

AUDIT REPORT

**CITY OF ENDERLIN
Enderlin, North Dakota**

For the Year Ended December 31, 2019

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ENDERLIN
Enderlin, North Dakota

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CITY OF ENDERLIN
Enderlin, North Dakota

CITY OFFICIALS

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

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehrer, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Enderlin
Enderlin, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Enderlin, Enderlin, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the city's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Enderlin, Enderlin, North Dakota, as of December 31, 2019, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

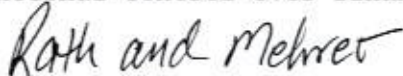
Other Information

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

The budgeting comparison information and schedule of fund activity arising from cash transactions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgeting comparison information and schedule of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 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, P.C.

Bismarck, North Dakota

March 6, 2020

CITY OF ENDERLIN
Enderlin, North Dakota

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	243,575.89	864,059.81	1,107,635.70
Economic Development Loans Receivable	70,443.67		70,443.67
Capital Assets (net of accumulated depreciation):			
Land		92,000.00	92,000.00
Buildings and Infrastructure	2,550,166.00	7,091,645.00	9,641,811.00
Machinery and Vehicles	90,594.00	83,896.00	174,490.00
 Total Capital Assets	 2,640,760.00	 7,267,541.00	 9,908,301.00
 Total Assets	 2,954,779.56	 8,131,600.81	 11,086,380.37
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
General Obligation Bonds Payable	45,000.00	70,000.00	115,000.00
Revenue Bonds Payable	125,000.00	235,000.00	360,000.00
Due After One Year:			
General Obligation Bonds Payable	45,000.00	70,000.00	115,000.00
Revenue Bonds Payable	1,460,000.00	2,980,000.00	4,440,000.00
 Total Liabilities	 1,675,000.00	 3,355,000.00	 5,030,000.00
NET POSITION:			
Net Investment in Capital Assets	965,760.00	3,912,541.00	4,878,301.00
Restricted for:			
Debt Service	375,375.44	824,646.26	1,200,021.70
Special Purposes	444,908.86		444,908.86
Unrestricted	(506,264.74)	39,413.55	(466,851.19)
 Total Net Position	 1,279,779.56	 4,776,600.81	 6,056,380.37
	=====		

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

Component Units

Enderlin Library	Enderlin Cemetery	Enderlin Airport Authority	Enderlin Fine Arts
44,646.03	301,854.25	22,013.21	19,702.25
		196,670.00	
		196,670.00	
44,646.03	301,854.25	218,683.21	19,702.25
		15,000.00	
		90,000.00	
		105,000.00	
		91,670.00	
44,646.03	301,854.25	22,013.21	19,702.25
44,646.03	301,854.25	113,683.21	19,702.25

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CITY OF ENDERLIN
Enderlin, North Dakota

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

Net (Expense) Revenue and Changes in Net Position

	Program Revenues			Primary Government			Component Units			
	Expenses	Charges for Services and Contributions	Operating Grants	Governmental Activities	Business-Type Activities	Total	Enderlin Library	Enderlin Cemetery	Enderlin Airport Authority	Enderlin Fine Arts
Functions/Programs										
Primary Government:										
<u>Governmental Activities:</u>										
General Government	243,548.04	17,825.75		(225,722.29)		(225,722.29)				
Public Safety	158,882.04	47.50		(158,834.54)		(158,834.54)				
Streets and Public Works	306,430.99	49,625.90	68,642.66	(188,162.43)		(188,162.43)				
Urban and Economic Development	140,677.10			(140,677.10)		(140,677.10)				
Culture and Recreation	86,431.85	7,408.25		(79,023.60)		(79,023.60)				
Conserv. of Natural Resources	15.00			(15.00)		(15.00)				
Other	5,999.66			(5,999.66)		(5,999.66)				
Interest on Long-Term Debt	73,865.60			(73,865.60)		(73,865.60)				
Total Governmental Activities	1,015,850.28	74,907.40	68,642.66	(872,300.22)		(872,300.22)				
<u>Business-Type Activities:</u>										
Water and Sewer	1,320,020.17	1,302,538.87			(17,481.30)	(17,481.30)				
Water Deposits	90.00	1,875.00			1,785.00	1,785.00				
Garbage	88,303.00	82,724.65			(5,578.35)	(5,578.35)				
Total Business-Type Activities	1,408,413.17	1,387,138.52			(21,274.65)	(21,274.65)				
Total Primary Government	2,424,263.45	1,462,045.92	68,642.66	(872,300.22)	(21,274.65)	(893,574.87)				
Component Units:										
Library	39,882.31						(39,882.31)			
Cemetery	20,406.40							(20,406.40)		
Airport Authority	99,004.50		1,228.28						(97,776.22)	
Fine Arts	13,966.73									(13,966.73)
Total Component Units	173,259.94		1,228.28						(39,882.31)	(13,966.73)
									(20,406.40)	(97,776.22)
										(13,966.73)

<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes	344,461.00				15,110.72
Property taxes; levied for special purposes	278,902.74				
Sales taxes	385,517.17				
Cigarette taxes	2,332.76				
Intergovernmental revenue not restricted to specific programs	60,585.94				
Earnings on investments and other revenue	302,899.86	33,290.87		13,789.84	28,946.82
Gain on disposal of capital assets	5,513.45				
Transfers	24,235.85	(24,235.85)			
Total General Revenues and Transfers	1,404,448.77	9,055.02	1,413,503.79	20,274.73	53,583.62
Change in Net Position	532,148.55	(12,219.63)	519,928.92	862.78	(131.67)
Net Position - January 1	747,631.01	4,788,820.44	5,536,451.45	43,783.25	301,985.92
Net Position - December 31	1,279,779.56	4,776,600.81	6,056,380.37	44,646.03	301,854.25
					113,683.21
					19,702.25

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

CITY OF ENDERLIN
Enderlin, North Dakota

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

Major Funds

	General	Sales Tax	Pool Donations	Pool Project Construction	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents					243,575.89	243,575.89
Economic Development Loans Receivable		70,443.67				70,443.67
Interfund Receivables		293,652.20	274,559.53		215,746.87	783,958.60
Total Assets	-0-	364,095.87	274,559.53	-0-	459,322.76	1,097,978.16
LIABILITIES AND FUND BALANCES						
<u>Liabilities:</u>						
Interfund Payables	748,092.20			16.12	35,850.28	783,958.60
<u>Fund Balances:</u>						
Nonspendable:						
Economic Development Loans		70,443.67				70,443.67
Restricted for:						
General Government					7,012.85	7,012.85
Urban and Economic Development		293,652.20				293,652.20
Culture and Recreation					68,628.30	68,628.30
Conserv. of Natural Resources					5,171.84	5,171.84
Debt Service					375,375.44	375,375.44
Assigned to:						
Streets and Public Works					2,162.12	2,162.12
Culture and Recreation			274,559.53			274,559.53
Other Purposes					972.21	972.21
Unassigned	(748,092.20)			(16.12)	(35,850.28)	(783,958.60)
Total Fund Balances	(748,092.20)	364,095.87	274,559.53	(16.12)	423,472.48	314,019.56
Total Liabilities and Fund Balances	-0-	364,095.87	274,559.53	-0-	459,322.76	1,097,978.16

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

CITY OF ENDERLIN
Enderlin, North Dakota

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

Total Fund Balances for Governmental Funds		314,019.56
<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	4,207,801.00	
Less Accumulated Depreciation	(1,567,041.00)	
Net Capital Assets	2,640,760.00	2,640,760.00
<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>		
General Obligation Bonds Payable	(90,000.00)	
Revenue Bonds Payable	(1,585,000.00)	
Total Long-Term Liabilities	(1,675,000.00)	(1,675,000.00)
Total Net Position of Governmental Activities		1,279,779.56

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

CITY OF ENDERLIN
Enderlin, North Dakota

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

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Sales Tax	Pool Donations	Pool Project Construction		
Revenues:						
Taxes	383,035.22	154,071.83			471,773.86	1,008,880.91
Licenses, Permits and Fees	12,054.75					12,054.75
Intergovernmental	133,212.36					133,212.36
Charges for Services	32,740.00				28,414.15	61,154.15
Fines and Forfeits	47.50					47.50
Miscellaneous	14,139.52		281,781.57		6,978.77	302,899.86
Total Revenues	575,229.35	154,071.83	281,781.57		507,166.78	1,518,249.53
Expenditures:						
Current:						
General Government	233,459.04					233,459.04
Public Safety	158,882.04					158,882.04
Streets and Public Works	206,028.99					206,028.99
Urban and Economic Development	31,250.00	109,427.10				140,677.10
Culture and Recreation			5,890.19	884.70	34,988.96	41,763.85
Conservation of Natural Resources	15.00					15.00
Other					5,999.66	5,999.66
Capital Outlay	19,900.00			462,000.00		481,900.00
Debt Service:						
Principal Retirement					155,000.00	155,000.00
Interest and Service Charges					73,865.60	73,865.60
Total Expenditures	649,535.07	109,427.10	5,890.19	462,884.70	269,854.22	1,497,591.28
Excess (Deficiency) of Revenues Over Expenditures	(74,305.72)	44,644.73	275,891.38	(462,884.70)	237,312.56	20,658.25
Other Financing Sources (Uses):						
Transfers In	169,683.32			102,919.83	5,000.00	277,603.15
Transfers Out		(31,250.00)	(102,919.83)		(119,197.47)	(253,367.30)
Total Other Financing Sources (Uses)	169,683.32	(31,250.00)	(102,919.83)	102,919.83	(114,197.47)	24,235.85
Net Change in Fund Balances	95,377.60	13,394.73	172,971.55	(359,964.87)	123,115.09	44,894.10
Fund Balance - January 1	(843,469.80)	350,701.14	101,587.98	359,948.75	300,357.39	269,125.46
Fund Balance - December 31	(748,092.20)	364,095.87	274,559.53	(16.12)	423,472.48	314,019.56

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

CITY OF ENDERLIN
Enderlin, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds 44,894.10

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	481,900.00	
Current Year Depreciation Expense	(155,159.00)	326,741.00

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	155,000.00	155,000.00

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

5,513.45

Change in Net Position of Governmental Activities		532,148.55
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The accompanying notes are an integral part of these financial statements.

CITY OF ENDERLIN
Enderlin, North Dakota

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

	Major Enterprise Fund		Total Enterprise Funds
	Water & Sewer	Other Enterprise Funds	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	821,094.03	42,965.78	864,059.81
Noncurrent Assets:			
Capital Assets (net of accumulated depr):			
Land	92,000.00		92,000.00
Buildings and Infrastructure	7,083,645.00	8,000.00	7,091,645.00
Machinery and Vehicles	83,896.00		83,896.00
Total Noncurrent Assets	7,259,541.00	8,000.00	7,267,541.00
Total Assets	8,080,635.03	50,965.78	8,131,600.81
LIABILITIES			
Current Liabilities:			
General Obligation Bonds Payable	70,000.00		70,000.00
Revenue Bonds Payable	235,000.00		235,000.00
Total Current Liabilities	305,000.00		305,000.00
Noncurrent Liabilities:			
General Obligation Bonds Payable	70,000.00		70,000.00
Revenue Bonds Payable	2,980,000.00		2,980,000.00
Total Noncurrent Liabilities	3,050,000.00		3,050,000.00
Total Liabilities	3,355,000.00		3,355,000.00
NET POSITION			
Net Investment in Capital Assets	3,904,541.00	8,000.00	3,912,541.00
Restricted for:			
Debt Service	824,646.26		824,646.26
Unrestricted	(3,552.23)	42,965.78	39,413.55
Total Net Position	4,725,635.03	50,965.78	4,776,600.81

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

CITY OF ENDERLIN
Enderlin, North Dakota

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

For the Year Ended December 31, 2019

	Major Enterprise Fund		Total Enterprise Funds
	Water & Sewer	Other Enterprise Funds	
<u>Operating Revenues:</u>			
Charges for Sales and Services:			
Water Collections	1,144,648.14		1,144,648.14
Sewer Collections	150,590.73		150,590.73
Garbage Collections		82,724.65	82,724.65
Water Deposits		1,875.00	1,875.00
Penalty on Late Water Bills	7,300.00		7,300.00
Total Operating Revenues	1,302,538.87	84,599.65	1,387,138.52
<u>Operating Expenses:</u>			
Water and Sewer Operating	889,139.92		889,139.92
Garbage Operating		3,488.00	3,488.00
Garbage Contract		83,815.00	83,815.00
Meter Deposit Refunds		90.00	90.00
Depreciation	316,255.00	1,000.00	317,255.00
Total Operating Expenses	1,205,394.92	88,393.00	1,293,787.92
Operating Income (Loss)	97,143.95	(3,793.35)	93,350.60
<u>Non-Operating Revenues (Expenses):</u>			
Interest Income	1,216.61		1,216.61
Miscellaneous Revenues	32,074.26		32,074.26
Interest Payments	(98,108.75)		(98,108.75)
Service Charges	(13,016.50)		(13,016.50)
Miscellaneous Expenses	(3,500.00)		(3,500.00)
Total Non-Operating Revenues (Expenses)	(81,334.38)		(81,334.38)
Income (Loss) Before Transfers	15,809.57	(3,793.35)	12,016.22
Transfers In	433,797.00		433,797.00
Transfers Out	(454,782.85)	(3,250.00)	(458,032.85)
Change in Net Position	(5,176.28)	(7,043.35)	(12,219.63)
Net Position - January 1	4,730,811.31	58,009.13	4,788,820.44
Net Position - December 31	4,725,635.03	50,965.78	4,776,600.81

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

CITY OF ENDERLIN
Enderlin, North Dakota

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

	Major Enterprise Fund		Total Enterprise Funds
	Water & Sewer	Other Enterprise Funds	
<u>Cash flows from operating activities:</u>			
Receipts from customers	1,302,538.87	84,599.65	1,387,138.52
Payments to suppliers	(646,647.03)	(87,393.00)	(734,040.03)
Payments to employees	(171,641.82)		(171,641.82)
Payments on behalf of employees	(70,851.07)		(70,851.07)
Net cash provided (used) by operating activities	413,398.95	(2,793.35)	410,605.60
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	32,074.26		32,074.26
Miscellaneous disbursements	(3,500.00)		(3,500.00)
Transfers in	433,797.00		433,797.00
Transfers out	(454,782.85)	(3,250.00)	(458,032.85)
Interfund loan transaction	805,015.31	49,009.13	854,024.44
Net cash provided (used) by noncapital financing activities	812,603.72	45,759.13	858,362.85
<u>Cash flows from capital and related financing activities:</u>			
Principal payments	(295,000.00)		(295,000.00)
Interest payments	(98,108.75)		(98,108.75)
Service charges	(13,016.50)		(13,016.50)
Net cash provided (used) by capital and related financing activities	(406,125.25)		(406,125.25)
<u>Cash flows from investing activities:</u>			
Interest income	1,216.61		1,216.61
Net increase in cash and cash equivalents	821,094.03	42,965.78	864,059.81
Cash and cash equivalents, January 1	-0-	-0-	-0-
Cash and cash equivalents, December 31	821,094.03	42,965.78	864,059.81

(continued)

CITY OF ENDERLIN
Enderlin, North Dakota

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

	Major Enterprise Fund		
	Water & Sewer	Other Enterprise Funds	Total Enterprise Funds
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating income (loss)	97,143.95	(3,793.35)	93,350.60
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	316,255.00	1,000.00	317,255.00
Net cash provided (used) by operating activities	413,398.95	(2,793.35)	410,605.60

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

CITY OF ENDERLIN
Enderlin, North Dakota

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

	Custodial Funds
<u>Additions:</u>	
Property tax collections for other governments	85,737.90
State Aid collections for other governments	10,691.65
Reimbursement from library for salary	27,309.54
Total Additions	123,739.09
<u>Deductions:</u>	
Payments of property tax to other governments	85,737.90
Payments of state aid to other governments	10,691.65
Librarian's salary	27,309.54
Total Deductions	123,739.09
Net Change in Assets and Liabilities	0.00
Assets and Liabilities - January 1	0.00
Assets and Liabilities - December 31	0.00

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

CITY OF ENDERLIN
Enderlin, North Dakota

Notes to the Financial Statements
December 31, 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

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

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

Pool Donations. This fund accounts for donations and fund raisers to be used for the construction of a new swimming pool.

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

The city reports the following major enterprise fund:

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

The city reports the following type of fiduciary fund:

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

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

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

D. Cash and Cash Equivalents

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

E. Capital Assets

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

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

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

F. Compensated Absences

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

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

G. Long-Term Obligations

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

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

H. Fund Equity

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

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

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

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

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

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

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

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

- * Committed
- * Assigned
- * Unassigned

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

I. Interfund Transactions

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

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

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

J. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2019 the city's carrying amount of deposits was \$1,107,636 and the bank balance was \$1,126,730. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$876,730 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 ECONOMIC DEVELOPMENT LOANS RECEIVABLE

Economic development loan receivables consist of loans of city sales tax funds to local businesses for urban and economic development. At December 31, 2019 the following loans were outstanding:

Greg Pfaff	18,550.00
Tri State Roofing	23,002.12
Eagles Nest	11,350.00
Friendly Tavern	7,250.00
Trio Bar	1,879.00
Enderlin Golf Course	6,350.00
Charty Marbell	2,062.55
Total Loans Receivable	<u>70,443.67</u>
	=====

Note 5 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by negative cash balances in various funds. The amounts shown as interfund payables represent the amounts of negative cash in the funds. Interfund receivables/payables for the year ended December 31, 2019 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
Sales Tax	293,652.20	
Pool Donations	274,559.53	
Street District 2011-1	133,395.81	
Pool 2018 Bond	82,351.06	
General		748,092.20
Pool Project Construction		16.12
Oasis & Social Security		26,105.01
Retirement		8,813.15
Emergency		705.18
Public Recreation		226.94

Note 6 CAPITAL ASSETS

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

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Construction in Progress	699,709	462,000	1,161,709	
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,794,900	1,161,709		3,956,609
Machinery and Vehicles	491,792	19,900	260,500	251,192
Total	3,286,692	1,181,609	260,500	4,207,801
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,271,853	134,590		1,406,443
Machinery and Vehicles	214,129	20,569	74,100	160,598
Total	1,485,982	155,159	74,100	1,567,041
Total capital assets being depreciated, net	1,800,710	1,026,450	186,400	2,640,760
Governmental Activities Capital Assets, Net	2,500,419	1,488,450	1,348,109	2,640,760

	<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 not being depreciated:</i>				
Land	92,000			92,000
<hr/>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	12,247,007			12,247,007
Machinery and Vehicles	205,439		19,259	186,180
Total	12,452,446		19,259	12,433,187
<hr/>				
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	4,848,020	307,342		5,155,362
Machinery and Vehicles	111,630	9,913	19,259	102,284
Total	4,959,650	317,255	19,259	5,257,646
<hr/>				
Total capital assets being depreciated, net	7,492,796	(317,255)		7,175,541
<hr/>				
Business-type Activities Capital Assets, Net	7,584,796	(317,255)	-0-	7,267,541
<hr/>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Discretely Presented Component Unit:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	590,000			590,000
<hr/>				
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	353,997	39,333		393,330
<hr/>				
Discretely Presented Component Unit Capital Assets, Net	236,003	(39,333)	-0-	196,670
<hr/>				

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

<u>Governmental Activities:</u>	
General Government	10,089
Streets and Public Works	100,402
Culture and Recreation	44,668

Total	155,159
	=====
<u>Business-type Activities:</u>	
Water and Sewer	316,255
Garbage	1,000

Total	317,255
	=====
<u>Discretely Presented Component Unit:</u>	
Airport	39,333
	=====

Note 7 LONG-TERM DEBT

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

Governmental Activities:

	<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>
Capital Lease Payable	191,913		191,913		
General Obligation Bonds	130,000		40,000	90,000	45,000
Revenue Bonds	1,700,000		115,000	1,585,000	125,000
Total	2,021,913	-0-	346,913	1,675,000	170,000
	=====	=====	=====	=====	=====

Business-type Activities (Proprietary Funds):

	<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>
General Obligation Bonds	205,000		65,000	140,000	70,000
Revenue Bonds	3,445,000		230,000	3,215,000	235,000
Total	3,650,000	-0-	295,000	3,355,000	305,000
	=====	=====	=====	=====	=====

Discretely Presented Component Unit

	<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>
Revenue Bonds	120,000	-0-	15,000	105,000	15,000
	=====	=====	=====	=====	=====

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:

General Obligation Bonds. The city has issued general obligation bonds to provide funds for the construction/renovation of the city's auditorium. General obligation bonds outstanding at December 31, 2019 are as follows:

\$500,000 General Obligation Bonds of 2006 due in annual installments of \$45,000 through May 1, 2021; interest is at 4.5%.	90,000.00 =====
---	--------------------

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	45,000.00	3,037.50
2021	45,000.00	1,012.50
Total	<u>90,000.00</u>	<u>4,050.00</u>
	=====	=====

Revenue Bonds. The city has issued bonds to install water lines and provide funds for street projects. Revenue bonds outstanding at December 31, 2019 are as follows:

\$205,000 Tax Increment Financing Revenue Bonds of 2010, due in annual installments of \$15,000 to \$20,000 through May 1, 2027; interest is 4.65%.	125,000.00
\$600,000 Refunding Improvement Bonds of 2010, due in annual installments of \$40,000 to \$50,000 through May 1, 2027; interest is at 3.2% to 3.6%.	360,000.00
\$595,000 Sales Tax Revenue Bonds of 2011, due in annual installments of \$40,000 to \$85,000 through November 1, 2026; interest is at 4% to 4.25%.	340,000.00
\$790,000 Sales Tax Revenue Bonds, Series 2018 due in annual installments of \$30,000 to \$55,000 through November 1, 2038; interest is at 2.9% to 4%.	760,000.00
Total	<u>1,585,000.00</u> =====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	125,000	58,433
2021	125,000	53,985
2022	130,000	49,458
2023	135,000	44,850
2024	140,000	39,953
2025-2029	505,000	124,264
2030-2034	215,000	68,400
2035-2038	210,000	21,400
Total	<u>1,585,000</u>	<u>460,741</u>
	=====	=====

Business-type Activities (Proprietary Funds):

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2019, is as follows:

General Obligation Bonds. The city has issued general obligation bonds to provide funds for a housing development. General obligation bonds outstanding at December 31, 2019 are as follows:

\$660,000 Refunding Improvement Bonds of 2006 due in annual installments of \$70,000 through May 1, 2021; interest is at 4.35%.	140,000.00 =====
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The annual requirements to amortize the outstanding general obligation bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	70,000.00	4,567.50
2021	70,000.00	1,522.50
Total	<u>140,000.00</u> =====	<u>6,090.00</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:

\$87,500 Water Treatment Revenue Bonds of 2002, due in annual installments of \$5,000 to \$6,000 through September 1, 2022; interest is at 2.5%.	17,000.00
\$184,307 Water Treatment Revenue Bonds of 2005, due in annual installments of \$10,000 to \$11,000 through September 1, 2024; interest is at 2.5%.	53,000.00
\$1,836,790 Water Treatment Revenue Bonds of 2009, due in annual installments of \$105,000 to \$135,000 through September 1, 2029; interest is at 2.5%.	1,190,000.00
\$263,855 Wastewater Treatment Revenue Bonds of 2009, due in annual installments of \$15,000 to \$20,000 through September 1, 2029; interest is at 2.5%.	175,000.00
\$1,620,000 Water Revenue Refunding Bonds of 2013, due in annual installments of \$70,000 to \$105,000 through March 1, 2033; interest is at 2.25% to 4%.	1,210,000.00
\$365,500 Wastewater Treatment Revenue Bonds of 2014, due in annual installments of \$10,000 to \$25,000 through September 1, 2034; interest is at 2%.	290,000.00
\$327,000 Water Treatment Revenue Bonds, Series 2016, due in annual installments of \$15,000 to \$20,000 through September 1, 2035; interest is at 2%.	280,000.00
Total	<u>3,215,000.00</u> =====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	235,000	85,513
2021	241,000	79,906
2022	252,000	74,219
2023	256,000	69,125
2024	256,000	62,000
2025-2029	1,355,000	207,825
2030-2034	600,000	46,300
2035	20,000	400
Total	<u>3,215,000</u>	<u>625,288</u>
	=====	=====

Discretely Presented Component Unit:

Revenue Bonds. The airport authority has issued bonds for the purpose of a hanger/runway project. Revenue bonds outstanding at December 31, 2019 are as follows:

\$200,000 Airport Revenue Bonds of 2010, due in annual installments of \$15,000 through December 1, 2026; interest is at 2.5%.	105,000.00
	=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	15,000	3,675
2021	15,000	3,150
2022	15,000	2,625
2023	15,000	2,100
2024	15,000	1,575
2025-2026	30,000	1,575
Total	<u>105,000</u>	<u>14,700</u>
	=====	=====

Note 8 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2019:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	3,250.00	
Garbage		3,250.00
Recreation - Pool	5,000.00	
Public Recreation		5,000.00

To subsidize expenditures.

General	135,183.32	
District 2000-1		110,466.85
District 2003-1		21,986.44
District 2015-1 Const.		660.00
G.O.B. Pool		2,070.03

To close funds.

General	31,250.00	
Sales Tax		31,250.00

To provide funds to pay city share of expenses related to road repairs and maintenance on the Feeney Drive project.

District 2005-1	13,500.00	
District 2006-1	76,641.00	
District 2009-1	163,056.00	
District 2013 Bond	115,500.00	
District 2014-1	42,000.00	
District 2015-1	23,100.00	
Debt Retirement Reserve		13,500.00
Water and Sewer:		
Operating		343,656.00
Def. Levy (06-01)		76,641.00

To subsidize debt service payments.

Pool Project Construction	102,919.83	
Pool Donations:		
Fund Raising Account		102,919.83

To provide funds for pool construction project.

Note 9 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31, 2019:

General Fund	(748,092.20)
<u>Special Revenue Funds</u>	
Oasis & Social Security	(26,105.01)
Retirement	(8,813.15)
Emergency	(705.18)
Public Recreation	(226.94)
<u>Capital Projects Fund</u>	
Pool Project Construction	(16.12)

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

Note 10 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$4,000,000 per occurrence for general liability and automobile; and \$859,271 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$1,353,707 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 Transamerica IDEX Mutual Funds and Western Reserve Life Assurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city matches up to 3% of the employee's gross salary. During the year ended December 31, 2019, the city contributed \$7,397.53.

CITY OF ENDERLIN
Enderlin, 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	358,850.00	383,320.00	383,035.22	(284.78)
Licenses, Permits and Fees	13,200.00	12,060.00	12,054.75	(5.25)
Intergovernmental	115,000.00	133,241.00	133,212.36	(28.64)
Charges for Services	28,500.00	32,900.00	32,740.00	(160.00)
Fines and Forfeits	100.00	100.00	47.50	(52.50)
Miscellaneous	9,700.00	14,185.00	14,139.52	(45.48)
Total Revenues	525,350.00	575,806.00	575,229.35	(576.65)
<u>Expenditures:</u>				
Current:				
General Government	261,866.00	233,943.00	233,459.04	483.96
Public Safety	158,882.00	158,882.00	158,882.04	(0.04)
Streets and Public Works	237,641.00	206,446.00	206,028.99	417.01
Urban and Economic Development	31,250.00	31,250.00	31,250.00	
Conservation of Natural Resources	3,000.00	15.00	15.00	
Capital Outlay	19,900.00	19,900.00	19,900.00	
Total Expenditures	712,539.00	650,436.00	649,535.07	900.93
Excess (Deficiency) of Revenues Over Expenditures	(187,189.00)	(74,630.00)	(74,305.72)	324.28
<u>Other Financing Sources:</u>				
Transfers In	269,450.00	169,640.00	169,683.32	43.32
Net Change in Fund Balances	82,261.00	95,010.00	95,377.60	367.60
Fund Balance - January 1	(843,469.80)	(843,469.80)	(843,469.80)	
Fund Balance - December 31	(761,208.80)	(748,459.80)	(748,092.20)	367.60

CITY OF ENDERLIN
Enderlin, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
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	120,000.00	154,300.00	154,071.83	(228.17)
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	132,540.00	109,665.00	109,427.10	237.90
Excess (Deficiency) of Revenues Over Expenditures	(12,540.00)	44,635.00	44,644.73	9.73
<u>Other Financing (Uses):</u>				
Transfers Out		(31,250.00)	(31,250.00)	
Net Change in Fund Balances	(12,540.00)	13,385.00	13,394.73	9.73
Fund Balance - January 1	350,701.14	350,701.14	350,701.14	
Fund Balance - December 31	338,161.14	364,086.14	364,095.87	9.73

CITY OF ENDERLIN
Enderlin, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2019

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board approved the following amendments to the city's budget for the year ending December 31, 2019:

	Original Budget	Amendment	Amended Budget
<u>Estimated Revenues</u>			
General Fund	525,350	50,456	575,806
<u>Special Revenue Funds</u>			
Sales Tax	120,000	34,300	154,300
City Share of Specials	6,700	155	6,855
Emergency	1,000	(985)	15
Public Recreation	3,000	(300)	4,700
Public - Pool	43,250	5,602	48,852
Def Levy (06-01)	77,000	(359)	76,641
<u>Debt Service Funds</u>			
Debt Retirement Reserve	22,000	(900)	21,100
District 2010-1 and 2010-2 Debt Service	84,600	16,990	101,590
Street District 2011-1	50,000	27,150	77,150
Pool 2018 Bond		115,723	115,723

		<u>Appropriations</u>	
General Fund	712,539	(62,103)	650,436
<u>Special Revenue Funds</u>			
Sales Tax	132,540	(22,875)	109,665
Emergency	2,000	3,160	5,160
Recreation - Pool	44,000	(8,888)	35,112
<u>Debt Service Funds</u>			
Debt Retirement Reserve		841	841
District 2010-1 and			
2010-2 Debt Service	71,166	(69)	71,097
Street District 2011-1	51,113	(27)	51,086
<u>Transfers In</u>			
General Fund	269,450	(99,810)	169,640
<u>Transfers Out</u>			
<u>Special Revenue Funds</u>			
Sales Tax		31,250	31,250
Def Levy (06-01)	77,000	(359)	76,641
<u>Debt Service Fund</u>			
G.O.B. Pool		2,070	2,070

CITY OF ENDERLIN
Enderlin, 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	(843,469.80)	575,229.35	169,683.32		649,535.07	(748,092.20)
Sales Tax	263,391.07	170,938.23		31,250.00	109,427.10	293,652.20
Pool Donations:						
Memorial Fund	43,527.97	8,469.74			5,890.19	46,107.52
Fund Raising Account	58,060.01	273,311.83		102,919.83		228,452.01
Pool Project Construction	359,948.75		102,919.83		462,884.70	(16.12)
Total Major Governmental Funds	(118,542.00)	1,027,949.15	272,603.15	134,169.83	1,227,737.06	(179,896.59)
Non-Major Governmental Funds:						
Oasis & Social Security	(26,105.01)					(26,105.01)
City Share of Specials	(1,026.10)	6,852.39				5,826.29
Insurance	1,186.56					1,186.56
Retirement	(8,813.15)					(8,813.15)
Forestry	5,171.84					5,171.84
Emergency	4,439.19	14.29			5,158.66	(705.18)
Public Recreation	91.01	4,682.05		5,000.00		(226.94)
Flood Funds	509.12					509.12
City Equipment	2,162.12					2,162.12
Recreation - Pool	49,895.79	48,721.47	5,000.00		34,988.96	68,628.30
Christmas Lights	266.79	0.37				267.16
Def. Levy (06-01)		76,641.00		76,641.00		
Street District 2003-1	21,986.44			21,986.44		
G.O.B. Pool	2,070.03			2,070.03		
Debt Retirement Reserve	1,899.39	21,005.90		13,500.00	841.00	8,564.29
City Auditorium	(4,761.72)	54,792.22			46,051.00	3,979.50
District 2010-1 and 2010-2						
Debt Service	107,239.45	101,585.68			71,097.25	137,727.88
Street District 2011-1	107,333.37	77,148.44			51,086.00	133,395.81
Pool 2018 Bond	36,616.63	115,722.68			60,631.35	91,707.96
City Auditorium Renovation	195.64	0.29				195.93
Total Non-Major Governmental Funds	300,357.39	507,166.78	5,000.00	119,197.47	269,854.22	423,472.48
Total Governmental Funds	181,815.39	1,535,115.93	277,603.15	253,367.30	1,497,591.28	243,575.89
Major Enterprise Fund:						
Water and Sewer:						
Operating	(177,466.57)	1,250,779.90		343,656.00	889,139.92	(159,482.59)
District 2000-1	110,466.85			110,466.85		
District 2002-1	17,386.19	7,128.81			5,647.50	18,867.50

(continued)

CITY OF ENDERLIN
Enderlin, North Dakota

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

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
Major Enterprise Fund (continued)						
District 2005-1	7,927.90	86.90	13,500.00		11,865.00	9,649.80
District 2006-1	41,147.01	31,900.06	76,641.00		73,604.75	76,083.32
District 2009-1	162,974.12	295.47	163,056.00		138,700.00	187,625.59
District 2009-3	52,524.19	29,469.79			20,700.00	61,293.98
Water/Sewer Expansion	159,430.36					159,430.36
District 2013 Bond	333,430.32	16,168.81	115,500.00		110,608.00	354,491.13
District 2014-1	88,504.37		42,000.00		22,625.00	107,879.37
District 2015-1 Construction	665.00			660.00		5.00
District 2015-1	8,025.57		23,100.00		22,375.00	8,750.57
District 2019-1					3,500.00	(3,500.00)
Total Major Enterprise Fund	805,015.31	1,335,829.74	433,797.00	454,782.85	1,298,765.17	821,094.03
Non-Major Enterprise Funds:						
Meter Deposit	27,875.00	1,875.00			90.00	29,660.00
Garbage	21,134.13	82,724.65		3,250.00	87,303.00	13,305.78
Total Non-Major Enterprise Funds	49,009.13	84,599.65		3,250.00	87,393.00	42,965.78
Total Enterprise Funds	854,024.44	1,420,429.39	433,797.00	458,032.85	1,386,158.17	864,059.81
Custodial Funds:						
Park		10,932.02			10,932.02	
Enderlin Library		66,156.23			66,156.23	
Enderlin Cemetery		6,491.09			6,491.09	
Enderlin Airport Authority		24,731.47			24,731.47	
Enderlin Fine Arts		15,428.28			15,428.28	
Total Custodial Funds		123,739.09			123,739.09	
Total Primary Government	1,035,839.83	3,079,284.41	711,400.15	711,400.15	3,007,488.54	1,107,635.70
Discretely Presented						
Component Units:						
Enderlin Library	43,783.25	40,745.09			39,882.31	44,646.03
Enderlin Cemetery	301,985.92	20,274.73			20,406.40	301,854.25
Enderlin Airport Authority	41,872.81	54,811.90			74,671.50	22,013.21
Enderlin Fine Arts	15,097.88	18,571.10			13,966.73	19,702.25
Total Discretely Presented						
Component Units	402,739.86	134,402.82			148,926.94	388,215.74
Total Reporting Entity	1,438,579.69	3,213,687.23	711,400.15	711,400.15	3,156,415.48	1,495,851.44

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 Enderlin
Enderlin, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Enderlin, Enderlin, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated March 6, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

Purpose of this Report

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

March 6, 2020

CITY OF ENDERLIN
Enderlin, North Dakota

Schedule of Findings and Responses
For the Year Ended December 31, 2019

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

- * Material weakness(es) identified? Yes X No
- * Significant deficiency(ies) identified? X Yes None Reported
- Noncompliance Material to financial statements noted? Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 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.