967.18	12,967.18		
Sewer	110,370.96	75,900.66		31,063.16		(3,407.14)	(3,407.14)		
Garbage	116,200.94	126,172.40				9,971.46	9,971.46		
Total Business-Type Activities	511,363.48	415,295.95	84,535.87	31,063.16		19,531.50	19,531.50		
Total Primary Government	935,414.45	417,420.95	148,528.77	31,063.16	(357,933.07)	19,531.50	(338,401.57)		
<u>Component Units:</u>									
Airport Authority	208,349.82	24,727.75	57,722.07					(125,900.00)	(8,351.39)
Library	17,577.20	3,055.00	6,170.81					(125,900.00)	(8,351.39)
Total Component Units	225,927.02	27,782.75	63,892.88						

<u>General Revenues:</u>				
Taxes:				
Property taxes; levied for general purposes	101,861.02	101,861.02		
Property taxes; levied for special purposes	4,314.23	4,314.23		
City sales taxes	231,235.53	231,235.53		
Restaurant and lodging taxes	11,310.07	11,310.07		
Telecommunications taxes	2,827.31	2,827.31		
Cigarette taxes	1,565.30	1,565.30		
Homestead credit taxes	3,477.68	3,477.68		
Intergovernmental revenue not restricted to specific programs	34,942.50	34,942.50		
Earnings on investments and other revenue	179,812.41	490.72	180,303.13	
Transfers	10,000.00	(10,000.00)		
			472.03	4,409.68
Total General Revenues and Transfers	581,346.05	(9,509.28)	571,836.77	28,822.10
				8,666.44
Change in Net Position	223,412.98	10,022.22	233,435.20	(97,077.90)
Net Position - January 1	625,416.26	1,312,349.71	1,937,765.97	2,274,877.47
Net Position - December 31	848,829.24	1,322,371.93	2,171,201.17	2,177,799.57
				180,558.93
				=====

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

CITY OF EDGELEY
Edgeley, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2019

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Highway	City Sales Tax		
<u>ASSETS:</u>					
Cash, Cash Equivalents and Investments	149,485.70	31,865.13	414,342.17	26,969.23	622,662.23
Interfund Receivables	3,691.62				3,691.62
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Total Assets	153,177.32	31,865.13	414,342.17	26,969.23	626,353.85
<hr style="border-top: 1px dashed black;"/>					
<u>LIABILITIES AND FUND BALANCES:</u>					
<u>Liabilities:</u>					
Interfund Payables				3,691.62	3,691.62
<hr/>					
<u>Fund Balances:</u>					
Restricted for:					
Streets and Public Works		31,865.13	83,761.56		115,626.69
Urban and Economic Development			131,128.27	17,901.28	149,029.55
Culture and Recreation			186,111.60		186,111.60
Capital Improvements			13,340.74		13,340.74
Other Special Purposes				9,067.95	9,067.95
Unassigned	153,177.32			(3,691.62)	149,485.70
<hr/>					
Total Fund Balances	153,177.32	31,865.13	414,342.17	23,277.61	622,662.23
<hr/>					
Total Liabilities and Fund Balances	153,177.32	31,865.13	414,342.17	26,969.23	626,353.85
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The accompanying notes are an integral part of these financial statements.

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Highway	City Sales Tax		
ASSETS:					
Cash, Cash Equivalents and Investments	64,085.61		330,076.24	22,245.12	416,406.97
Interfund Receivables	44,824.47				44,824.47
<hr/>					
Total Assets	108,910.08	-0-	330,076.24	22,245.12	461,231.44
<hr style="border-top: 1px dashed black;"/>					
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payables		41,749.85		3,074.62	44,824.47
<hr/>					
Fund Balances:					
Restricted for:					
Streets and Public Works			51,510.92		51,510.92
Urban and Economic Development			120,565.60	17,067.55	137,633.15
Culture and Recreation			145,784.30		145,784.30
Capital Improvements			12,215.42		12,215.42
Other Special Purposes				5,177.57	5,177.57
Unassigned	108,910.08	(41,749.85)		(3,074.62)	64,085.61
<hr/>					
Total Fund Balances	108,910.08	(41,749.85)	330,076.24	19,170.50	416,406.97
<hr/>					
Total Liabilities and Fund Balances	108,910.08	-0-	330,076.24	22,245.12	461,231.44
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The accompanying notes are an integral part of these financial statements.

CITY OF EDGELEY
Edgeley, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2019

Total Fund Balances for Governmental Funds		622,662.23
<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	1,508,489.00	
Less Accumulated Depreciation	(576,990.00)	
Net Capital Assets		931,499.00
<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, 2019 are:</p>		
Capital Lease Payable	(106,687.95)	
Loan Payable	(118,996.41)	
Revenue Bonds Payable	(260,000.00)	
Total Long-Term Liabilities		(485,684.36)
Total Net Position of Governmental Activities		1,068,476.87

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

CITY OF EDGELEY
Edgeley, 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		416,406.97
<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	1,525,489.00	
Less Accumulated Depreciation	(544,296.00)	
Net Capital Assets	981,193.00	981,193.00
<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	(115,864.00)	
Loan Payable	(142,906.73)	
Revenue Bonds Payable	(290,000.00)	
Total Long-Term Liabilities	(548,770.73)	(548,770.73)
Total Net Position of Governmental Activities		848,829.24

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2019

	Major Funds				Total Governmental Funds
	General	Highway	City Sales Tax	Other Governmental Funds	
Revenues:					
Taxes	112,131.56		246,751.93	11,913.61	370,797.10
Licenses, Permits and Fees	1,880.00				1,880.00
Intergovernmental	49,615.18	62,487.30			112,102.48
Miscellaneous	33,212.35	5,287.72	66,373.85	46,309.43	151,183.35
Total Revenues	196,839.09	67,775.02	313,125.78	58,223.04	635,962.93
Expenditures:					
Current:					
General Government	86,975.86				86,975.86
Public Safety				617.00	617.00
Streets and Public Works	53,975.82	64,160.04			118,135.86
Urban and Economic Development	10,900.00		10,000.00	5,420.00	26,320.00
Culture and Recreation			76,373.85	5,659.88	82,033.73
Other	1,966.17			42,419.05	44,385.22
Capital Outlay	10,500.00				10,500.00
Debt Service:					
Principal	33,086.37		30,000.00		63,086.37
Interest	5,167.63		12,486.00		17,653.63
Total Expenditures	202,571.85	64,160.04	128,859.85	54,115.93	449,707.67
Excess (Deficiency) of Revenues Over Expenditures	(5,732.76)	3,614.98	184,265.93	4,107.11	186,255.26
Other Financing Sources (Uses):					
Transfers In	50,000.00	70,000.00			120,000.00
Transfers Out			(100,000.00)		(100,000.00)
Total Other Financing Sources (Uses)	50,000.00	70,000.00	(100,000.00)		20,000.00
Net Change in Fund Balances	44,267.24	73,614.98	84,265.93	4,107.11	206,255.26
Fund Balance - January 1	108,910.08	(41,749.85)	330,076.24	19,170.50	416,406.97
Fund Balance - December 31	153,177.32	31,865.13	414,342.17	23,277.61	622,662.23

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

CITY OF EDGELEY
Edgeley, 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				Total Governmental Funds
	General	Highway	City Sales Tax	Other Governmental Funds	
Revenues:					
Taxes	104,688.33		231,235.53	15,624.30	351,548.16
Licenses, Permits and Fees	2,125.00				2,125.00
Intergovernmental	42,270.61	61,707.77			103,978.38
Miscellaneous	152,341.90			27,470.51	179,812.41
Total Revenues	301,425.84	61,707.77	231,235.53	43,094.81	637,463.95
Expenditures:					
Current:					
General Government	105,473.91			26,933.52	132,407.43
Public Safety				612.51	612.51
Streets and Public Works	34,946.99	87,649.40			122,596.39
Urban and Economic Development	12,170.00		10,000.00	6,423.00	28,593.00
Culture and Recreation			10,000.00	2,650.00	12,650.00
Other	1,600.00			35,455.96	37,055.96
Capital Outlay	150,414.00				150,414.00
Debt Service:					
Principal	43,672.51		195,000.00		238,672.51
Interest	1,581.49		21,561.50		23,142.99
Total Expenditures	349,858.90	87,649.40	236,561.50	72,074.99	746,144.79
Excess (Deficiency) of Revenues Over Expenditures	(48,433.06)	(25,941.63)	(5,325.97)	(28,980.18)	(108,680.84)
Other Financing Sources (Uses):					
Transfers In	36,250.72	30,000.00		78,811.97	145,062.69
Transfers Out	(74,811.97)		(50,000.00)	(10,250.72)	(135,062.69)
Proceeds from Capital Lease	135,864.00				135,864.00
Total Other Financing Sources (Uses)	97,302.75	30,000.00	(50,000.00)	68,561.25	145,864.00
Net Change in Fund Balances	48,869.69	4,058.37	(55,325.97)	39,581.07	37,183.16
Fund Balance - January 1	60,040.39	(45,808.22)	385,402.21	(20,410.57)	379,223.81
Fund Balance - December 31	108,910.08	(41,749.85)	330,076.24	19,170.50	416,406.97

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

CITY OF EDGELEY
Edgeley, 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, 2019

Net Change in Fund Balances - Total Governmental Funds 206,255.26

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 depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	10,500.00	
Current Year Depreciation Expense	(60,194.00)	(49,694.00)

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 repayment of debt exceeded debt proceeds.

Debt Proceeds	0.00	
Repayment of Debt	63,086.37	63,086.37

Change in Net Position of Governmental Activities 219,647.63
=====

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

CITY OF EDGELEY
Edgeley, 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 37,183.16

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	150,414.00	
Current Year Depreciation Expense	(59,144.00)	91,270.00

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 repayment of debt exceeded debt proceeds.

Debt Proceeds	(135,864.00)	
Repayment of Debt	238,672.51	102,808.51

In the statement of activities, only the loss on the trade-in/disposal of capital assets is reported, whereas in the governmental funds, this transaction has no effect on financial resources. Thus the net effect of transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position.

(7,848.69)

Change in Net Position of Governmental Activities

223,412.98

=====

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2019

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
ASSETS				
<u>Current Assets:</u>				
Cash and Cash Equivalents	32,846.16	205,939.61	15,868.69	254,654.46
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	230,591.00	1,206,675.00		1,437,266.00
Total Assets	263,437.16	1,412,614.61	15,868.69	1,691,920.46
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Special Assessment Bonds Payable		15,000.00		15,000.00
Revenue Bonds Payable	9,300.00			9,300.00
Total Current Liabilities	9,300.00	15,000.00		24,300.00
<u>Noncurrent Liabilities:</u>				
Special Assessment Bonds Payable		205,000.00		205,000.00
Revenue Bonds Payable	136,800.00			136,800.00
Total Noncurrent Liabilities	136,800.00	205,000.00		341,800.00
Total Liabilities	146,100.00	220,000.00		366,100.00
<u>NET POSITION</u>				
Net Investment in Capital Assets	84,491.00	986,675.00		1,071,166.00
Restricted for:				
Debt Service	83,938.07	199,873.86		283,811.93
Unrestricted	(51,091.91)	6,065.75	15,868.69	(29,157.47)
Total Net Position	117,337.16	1,192,614.61	15,868.69	1,325,820.46

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	21,286.29	185,365.18	13,545.46	220,196.93
Noncurrent Assets:				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	246,775.00	1,245,600.00		1,492,375.00
Total Assets	268,061.29	1,430,965.18	13,545.46	1,712,571.93
LIABILITIES				
Current Liabilities:				
Special Assessment Bonds Payable		15,000.00		15,000.00
Revenue Bonds Payable	9,100.00			9,100.00
Total Current Liabilities	9,100.00	15,000.00		24,100.00
Noncurrent Liabilities:				
Special Assessment Bonds Payable		220,000.00		220,000.00
Revenue Bonds Payable	146,100.00			146,100.00
Total Noncurrent Liabilities	146,100.00	220,000.00		366,100.00
Total Liabilities	155,200.00	235,000.00		390,200.00
NET POSITION				
Net Investment in Capital Assets	91,575.00	1,010,600.00		1,102,175.00
Restricted for:				
Debt Service	83,496.65	195,152.76		278,649.41
Unrestricted	(62,210.36)	(9,787.58)	13,545.46	(58,452.48)
Total Net Position	112,861.29	1,195,965.18	13,545.46	1,322,371.93

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

CITY OF EDGELEY
Edgeley, North Dakota

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

For the Year Ended December 31, 2019

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Charges	192,488.98			192,488.98
Sewer Charges		58,169.68		58,169.68
Garbage Collection Charges			122,177.80	122,177.80
Surcharge	5,876.58	19,588.62	1,958.86	27,424.06
Total Operating Revenues	198,365.56	77,758.30	124,136.66	400,260.52
<u>Operating Expenses:</u>				
Salaries	46,552.50	21,536.39	24,500.00	92,588.89
Group Health Insurance		15,303.87		15,303.87
Operations	28,306.65	25,064.71	1,234.49	54,605.85
Purchased Water	80,500.00			80,500.00
Garbage Contract			96,078.94	96,078.94
Depreciation	16,184.00	38,925.00		55,109.00
Total Operating Expenses	171,543.15	100,829.97	121,813.43	394,186.55
Operating Income (Loss)	26,822.41	(23,071.67)	2,323.23	6,073.97
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	2,312.85			2,312.85
Special Assessments		28,304.37		28,304.37
City Share of Special Assessments		(1,533.27)		(1,533.27)
Debt Service - Interest and Service Charges	(4,659.39)	(7,050.00)		(11,709.39)
Total Non-Operating Revenues (Expenses)	(2,346.54)	19,721.10		17,374.56
Income (Loss) Before Transfers	24,475.87	(3,350.57)	2,323.23	23,448.53
Transfers Out	(20,000.00)			(20,000.00)
Change in Net Position	4,475.87	(3,350.57)	2,323.23	3,448.53
Net Position - January 1	112,861.29	1,195,965.18	13,545.46	1,322,371.93
Net Position - December 31	117,337.16	1,192,614.61	15,868.69	1,325,820.46

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

CITY OF EDGELEY
Edgeley, 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 Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Charges	207,704.12			207,704.12
Sewer Charges		56,514.76		56,514.76
Garbage Collection Charges			124,233.81	124,233.81
Surcharge	5,518.77	19,385.90	1,938.59	26,843.26
Total Operating Revenues	213,222.89	75,900.66	126,172.40	415,295.95
<u>Operating Expenses:</u>				
Salaries	43,700.00	16,930.05	13,600.00	74,230.05
Group Health Insurance		13,531.20		13,531.20
Operations	55,005.19	31,906.62	3,139.09	90,050.90
Purchased Water	80,500.00			80,500.00
Garbage Contract			99,461.85	99,461.85
Depreciation	16,184.00	38,925.00		55,109.00
Total Operating Expenses	195,389.19	101,292.87	116,200.94	412,883.00
Operating Income (Loss)	17,833.70	(25,392.21)	9,971.46	2,412.95
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	490.72			490.72
Special Assessments		31,063.16		31,063.16
Community Development Block Grant	84,535.87			84,535.87
Water Storage Tank Project	(84,535.87)			(84,535.87)
City Share of Special Assessments		(1,578.09)		(1,578.09)
Debt Service - Interest and Service Charges	(4,866.52)	(7,500.00)		(12,366.52)
Total Non-Operating Revenues (Expenses)	(4,375.80)	21,985.07		17,609.27
Income (Loss) Before Transfers	13,457.90	(3,407.14)	9,971.46	20,022.22
Transfers In	10,000.00			10,000.00
Transfers Out	(20,000.00)			(20,000.00)
Change in Net Position	3,457.90	(3,407.14)	9,971.46	10,022.22
Net Position - January 1	109,403.39	1,199,372.32	3,574.00	1,312,349.71
Net Position - December 31	112,861.29	1,195,965.18	13,545.46	1,322,371.93

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2019

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	198,365.56	77,758.30	124,136.66	400,260.52
Payments to suppliers and employees	(155,359.15)	(61,904.97)	(121,813.43)	(339,077.55)
<u>Net cash provided (used) by operating activities</u>	43,006.41	15,853.33	2,323.23	61,182.97
<u>Cash flows from noncapital financing activities:</u>				
City share of special assessments		(1,533.27)		(1,533.27)
Transfers out	(20,000.00)			(20,000.00)
<u>Net cash provided (used) by noncapital financing activities</u>	(20,000.00)	(1,533.27)		(21,533.27)
<u>Cash flows from capital and related financing activities:</u>				
Special assessments		28,304.37		28,304.37
Principal payments	(9,100.00)	(15,000.00)		(24,100.00)
Interest payments and service charges	(4,659.39)	(7,050.00)		(11,709.39)
<u>Net cash provided (used) by capital and related financing activities</u>	(13,759.39)	6,254.37		(7,505.02)
<u>Cash flows from investing activities:</u>				
Interest income	2,312.85			2,312.85
<u>Net increase in cash and cash equivalents</u>	11,559.87	20,574.43	2,323.23	34,457.53
<u>Cash and cash equivalents, January 1</u>	21,286.29	185,365.18	13,545.46	220,196.93
<u>Cash and cash equivalents, December 31</u>	32,846.16	205,939.61	15,868.69	254,654.46

(continued)

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2019
(continued)

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	26,822.41	(23,071.67)	2,323.23	6,073.97
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	16,184.00	38,925.00		55,109.00
Net cash provided (used) by operating activities	43,006.41	15,853.33	2,323.23	61,182.97

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	213,222.89	75,900.66	126,172.40	415,295.95
Payments to suppliers and employees	(179,205.19)	(62,367.87)	(116,200.94)	(357,774.00)
<hr/>				
Net cash provided (used) by operating activities	34,017.70	13,532.79	9,971.46	57,521.95
<hr/>				
<u>Cash flows from noncapital financing activities:</u>				
Community development block grant	84,535.87			84,535.87
Water storage tank project	(84,535.87)			(84,535.87)
City share of special assessments		(1,578.09)		(1,578.09)
Transfers in	10,000.00			10,000.00
Transfers out	(20,000.00)			(20,000.00)
<hr/>				
Net cash provided (used) by noncapital financing activities	(10,000.00)	(1,578.09)		(11,578.09)
<hr/>				
<u>Cash flows from capital and related financing activities:</u>				
Special assessments		31,063.16		31,063.16
Principal payments	(8,800.00)	(15,000.00)		(23,800.00)
Interest payments and service charges	(4,866.52)	(7,500.00)		(12,366.52)
<hr/>				
Net cash provided (used) by capital and related financing activities	(13,666.52)	8,563.16		(5,103.36)
<hr/>				
<u>Cash flows from investing activities:</u>				
Interest income	490.72			490.72
<hr/>				
Net increase in cash and cash equivalents	10,841.90	20,517.86	9,971.46	41,331.22
<hr/>				
Cash and cash equivalents, January 1	10,444.39	164,847.32	3,574.00	178,865.71
<hr/>				
Cash and cash equivalents, December 31	21,286.29	185,365.18	13,545.46	220,196.93
<hr style="border-top: 1px dashed black;"/>				

(continued)

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	17,833.70	(25,392.21)	9,971.46	2,412.95
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	16,184.00	38,925.00		55,109.00
Net cash provided (used) by operating activities	34,017.70	13,532.79	9,971.46	57,521.95

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities
Modified Cash Basis - Custodial Fund
December 31, 2019

	Custodial Fund
<u>Additions:</u>	
State aid collections for other government	7,004.82
<u>Deductions:</u>	
Payments of state aid collections to other government	7,004.82
Net Change in Assets and Liabilities	-0-
Assets and Liabilities - January 1	-0-
Assets and Liabilities - December 31	-0- =====

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Changes in Fiduciary Assets and Liabilities
Modified Cash Basis - Custodial Funds
December 31, 2018

	Custodial Funds
<u>Additions:</u>	
Pass-thru grant for other government	14,700.00
State aid collections for other government	6,166.31
Total Additions	20,866.31
<u>Deductions:</u>	
Payment of pass-thru grant for other government	14,700.00
Payments of state aid collections to other government	6,166.31
Total Deductions	20,866.31
Net Change in Assets and Liabilities	-0-
Assets and Liabilities - January 1	-0-
Assets and Liabilities - December 31	-0-

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

CITY OF EDGELEY
Edgeley, North Dakota

Notes to the Financial Statements
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Edgeley 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 component units. These units are reported in separate columns to emphasize that they are legally separate from the city.

Edgeley Airport Authority: The Edgeley 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.

Edgeley Library: The Edgeley 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.

The financial statements of the 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 Edgeley 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 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 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.

Highway Fund. This fund accounts for the state highway distribution tax used for street repairs and maintenance.

City Sales Tax Fund. This fund accounts for the city's sales tax collections, which are used for urban and economic development, culture and recreation, debt service and to provide funds for various projects.

The city reports the following major enterprise funds:

Water. This fund accounts for the activities of the city's water distribution system. The city also makes the principal and interest payments for the revenue bonds from water collections.

Sewer. This fund accounts for the activities of the city's sewer collection system.

Garbage. This fund accounts for the activities of the city's garbage collection system.

The city reports the following type of fiduciary fund:

Custodial Fund. These funds account for assets held by the city in a custodial capacity as an agent on behalf of others. The city's custodial 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, business-like and fiduciary fund 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, Cash Equivalents and Investments

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.

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

Capital assets include 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	10 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 county 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, 2019 the city's carrying amount of deposits was \$877,317 and the bank balance was \$883,276. Of the bank balance, \$357,124 was covered by Federal Depository Insurance. The remaining balance of \$526,152 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2018 the city's carrying amount of deposits was \$636,604 and the bank balance was \$642,572. Of the bank balance, \$354,937 was covered by Federal Depository Insurance. The remaining balance of \$287,635 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.

At December 31, 2019 the city held certificates of deposit in the amount of \$18,400, which are all considered deposits.

At December 31, 2018 the city held certificates of deposit in the amount of \$18,400, which are all considered deposits.

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 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 years ended December 31, 2019 and 2018 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2019</u>		
General	3,691.62	
Fire Department		3,691.62
<u>December 31, 2018</u>		
General	44,824.47	
Highway		41,749.85
Fire Department		3,074.62

Note 5 CAPITAL ASSETS

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

	<u>2019</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,308,000			1,308,000
Machinery and Vehicles	217,489	10,500	27,500	200,489
Total	<u>1,525,489</u>	<u>10,500</u>	<u>27,500</u>	<u>1,508,489</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	482,360	40,540		522,900
Machinery and Vehicles	61,936	19,654	27,500	54,090
Total	<u>544,296</u>	<u>60,194</u>	<u>27,500</u>	<u>576,990</u>
Governmental Activities Capital Assets, Net	<u>981,193</u>	<u>(49,694)</u>	<u>-0-</u>	<u>931,499</u>
	=====	=====	=====	=====

2018

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets</i>				
<i> being depreciated:</i>				
Buildings and Infrastructure	1,308,000			1,308,000
Machinery and Vehicles	224,809	150,414	157,734	217,489
Total	<u>1,532,809</u>	<u>150,414</u>	<u>157,734</u>	<u>1,525,489</u>
<i>Less accumulated</i> <i> depreciation for:</i>				
Buildings and Infrastructure	441,820	40,540		482,360
Machinery and Vehicles	127,947	18,604	84,615	61,936
Total	<u>569,767</u>	<u>59,144</u>	<u>84,615</u>	<u>544,296</u>
Governmental Activities Capital Assets, Net	<u>963,042</u>	<u>91,270</u>	<u>73,119</u>	<u>981,193</u>

2019

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets</i>				
<i> being depreciated:</i>				
Buildings and Infrastructure	2,310,000			2,310,000
<i>Less accumulated</i> <i> depreciation for:</i>				
Buildings and Infrastructure	817,625	55,109		872,734
Business-type Activities Capital Assets, Net	<u>1,492,375</u>	<u>(55,109)</u>	<u>-0-</u>	<u>1,437,266</u>

	<u>2018</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,310,000			2,310,000
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	762,516	55,109		817,625
Business-type Activities Capital Assets, Net	1,547,484	(55,109)	-0-	1,492,375
	=====	=====	=====	=====
	<u>2019</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Discretely Presented Component Unit:				
<i>Capital assets not being depreciated:</i>				
Land	148,500			148,500
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	3,185,050			3,185,050
Machinery and Vehicles	62,320			62,320
Total	3,247,370			3,247,370
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,278,058	127,402		1,405,460
Machinery and Vehicles	47,960	3,116		51,076
Total	1,326,018	130,518		1,456,536
Total capital assets being depreciated, net	1,921,352	(130,518)		1,790,834
Discretely Presented Component Unit Capital Assets, Net	2,069,852	(130,518)	-0-	1,939,334
	=====	=====	=====	=====

	<u>2018</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Discretely Presented Component Unit:				
Capital assets not being depreciated:				
Land	148,500			148,500
Capital assets being depreciated:				
Buildings and Infrastructure	3,185,050			3,185,050
Machinery and Vehicles	62,320			62,320
Total	3,247,370			3,247,370
Less accumulated depreciation for:				
Buildings and Infrastructure	1,150,656	127,402		1,278,058
Machinery and Vehicles	44,844	3,116		47,960
Total	1,195,500	130,518		1,326,018
Total capital assets being depreciated, net	2,051,870	(130,518)		1,921,352
Discretely Presented Component Unit Capital Assets, Net	2,200,370	(130,518)	-0-	2,069,852
	=====	=====	=====	=====

Depreciation expense was charged to functions/programs of the city and discretely presented component unit as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
<u>Governmental Activities:</u>		
General Government	2,533	2,533
Public Safety	1,600	1,600
Streets and Public Works	24,561	23,511
Culture and Recreation	31,500	31,500
Total	60,194	59,144
	=====	=====
<u>Business-type Activities:</u>		
Water	16,184	16,184
Sewer	38,925	38,925
Total	55,109	55,109
	=====	=====
Discretely Presented Component Unit:		
Airport	130,518	130,518
	=====	=====

Note 6 CAPITAL LEASE PAYABLE

The city has entered into the following lease agreement.

\$101,234.00 lease-purchase of a 2018 Cat 926M Wheel Loader, due in annual installments of \$13,000.00 through October 15, 2022 and a final installment of \$79,852.22 on October 15, 2023; payments include interest at 3.3%. 106,687.95
=====

This lease agreement qualifies as a capital lease 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, 2019:

<u>Year Ending December 31</u>	<u>Governmental Activities Lease Payments</u>
2020	13,000.00
2021	13,000.00
2022	13,000.00
2023	79,852.22
Total minimum lease payments	<u>118,852.22</u>
Less: amount representing interest	(12,164.27)
Present value of future minimum lease payments	<u>106,687.95</u> =====

Note 7 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2019 and 2018, the following changes occurred in liabilities reported in the long-term liabilities:

Governmental Activities

	<u>2019</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Capital Lease Payable	115,864		9,176	106,688	9,479
Loan Payable	142,907		23,911	118,996	24,151
Revenue Bonds Payable	290,000		30,000	260,000	30,000
Total	<u>548,771</u>	<u>-0-</u>	<u>63,087</u>	<u>485,684</u>	<u>63,630</u>
	=====	=====	=====	=====	=====
				<u>2018</u>	
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Capital Lease Payable	65,270	135,864	85,270	115,864	9,176
Loan Payable	166,579		23,672	142,907	23,911
Revenue Bonds Payable	485,000		195,000	290,000	30,000
Total	<u>716,849</u>	<u>135,864</u>	<u>303,942</u>	<u>548,771</u>	<u>63,087</u>
	=====	=====	=====	=====	=====

Business-type Activities

2019

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Special Assessment Bonds	235,000		15,000	220,000	15,000
Revenue Bonds	155,200		9,100	146,100	9,300
Total	<u>390,200</u>	<u>-0-</u>	<u>24,100</u>	<u>366,100</u>	<u>24,300</u>

2018

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Special Assessment Bonds	250,000		15,000	235,000	15,000
Revenue Bonds	164,000		8,800	155,200	9,100
Total	<u>414,000</u>	<u>-0-</u>	<u>23,800</u>	<u>390,200</u>	<u>24,100</u>

Outstanding debt at December 31, 2019 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, 2019, is as follows:

Loan Payable. The city has taken out a loan to provide funds for the construction of a city shop. Loan payable at December 31, 2019 is as follows:

\$240,000.00 loan payable with Dakota Valley Electric Cooperative. This loan is due in monthly installments of \$2,102.50 through October 10, 2024; payments include interest at 1%.

118,996.41
=====

The annual requirements to amortize the outstanding loan payable are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	24,150.53	1,091.47
2021	24,393.15	836.85
2022	24,638.18	591.82
2023	24,885.70	344.30
2024	20,928.85	96.03
Total	<u>118,996.41</u>	<u>2,960.47</u>

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from sales tax collections to pay debt service. Revenue bonds outstanding at December 31, 2019, are as follows:

\$630,000.00 Sales Tax Revenue Bonds of 2011, due in annual installments of \$30,000.00 to \$45,000.00 through May 1, 2027; interest is at 3.5% to 4.75%.

260,000.00
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	30,000.00	10,325.00
2021	30,000.00	9,275.00
2022	30,000.00	8,225.00
2023	30,000.00	7,175.00
2024	35,000.00	5,818.75
2025-2027	105,000.00	7,481.25
Total	<u>260,000.00</u>	<u>48,300.00</u>
	=====	=====

Business-type Activities (Proprietary Funds):

Special Assessment Bond Debt. The city has issued special assessment bonds to provide funds for sewer main improvements. Special assessment bonds outstanding at December 31, 2019 are as follows:

\$342,766 Sewer Main Improvement Bonds of 2009 due in annual installments of \$15,000 to \$25,000 through September 1, 2030; interest is at 2.5%.	220,000.00
	=====

The annual requirements to amortize the outstanding special assessment bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	15,000.00	5,500.00
2021	20,000.00	5,125.00
2022	20,000.00	4,625.00
2023	20,000.00	4,125.00
2024	20,000.00	3,625.00
2025-2029	105,000.00	10,625.00
2030	20,000.00	500.00
Total	<u>220,000.00</u>	<u>34,125.00</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, 2019, are as follows:

\$313,000.00 Bank of North Dakota Loan, due in annual installments of \$9,300.00 to \$13,700.00 through December 7, 2032; interest is at 3%.	146,100.00
	=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	9,300.00	4,383.00
2021	9,600.00	4,104.00
2022	9,900.00	3,816.00
2023	10,200.00	3,519.00
2024	10,500.00	3,213.00
2025-2029	57,500.00	11,142.00
2030-2032	39,100.00	2,382.00
Total	<u>146,100.00</u>	<u>32,559.00</u>
	=====	=====

Note 8 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2019</u>		
General	20,000.00	
Water:		
Operating		20,000.00
To subsidize expenditures.		
General	20,000.00	
Highway	70,000.00	
City Sales Tax:		
Capital Improvements		40,000.00
Streets		50,000.00
General	10,000.00	
City Sales Tax:		
Parks and Recreation		10,000.00
Yearly transfers to subsidize expenditures.		
<u>December 31, 2018</u>		
Social Security	33,830.60	
Insurance Reserve	40,981.37	
General		74,811.97
General	6,250.72	
Advertising		3,285.93
Forestry		898.55
Planning		1,177.39
Public Building		888.85
To close funds.		
General	20,000.00	
Water:		
Operating		20,000.00
Armory	4,000.00	
Public Building		4,000.00
To subsidize expenditures.		
General	10,000.00	
Highway	30,000.00	
City Sales Tax:		
Capital Improvements		40,000.00
Water:		
Operating	10,000.00	
City Sales Tax:		
Parks and Recreation		10,000.00
Yearly transfers to subsidize expenditures.		

Note 9 DEFICIT FUND BALANCES

The following funds had deficit balances as of December 31:

	<u>2019</u>	<u>2018</u>
<u>Special Revenue Funds</u>		
Highway		(41,749.85)
Fire Department	(3,691.62)	(3,074.62)

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

Note 10 RISK MANAGEMENT

The City of Edgeley 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 \$2,000,000 per occurrence for general liability, \$1,000,000 for automobile; and \$778,000 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 coverage in the amount of \$300,000 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 11 PENSION PLAN

The city provides benefits for all of its full-time employees through a defined contribution plan with PFS Shareholder Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city contributes 3% of the employee's gross salary for the year. During the years ending December 31, 2019, 2018 and 2017, the city contributed \$3,858.29, \$3,488.28 and \$3,578.34, respectively.

CITY OF EDGELEY
Edgeley, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	104,600.00	104,600.00	112,131.56	7,531.56
Licenses, Permits and Fees	12,380.00	12,380.00	1,880.00	(10,500.00)
Intergovernmental	33,900.00	33,900.00	49,615.18	15,715.18
Miscellaneous	19,000.00	19,000.00	33,212.35	14,212.35
Total Revenues	169,880.00	169,880.00	196,839.09	26,959.09
<u>Expenditures:</u>				
Current:				
General Government	97,600.00	97,600.00	86,975.86	10,624.14
Streets and Public Works	33,900.00	33,900.00	53,975.82	(20,075.82)
Urban and Economic Development	12,500.00	12,500.00	10,900.00	1,600.00
Other	20,800.00	20,800.00	1,966.17	18,833.83
Capital Outlay			10,500.00	(10,500.00)
Debt Service:				
Principal	33,100.00	33,100.00	33,086.37	13.63
Interest and Service Charges	5,142.00	5,142.00	5,167.63	(25.63)
Total Expenditures	203,042.00	203,042.00	202,571.85	470.15
Excess (Deficiency) of Revenues Over Expenditures	(33,162.00)	(33,162.00)	(5,732.76)	27,429.24
<u>Other Financing Sources:</u>				
Transfers In	31,300.00	31,300.00	50,000.00	18,700.00
Net Change in Fund Balances	(1,862.00)	(1,862.00)	44,267.24	46,129.24
Fund Balance - January 1	108,910.08	108,910.08	108,910.08	
Fund Balance - December 31	107,048.08	107,048.08	153,177.32	46,129.24

CITY OF EDGELEY
Edgeley, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	103,600.00	103,600.00	104,688.33	1,088.33
Licenses, Permits and Fees	12,200.00	12,200.00	2,125.00	(10,075.00)
Intergovernmental	32,900.00	32,900.00	42,270.61	9,370.61
Miscellaneous	28,700.00	28,700.00	152,341.90	123,641.90
Total Revenues	177,400.00	177,400.00	301,425.84	124,025.84
<u>Expenditures:</u>				
Current:				
General Government	108,361.56	108,361.56	105,473.91	2,887.65
Streets and Public Works	35,688.44	35,688.44	34,946.99	741.45
Urban and Economic Development	12,500.00	12,500.00	12,170.00	330.00
Other	34,800.00	34,800.00	1,600.00	33,200.00
Capital Outlay	135,864.00	135,864.00	150,414.00	(14,550.00)
Debt Service:				
Principal	31,230.44	31,230.44	43,672.51	(12,442.07)
Interest and Service Charges			1,581.49	(1,581.49)
Total Expenditures	358,444.44	358,444.44	349,858.90	8,585.54
Excess (Deficiency) of Revenues Over Expenditures	(181,044.44)	(181,044.44)	(48,433.06)	132,611.38
<u>Other Financing Sources (Uses):</u>				
Transfers In	13,800.00	13,800.00	36,250.72	22,450.72
Transfers Out			(74,811.97)	(74,811.97)
Proceeds from Capital Lease	135,864.00	135,864.00	135,864.00	
Total Other Financing Sources	149,664.00	149,664.00	97,302.75	(52,361.25)
Net Change in Fund Balances	(31,380.44)	(31,380.44)	48,869.69	80,250.13
Fund Balance - January 1	60,040.39	60,040.39	60,040.39	
Fund Balance - December 31	28,659.95	28,659.95	108,910.08	80,250.13

CITY OF EDGELEY
Edgeley, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	58,000.00	58,000.00	62,487.30	4,487.30
Mixcellaneous	500.00	500.00	5,287.72	4,787.72
Total Revenues	58,500.00	58,500.00	67,775.02	9,275.02
<u>Expenditures:</u>				
Current:				
Streets and Public Works	57,400.00	57,400.00	64,160.04	(6,760.04)
Excess (Deficiency) of Revenues Over Expenditures	1,100.00	1,100.00	3,614.98	2,514.98
<u>Other Financing Sources:</u>				
Transfers In	23,900.00	23,900.00	70,000.00	46,100.00
Net Change in Fund Balances	25,000.00	25,000.00	73,614.98	48,614.98
Fund Balance - January 1	(41,749.85)	(41,749.85)	(41,749.85)	
Fund Balance - December 31	(16,749.85)	(16,749.85)	31,865.13	48,614.98

CITY OF EDGELEY
Edgeley, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	58,000.00	58,000.00	61,707.77	3,707.77
Miscellaneous	4,400.00	4,400.00		(4,400.00)
Total Revenues	62,400.00	62,400.00	61,707.77	(692.23)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	59,300.00	59,300.00	87,649.40	(28,349.40)
Excess (Deficiency) of Revenues Over Expenditures	3,100.00	3,100.00	(25,941.63)	(29,041.63)
<u>Other Financing Sources:</u>				
Transfers In	10,000.00	10,000.00	30,000.00	20,000.00
Net Change in Fund Balances	13,100.00	13,100.00	4,058.37	(9,041.63)
Fund Balance - January 1	(45,808.22)	(45,808.22)	(45,808.22)	
Fund Balance - December 31	(32,708.22)	(32,708.22)	(41,749.85)	(9,041.63)

CITY OF EDGELEY
Edgeley, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
City Sales Tax Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	252,000.00	252,000.00	246,751.93	(5,248.07)
Miscellaneous			66,373.85	66,373.85
Total Revenues	252,000.00	252,000.00	313,125.78	61,125.78
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	20,000.00	20,000.00	10,000.00	10,000.00
Culture and Recreation	115,000.00	115,000.00	76,373.85	38,626.15
Debt Service:				
Principal	30,000.00	30,000.00	30,000.00	
Interest and Service Charges	18,000.00	18,000.00	12,486.00	5,514.00
Total Expenditures	183,000.00	183,000.00	128,859.85	54,140.15
Excess (Deficiency) of Revenues Over Expenditures	69,000.00	69,000.00	184,265.93	115,265.93
<u>Other Financing (Uses):</u>				
Transfers Out	(20,000.00)	(20,000.00)	(100,000.00)	(80,000.00)
Net Change in Fund Balances	49,000.00	49,000.00	84,265.93	35,265.93
Fund Balance - January 1	330,076.24	330,076.24	330,076.24	
Fund Balance - December 31	379,076.24	379,076.24	414,342.17	35,265.93

CITY OF EDGELEY
Edgeley, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	161,000.00	161,000.00	231,235.53	70,235.53
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	20,000.00	20,000.00	10,000.00	10,000.00
Culture and Recreation	20,000.00	20,000.00	10,000.00	10,000.00
Debt Service:				
Principal	48,000.00	48,000.00	195,000.00	(147,000.00)
Interest and Service Charges	20,000.00	20,000.00	21,561.50	(1,561.50)
Total Expenditures	108,000.00	108,000.00	236,561.50	(128,561.50)
Excess (Deficiency) of Revenues Over Expenditures	53,000.00	53,000.00	(5,325.97)	(58,325.97)
<u>Other Financing (Uses):</u>				
Transfers Out	(20,000.00)	(20,000.00)	(50,000.00)	(30,000.00)
Net Change in Fund Balances	33,000.00	33,000.00	(55,325.97)	(88,325.97)
Fund Balance - January 1	385,402.21	385,402.21	385,402.21	
Fund Balance - December 31	418,402.21	418,402.21	330,076.24	(88,325.97)

CITY OF EDGELEY
Edgeley, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2019 and 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 and special revenue 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 Amendment

The governing board did not amend the budgets during the years ended December 31, 2019 and 2018.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Special Revenue Funds</u>		
Highway	6,760.04	28,349.40
City Sales Tax		128,561.50
Rest. and Lodging Tax	579.88	
Armory	13,938.70	385.00
* Clinic	10,480.35	13,570.96

* A budget was not prepared for this fund.

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

CITY OF EDGELEY
Edgeley, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2019

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
Major Governmental Funds						
General Fund	108,910.08	196,839.09	50,000.00		202,571.85	153,177.32
Highway	(41,749.85)	67,775.02	70,000.00		64,160.04	31,865.13
City Sales Tax						
Capital Improvements	12,215.42	41,125.32		40,000.00		13,340.74
Streets	51,510.92	82,250.64		50,000.00		83,761.56
Parks and Recreation	12,753.47	20,562.67		10,000.00	10,000.00	13,316.14
Jobs Development	120,565.60	20,562.67			10,000.00	131,128.27
Pool Construction	133,030.83	148,624.48			108,859.85	172,795.46
Total Major Governmental Funds	397,236.47	577,739.89	120,000.00	100,000.00	395,591.74	599,384.62
Non-Major Governmental Funds						
Fire Department	(3,074.62)				617.00	(3,691.62)
Restaurant and Lodging Tax	17,067.55	11,913.61			11,079.88	17,901.28
Armory	2,963.09	33,450.00			31,938.70	4,474.39
Clinic	2,214.48	12,859.43			10,480.35	4,593.56
Total Non-Major Governmental Funds	19,170.50	58,223.04			54,115.93	23,277.61
Total Governmental Funds	416,406.97	635,962.93	120,000.00	100,000.00	449,707.67	622,662.23
Major Enterprise Funds						
Water						
Operating	(62,210.36)	200,236.99		20,000.00	169,118.54	(51,091.91)
Water Emergency	29,085.20	154.50				29,239.70
Water Reserve	54,411.45	286.92				54,698.37
Sewer						
Operating	(9,787.58)	77,758.30			61,904.97	6,065.75
Sewer Special Assessments	195,152.76	28,304.37			23,583.27	199,873.86
Garbage	13,545.46	124,136.66			121,813.43	15,868.69
Total Major Enterprise Funds	220,196.93	430,877.74		20,000.00	376,420.21	254,654.46
Fiduciary Fund						
Custodial Fund						
Park		7,004.82			7,004.82	
Total Primary Government	636,603.90	1,073,845.49	120,000.00	120,000.00	833,132.70	877,316.69
Discretely Presented Component Units						
Airport Authority	107,947.57	219,210.80			237,836.19	89,322.18
Library	180,558.93	15,689.94			17,122.98	179,125.89
Total Discretely Presented Component Units	288,506.50	234,900.74			254,959.17	268,448.07
Total Reporting Entity	925,110.40	1,308,746.23	120,000.00	120,000.00	1,088,091.87	1,145,764.76

CITY OF EDGELEY
Edgeley, North Dakota

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

	Balance 1-1-18	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-18
Major Governmental Funds						
General Fund	58,440.39	301,425.84	36,250.72	74,811.97	212,394.90	108,910.08
Highway	(45,808.22)	61,707.77	30,000.00		87,649.40	(41,749.85)
City Sales Tax						
Capital Improvements	7,284.21	44,931.21		40,000.00		12,215.42
Streets		51,510.92				51,510.92
Parks and Recreation	10,287.91	22,465.56		10,000.00	10,000.00	12,753.47
Jobs Development	108,100.04	22,465.56			10,000.00	120,565.60
Pool Construction	259,730.05	89,862.28			216,561.50	133,030.83
Total Major Governmental Funds	398,034.38	594,369.14	66,250.72	124,811.97	536,605.80	397,236.47
Non-Major Governmental Funds						
Social Security	(20,413.34)		33,830.60		13,417.26	
Advertising	3,525.19			3,285.93	239.26	
Insurance Reserve	(27,704.37)		40,981.37		13,277.00	
Fire Department	(2,462.11)				612.51	(3,074.62)
Restaurant and Lodging Tax	14,830.48	11,310.07			9,073.00	17,067.55
Planning	1,177.39			1,177.39		
Armory	5,222.09	15,626.00	4,000.00		21,885.00	2,963.09
Public Building	574.62	4,314.23		4,888.85		
Forestry	898.55			898.55		
Clinic	3,940.93	11,844.51			13,570.96	2,214.48
Total Non-Major Governmental Funds	(20,410.57)	43,094.81	78,811.97	10,250.72	72,074.99	19,170.50
Total Governmental Funds	377,623.81	637,463.95	145,062.69	135,062.69	608,680.79	416,406.97
Major Enterprise Funds						
Water						
Operating	(72,611.54)	213,272.89	10,000.00	20,000.00	192,871.71	(62,210.36)
Water Emergency	28,930.95	154.25				29,085.20
Water Reserve	54,124.98	286.47				54,411.45
Water Storage Tank Project		84,535.87			84,535.87	
Sewer						
Operating	(23,320.37)	75,900.66			62,367.87	(9,787.58)
Sewer Special Assessments	188,167.69	31,063.16			24,078.09	195,152.76
Garbage	3,574.00	126,172.40			116,200.94	13,545.46
Total Major Enterprise Funds	178,865.71	531,385.70	10,000.00	20,000.00	480,054.48	220,196.93
Fiduciary Fund						
Custodial Funds						
Park		6,166.31			6,166.31	
2016 Homeland Security Grant- Edgeley Ambulance		14,700.00			14,700.00	
Total Custodial Funds		20,866.31			20,866.31	
Total Primary Government	556,489.52	1,189,715.96	155,062.69	155,062.69	1,109,601.58	636,603.90

(continued)

CITY OF EDGELEY
Edgeley, North Dakota

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

	Balance 1-1-18	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-18
<u>Discretely Presented</u>						
<u>Component Units</u>						
Airport Authority	74,507.47	111,271.92			77,831.82	107,947.57
Library	180,243.88	17,892.25			17,577.20	180,558.93
Total Discretely Presented Component Units	254,751.35	129,164.17			95,409.02	288,506.50
Total Reporting Entity	811,240.87	1,318,880.13	155,062.69	155,062.69	1,205,010.60	925,110.40

Rath & Mehrer, P.C.

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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 Edgeley
Edgeley, 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 Edgeley, Edgeley, North Dakota, as of and for the years ended December 31, 2019 and 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 July 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits 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 audits 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 2019-001 and 2019-002, 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 audits, 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 audits are described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the auditing procedures applied in the audits 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

Rath and Mehrer, P.C.

Bismarck, North Dakota

July 10, 2020

CITY OF EDGELEY
Edgeley, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 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 Fund	Unmodified-Modified Cash Basis
Major Business-Type Fund	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. 2019-001 Segregation of Duties

Criteria: To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliation.

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

Cause: The city does not have a large enough staff to properly segregate all duties.

Effect: A lack of segregation of duties leads to a limited degree of internal control.

Recommendation: We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

Views of Responsible Officials: The city is aware of the condition and segregates duties whenever possible.

2. 2019-002 Financial Statement Preparation

Criteria: A good system of internal controls requires the city to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The city's financial statements, including the accompanying note disclosures, are prepared by the city's external auditors.

Cause: The city feels it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

Effect: Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation: We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to distribution.

Views of Responsible Officials: The city will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.