

**CITY OF GLENBURN  
GLENBURN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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**CITY OF GLENBURN**  
**ROSTER OF CITY OFFICIALS**  
**AS OF DECEMBER 31, 2019**

Names

Office

Eric Folstad	Mayor
David Ashley	Council President
Dianne Hensen	Council
Rick Larson	Council
David Hoff	Council
Donna Zeltinger	City Auditor

## INDEPENDENT AUDITOR'S REPORT

Mayor and Aldermen of the  
City Council  
City of Glenburn  
Glenburn, 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 and each major fund, and the remaining fund information of the City of Glenburn, 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Glenburn, as of December 31, 2019, and the respective changes in the modified cash basis financial position and where applicable, cash flows, thereof for the year then ended in accordance with 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 of Glenburn's basic financial statements. The Budgetary Comparison Schedules, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer's Share of Net OPEB Liability, Schedule of Employer Contributions, and Notes to Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The Budgetary Comparison Schedules, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer's Share of Net OPEB Liability, Schedule of Employer Contributions, and Notes to Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 schedule of expenditures of federal awards is 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 December 31, 2020 on our consideration of the City of Glenburn's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City of Glenburn's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Glenburn's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
GRAND FORKS, NORTH DAKOTA**

December 31, 2020

**CITY OF GLENBURN**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2019**

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 945,911	\$ 270,561	\$ 1,216,472
Noncurrent Assets			
Cash Restricted by Debt Covenants	-	27,725	27,725
Capital Assets (Net of Accumulated Depreciation)	860,879	1,675,256	2,536,135
Total Noncurrent Assets	<u>860,879</u>	<u>1,702,981</u>	<u>2,563,860</u>
Total Assets	<u>1,806,790</u>	<u>1,973,542</u>	<u>3,780,332</u>
<b>LIABILITIES</b>			
Current Liabilities			
Cash overdraft	38,155	-	38,155
Bonds payable-Current portion	25,000	35,000	60,000
Total current liabilities	<u>63,155</u>	<u>35,000</u>	<u>98,155</u>
Long-term Liabilities			
Bonds payable-Non-current portion	175,000	450,676	625,676
Discount on Bonds Payable (Net of Accumulated Amortization)	(2,975)	-	(2,975)
Total long-term liabilities	<u>172,025</u>	<u>450,676</u>	<u>622,701</u>
<b>TOTAL LIABILITIES</b>	<u>235,180</u>	<u>485,676</u>	<u>720,856</u>
<b>NET POSITION</b>			
Net investment in capital assets	663,854	1,189,580	1,853,434
Restricted for:			
Debt Service	13,458	27,725	41,183
Unrestricted	<u>894,298</u>	<u>270,561</u>	<u>1,164,859</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,571,610</u>	<u>\$ 1,487,866</u>	<u>\$ 3,059,476</u>

See Notes to the Financial Statements



**CITY OF GLENBURN**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Governmental Activities</b>							
General government	\$ 144,147	\$ 14,953	\$ -	\$ -	\$ (129,194)	\$ -	\$ (129,194)
Public safety	17,595	500	-	-	(17,095)	-	(17,095)
Public works	75,991	-	-	-	(75,991)	-	(75,991)
Health and welfare	15,721	-	-	-	(15,721)	-	(15,721)
Culture and recreation	12,307	-	-	-	(12,307)	-	(12,307)
Interest	10,301	-	-	-	(10,301)	-	(10,301)
Bank fees	1,115	-	-	-	(1,115)	-	(1,115)
Total Governmental Activities	<u>277,177</u>	<u>15,453</u>	<u>-</u>	<u>-</u>	<u>(261,724)</u>	<u>-</u>	<u>(261,724)</u>
<b>Business-Type Activities</b>							
Water	85,115	94,734	-	561,578	-	571,197	571,197
Sewer	27,039	51,523	-	-	-	24,484	24,484
Sanitation	32,142	31,472	-	-	-	(670)	(670)
Total Business-Type Activities	<u>\$ 144,296</u>	<u>\$ 177,729</u>	<u>\$ -</u>	<u>\$ 561,578</u>	<u>-</u>	<u>595,011</u>	<u>595,011</u>
General Revenues:							
General Property Taxes					113,903	-	113,903
Special assessments property tax					25,213	-	25,213
City sales tax					38,472	-	38,472
Unrestricted State aid					126,411	-	126,411
Interest and dividend income					20,336	-	20,336
Miscellaneous revenues					4,273	-	4,273
Total General Receipts and Transfers					<u>328,608</u>	<u>-</u>	<u>328,608</u>
Changes in Net Position					<u>66,884</u>	<u>595,011</u>	<u>661,895</u>
Net Position, January 1					<u>1,504,726</u>	<u>892,855</u>	<u>2,397,581</u>
Net Position, December 31					<u>\$ 1,571,610</u>	<u>\$ 1,487,866</u>	<u>\$ 3,059,476</u>

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES**  
**MODIFIED CASH BASIS – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	<u>Major Funds</u>				<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Highway Fund</u>	<u>Cemetery Fund</u>	
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 932,453	\$ 13,458	\$ -	\$ -	\$ 945,911
<b>TOTAL ASSETS</b>	<u>932,453</u>	<u>13,458</u>	<u>-</u>	<u>-</u>	<u>945,911</u>
<b>LIABILITIES</b>					
Cash Overdraft	-	-	38,155	-	38,155
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>38,155</u>	<u>-</u>	<u>38,155</u>
<b>FUND BALANCE</b>					
Restricted	-	13,458	-	-	13,458
Committed	7,894	-	-	-	7,894
Unassigned	924,559	-	(38,155)	-	886,404
<b>TOTAL FUND BALANCE</b>	<u>932,453</u>	<u>13,458</u>	<u>(38,155)</u>	<u>-</u>	<u>907,756</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 932,453</u>	<u>\$ 13,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 945,911</u>

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**RECONCILIATION OF STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**  
**MODIFIED CASH BASIS – GOVERNMENTAL FUNDS**  
**TO STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2019**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance-governmental funds	\$	907,756
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$	1,080,908
Accumulated Depreciation		<u>(220,029)</u>
Net		860,879
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported in the governmental funds:		
Bonds Payable		(200,000)
Discounts on bonds payable are treated as other financing uses in government funds, but are deferred to future periods in the Statement of Net Position (amortized over the life of the bonds)		
		<u>2,975</u>
Total net position-governmental activities	\$	<u><u>1,571,610</u></u>

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**MODIFIED CASH BASIS – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Major Funds</u>				<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Highway Fund</u>	<u>Cemetery Funds</u>	
<b>Revenues:</b>					
Property taxes	\$ 111,647	\$ -	\$ -	\$ 2,256	\$ 113,903
Sales and use taxes	13,552	24,920	-	-	38,472
Special assessments	-	25,213	-	-	25,213
Licenses, permits and fees	14,953	-	-	-	14,953
State aid	93,281	-	33,130	-	126,411
Fines and forfeits	500	-	-	-	500
Miscellaneous revenues	4,273	-	-	-	4,273
Interest and dividends	<u>20,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,336</u>
 Total revenues	 <u>258,542</u>	 <u>50,133</u>	 <u>33,130</u>	 <u>2,256</u>	 <u>344,061</u>
<b>Expenditures:</b>					
Current:					
General government	141,891	-	-	2,256	144,147
Public safety	17,595	-	-	-	17,595
Public works	10,194	-	45,008	-	55,202
Health and welfare	15,721	-	-	-	15,721
Culture and recreation	12,307	-	-	-	12,307
Debt service:					
Principal retirement	-	121,000	-	-	121,000
Interest	-	9,951	-	-	9,951
Bank fees	<u>-</u>	<u>1,115</u>	<u>-</u>	<u>-</u>	<u>1,115</u>
 Total expenditures	 <u>197,708</u>	 <u>132,066</u>	 <u>45,008</u>	 <u>2,256</u>	 <u>377,038</u>
Net Change in Fund Balances	60,834	(81,933)	(11,878)	-	(32,977)
Fund Balance (Deficit), January 1	<u>871,619</u>	<u>95,391</u>	<u>(26,277)</u>	<u>-</u>	<u>940,733</u>
Fund Balance (Deficit), December 31	<u>\$ 932,453</u>	<u>\$ 13,458</u>	<u>\$ (38,155)</u>	<u>\$ -</u>	<u>\$ 907,756</u>

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS**  
**TO STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**GOVERNMENTAL ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance- total governmental funds	\$	(32,977)
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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 as depreciation expense. In the current period, these amounts are:

Depreciation expense	\$	(20,789)	(20,789)
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Repayment of noncurrent liabilities is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position. Additionally, premiums or discounts related to the debt are included on the Statement of Net Position and amortized to interest expense over the life of the debt in the Statement of Activities.

Amortization of Bond Discount		(350)	
Principal Payments of Bonds Payable		<u>121,000</u>	

Net change in net position of governmental activities	\$	<u>66,884</u>
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**CITY OF GLENBURN**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

	<u>Major Funds</u>			<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 60,387	\$ 195,498	\$ 14,676	\$ 270,561
Noncurrent Assets				
Cash Restricted by Debt Covenants	-	27,725	-	27,725
Capital Assets (Net of Accumulated Depreciation)	1,022,328	652,928	-	1,675,256
Total Noncurrent Assets	<u>1,022,328</u>	<u>680,653</u>	<u>-</u>	<u>1,702,981</u>
<b>TOTAL ASSETS</b>	<u>1,082,715</u>	<u>876,151</u>	<u>14,676</u>	<u>1,973,542</u>
<b>LIABILITIES</b>				
Current Liabilities				
Current portion of Long - Term Debt	<u>15,000</u>	<u>20,000</u>	<u>-</u>	<u>35,000</u>
Noncurrent Liabilities				
Long-Term Debt, Net of Current Portion	<u>240,676</u>	<u>210,000</u>	<u>-</u>	<u>450,676</u>
<b>TOTAL LIABILITIES</b>	<u>255,676</u>	<u>230,000</u>	<u>-</u>	<u>485,676</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	766,652	422,928	-	1,189,580
Restricted for Debt Service	-	27,725	-	27,725
Unrestricted	<u>60,387</u>	<u>195,498</u>	<u>14,676</u>	<u>270,561</u>
<b>TOTAL NET POSITION</b>	<u>\$ 827,039</u>	<u>\$ 646,151</u>	<u>\$ 14,676</u>	<u>\$ 1,487,866</u>

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –**  
**MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Major Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Garbage</b>	
<b>Operating Revenues</b>				
Charges for services	\$ 94,734	\$ 51,523	\$ 31,472	\$ 177,729
<b>Operating Expenses</b>				
Water	74,193	-	-	74,193
Sewer	-	3,765	-	3,765
Garbage	-	-	32,142	32,142
Interest	-	6,225	-	6,225
Bank fees	-	1,275	-	1,275
Depreciation	10,922	15,774	-	26,696
Total operating expenses	85,115	27,039	32,142	144,296
Income (loss) before capital contributions	9,619	24,484	(670)	33,433
Capital contributions	561,578	-	-	561,578
Change in Net Position	571,197	24,484	(670)	595,011
Net Position, January 1	255,842	621,667	15,346	892,855
Net Position, December 31	\$ 827,039	\$ 646,151	\$ 14,676	\$ 1,487,866

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Major Funds</u>			<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 94,734	\$ 51,523	\$ 31,472	\$ 177,729
Cash payments to suppliers	(74,193)	(11,265)	(32,142)	(117,600)
Net cash flow from operating activities	<u>20,541</u>	<u>40,258</u>	<u>(670)</u>	<u>60,129</u>
<b>CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital Contributions	561,578	-	-	561,578
Purchases of property and equipment	(791,151)	-	-	(791,151)
Long term borrowing	255,676	-	-	255,676
Payment on long-term borrowing	-	(20,000)	-	(20,000)
Net cash flow from capital and related financing activities	<u>26,103</u>	<u>(20,000)</u>	<u>-</u>	<u>6,103</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,644	20,258	(670)	66,232
CASH AND CASH EQUIVALENTS, JANUARY 1, 2019	<u>13,743</u>	<u>202,965</u>	<u>15,346</u>	<u>232,054</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2019	<u>\$ 60,387</u>	<u>\$ 223,223</u>	<u>\$ 14,676</u>	<u>\$ 298,286</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income	\$ 9,619	\$ 24,484	\$ (670)	\$ 33,433
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	10,922	15,774	-	26,696
Net cash provided (used) by operating activities	<u>\$ 20,541</u>	<u>\$ 40,258</u>	<u>\$ (670)</u>	<u>\$ 60,129</u>

See Notes to the Financial Statements



**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Glenburn, North Dakota (the City) provides general public services to property owners within the City, including but not limited to roads, water, sewer and garbage collection services.

The more significant of the government's accounting policies are described below.

**Reporting Entity**

The accompanying financial statements present the activities of the City of Glenburn. 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 Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria includes appointing a voting majority of an organizations governing body or an organization being fiscally dependent and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

Based on these criteria, there are no component units to be included within the City of Glenburn as a reporting entity.

**Basis of Presentation**

The City's accounting policy is to maintain the accounting records and present its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

*Government-Wide Financial Statements*

The Statement of Net Position and Statement of Activities display information about the reporting government taken as a whole. They include all funds of the reporting entity except any fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements*

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are typically organized into three categories: governmental, proprietary, and fiduciary.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of an individual fund are at least 10 percent of the corresponding total for all funds of that type, AND
2. Total assets, liabilities, revenues or expenditures/expenses of the individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds combined.

Major funds of the City's financial reporting entity are described below.

*Governmental Funds*

General Fund

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

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt, principal and interest.

Highway Fund

This special revenue fund accounts for revenues legally required to be used for roads, and the related costs of repairing or construction of the roads.

*Proprietary Funds*

The City's proprietary funds consist of three enterprise funds. Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activities focuses on net income measurement similar to the private sector.

The City's enterprise funds are as follows:

Water Fund

This fund accounts for the activity of the water department. The department operates the water distribution system of the City of Glenburn.

Sewer Fund

This fund accounts for the activities of the sewer department. This department operates the sewage treatment plant, sewage pumping stations and collection systems in the City of Glenburn.

Garbage Fund

This fund accounts for the activities of the garbage collection system within the City of Glenburn.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**Measurement Focus and Basis of Accounting**

*Measurement Focus*

Measurement focus is a term used to describe “how” transactions are recorded within various financial statements.

Government-wide financial statements: In the government-wide Statement of Net Position and the Statement of Activities, the government-type activities and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

Fund financial statements: 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 within the limitations of the modified cash basis of accounting. 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 within the limitations of the modified cash basis of accounting. 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.

Proprietary funds distinguish *operating* revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City of Glenburn’s enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Basis of Accounting*

The basis of accounting determines “when” transactions are recorded regardless of the measurement focus applied.

The government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type 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 capital assets and related depreciation and long-term debt in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

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.

### **Budgets and Budgetary Accounting**

The governing board adopts an annual budget on a basis consistent with the modified cash basis of accounting for each of its major governmental funds.

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

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

### **Cash and Equivalents**

Deposits must be either deposited in the Bank of North Dakota or in another financial institution situated and doing business within this state. Deposits, other than those with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the City to invest in:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

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 Obligations of the state.
4. Obligations of the state.

At December 31, 2019, the City of Glenburn's cash and cash equivalents included \$112,500 of certificates of deposits stated at cost.

**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.

**Capital Assets**

Capital assets include infrastructure, buildings and equipment. 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 acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the 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:

Building	50 years
Infrastructure	50 years
Equipment	7 to 10 years
Vehicles	7 to 10 years

**Long-Term Debt**

In the government-wide statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities and proprietary fund financial statements.

In the governmental fund financial statements, long-term debt is not recognized as a liability. Instead, proceeds from the issuance of debt and repayment of debt principal are recognized as "Other Financing Sources" and "Expenditures", respectively, in the fund financial statements.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**Compensated Absences**

Each continuous full-time employee is granted vacation benefits from 96 hours to 192 hours per year based on years of service. The maximum number of vacation hours that can be carried over at year-end is a total of 240 hours. Additionally, each full-time employee is entitled to sick leave earned at the rate of one working day per month (96 hours per year) and there is no maximum accumulation. Upon termination, employees are not paid for any sick leave accumulated, but are paid for all vacation earned up to the date of separation.

**Net Position**

In the government-wide financial statements, equity is classified as “net position” and displayed in three components:

1. Net Investment in Capital Assets – Consists of the remaining undepreciated cost of the assets less the outstanding debt associated with the purchase or construction of the related asset.
2. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balance**

The difference between assets, deferred inflows/outflows and liabilities is “Net Position” on the government wide financial statements and “Fund Balance” on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Non-spendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, which is the Board, through a resolution.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Board.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The first priority is to utilize the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

#### **Minimum Fund Balance Policy**

The Council has not formally adopted a fund balance policy for the General Fund.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Significant Group Concentrations of Credit Risk**

For deposits and investments, the custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover any collateral securities that are not in the possession of an outside party. As discussed in Note 1, state statutes require that market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. During the year ended December 31, 2019, City deposits were adequately protected by insurance or collateral.

#### **Inter-fund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the City's governmental activities and its business-type activities, are eliminated in the statement of activities.



**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

At December 31, 2019, the deposits of the City were entirely covered by federal depository insurance or by the collateral held by the City's custodial bank in the City's name.

**Interest Rate Risk**

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**NOTE 3 - CASH RESTRICTED BY DEBT COVENANTS**

Cash restricted by debt covenants consists of amounts required to be deposited into a reserve account under the terms of the bond payable, as discussed in Note 5. Beginning September 1, 2010, \$5,545 must be deposited in the reserve account each September 1 through 2014, resulting in a final reserve balance of \$27,725. As of December 31, 2019, the balance of the reserve was \$27,725.

**NOTE 4 - CAPITAL ASSETS**

Changes in capital assets for the governmental activities for the year ended December 31, 2019 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities				
Non Depreciable				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500
Depreciable				
Buildings	261,273	-	-	261,273
Infrastructure	706,539	-	-	706,539
Equipment	96,396	-	-	96,396
Vehicles	12,200	-	-	12,200
Total Gov't Activities Capital Assets	<u>1,080,908</u>	<u>          </u>	<u>          </u>	<u>1,080,908</u>
Accumulated Depreciation				
Buildings	30,083	5,544	-	35,627
Infrastructure	65,611	14,131	-	79,742
Equipment	91,345	1,115	-	92,460
Vehicles	12,200	-	-	12,200
Total Accumulated Depreciation	<u>199,239</u>	<u>20,790</u>	<u>-</u>	<u>220,029</u>
Net Capital Assets - Gov't Activities	<u>\$ 881,669</u>	<u>\$ (20,790)</u>	<u>\$ -</u>	<u>\$ 860,879</u>



**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Changes in capital assets for the business-type activities for the year ended December 31, 2019 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
<b>Non Depreciable</b>				
Land	\$ 31,575	\$ -	\$ -	\$ 31,575
Construction in Process	201,615	791,151	-	992,766
<b>Depreciable</b>				
Infrastructure	788,703	-	-	788,703
Equipment	109,220	-	-	109,220
Total Water Capital Assets	<u>1,131,113</u>	<u>791,151</u>	<u>-</u>	<u>1,922,264</u>
<b>Accumulated Depreciation</b>				
Buildings and improvements	132,936	15,774	-	148,710
Equipment and vehicles	87,376	10,922	-	98,298
Total Accumulated Depreciation	<u>220,312</u>	<u>26,696</u>	<u>-</u>	<u>247,008</u>
Net Capital Assets	<u>\$ 910,801</u>	<u>\$ 764,455</u>	<u>\$ -</u>	<u>\$ 1,675,256</u>

Depreciation expenses charged to the various functions in the Statement of Activities are as follows:

<b>Governmental Activities</b>	
Public Works	<u>\$ 20,790</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<u>\$ 20,790</u>
<b>Business-Type Activities</b>	
Water	\$ 10,922
Sewer	<u>15,774</u>
<b>Total Depreciation Expense - Business-Type Activities</b>	<u>\$ 26,696</u>

**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 5 - CHANGES IN LONG-TERM DEBT**

The following is a summary of changes in the governmental and business-type activities long-term debt by individual issue for the year ended December 31, 2019:

<b>Governmental Activities</b>					
Debt Issuance	Balance 12-31-18	New Issues	Retired	Balance 12-31-19	Due within One Year
Sales Tax Revenue Bond, Series 2012	\$ 96,000	\$ -	\$ 96,000	\$ -	\$ -
Refunding Improvement Bond of 2013	225,000	-	25,000	200,000	25,000
Bond Discount	(3,325)	-	(350)	(2,975)	-
	<u>\$ 317,675</u>	<u>\$ -</u>	<u>\$ 120,650</u>	<u>\$ 197,025</u>	<u>\$ 25,000</u>

<b>Business-Type Activities</b>					
Issue	Balance 12-31-18	New Issues	Retired	Balance 12-31-19	Due within One Year
SRF Revenue Bond	\$ 250,000	\$ -	\$ 20,000	\$ 230,000	\$ 20,000
Water Treatment Revenue Bond Series	-	255,676	-	255,676	15,000
	<u>\$ 250,000</u>	<u>\$ 255,676</u>	<u>\$ 20,000</u>	<u>\$ 485,676</u>	<u>\$ 35,000</u>

**Loans and Bonds Payable**

SRF Loan

On June 26, 2009, the City of Glenburn was granted a loan in the amount of \$824,900 under the Clean Water State Revolving Fund Program, which is considered a federal award. The loan is primarily being used to expand Glenburn's lagoon and improve the City's lift station.

Upon closing, \$412,450 of the loan was forgiven, with the remaining \$412,450 being granted in the form of a revenue bond. Cash from both the bond and the grant was received upon submission of requests for payment for bills due stemming from the lagoon and lift station improvements, as well as dredging the lagoon and purchasing a tractor.

The bond is dated July 1, 2009 and matures on September 1, 2029. Payments began in 2010 and are made semi-annually. The average annual payment, including principal and interest, is \$26,546. The bond's interest rate is 2.5 percent. The bond payable is secured by the operating income, excluding depreciation and interest expense, of the Sewer Fund.

**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Debt service requirements are as follows:

Year	Principal	Interest	Total
2020	\$ 20,000	\$ 5,750	\$ 25,750
2021	20,000	5,250	25,250
2022	20,000	4,750	24,750
2023	20,000	4,250	24,250
2024	24,000	3,750	27,750
2025-2029	126,000	9,550	135,550
Totals	<u>\$ 230,000</u>	<u>\$ 33,300</u>	<u>\$ 263,300</u>

During, 2019, the City of Glenburn was granted another loan under the Clean Water State Revolving Fund Program in the amount of \$600,000, which is considered a federal award. The loan is primarily being used for installation of a water main and construction of a water tower.

The bond was issued April 8, 2019 and matures on September 1, 2049. Semi-annual Interest payments began in 2019 and annual principal payments will begin in 2020. The bond's interest rate is 1.5 percent. The bond payable is secured by the operating income, excluding depreciation and interest expense, of the Water Fund and a portion of the City's one percent sales and use tax.

Debt service requirements are as follows:

Year	Principal	Interest	Total
2020	\$ 15,000	\$ 3,835	\$ 18,835
2021	15,000	3,668	18,668
2022	15,000	3,498	18,498
2023	15,000	3,325	18,325
2024	15,000	3,150	18,150
2025-2029	180,676	2,972	183,648
Totals	<u>\$ 255,676</u>	<u>\$ 20,448</u>	<u>\$ 276,124</u>

Sales Tax Revenue Bond

On November 5, 2012, the City of Glenburn authorized the issuance of the Sales Tax Revenue Bonds of 2012 in the amount of \$250,000 to purchase a building for use as a city shop and to house equipment, materials, and supplies necessary to maintain the streets, water, and sewer systems. The bonds are dated November 30, 2012, with annual principal payments ranging from \$20,000 to \$ 25,000, and semi-annual interest payments at a 2% rate. Payments end on December 1, 2022. The bonds are paid for by the Debt Service Fund, and are payable from a two percent city sales tax. The principal balance remaining was paid in full in November 2019.

Refunding Improvement Bonds

On July 15, 2013, the City of Glenburn authorized the issuance of the Refunding Improvement Bonds of 2015 in the amount of \$350,000 to pave Chelsey Street. The bonds are dated July 15, 2013, with annual principal payments ranging from \$20,000 to \$25,000 and semi-annual interest

**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

payments ranging from 2.75% to 4%. Payments end on May 1, 2028. The bond is paid for by the Debt Service Fund and is payable from special assessment real estate taxes.

The discount of \$5,250 was capitalized and will be amortized to interest expense on a straight-line basis (as the difference between the straight-line and effective interest methods were immaterial). The amount amortized in the current year was \$350.

Debt service requirements for bonds payable are as follows:

Year	Principal	Interest	Total
2020	\$ 25,000	\$ 7,344	\$ 32,344
2021	25,000	6,500	31,500
2022	25,000	5,500	30,500
2023	25,000	4,500	29,500
2024	20,000	3,600	23,600
2025-2029	80,000	6,400	86,400
Totals	\$ 200,000	\$ 33,844	\$ 233,844

**NOTE 6 - PENSION PLAN**

**North Dakota Public Employees' Retirement System (Main System)**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 E. Broadway, Suite 505; PO Box 1214; Bismarck ND 58502-1214.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees; and two members of the legislative assembly appointed by the chairman of the legislative management.

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

### **Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

### **Refunds of Member Account Balance**

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. The City's contributions to the pension plan were \$4,536 for the year ended December 31, 2019.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

1 to 12 months of service – Greater of one percent of monthly salary or \$25  
13 to 24 months of service – Greater of two percent of monthly salary or \$25  
25 to 36 months of service – Greater of three percent of monthly salary or \$25  
Longer than 36 months of service – Greater of four percent of monthly salary or \$25

**Information about the City's Proportionate Share of Pension Obligation**

*Commitment Related to Proportionate Share of Net Pension Liability*

At December 31, 2019, NDPERS, as a whole, reported a total net pension liability of \$1,172,072,359 of which the City's proportionate share amounted to \$70,453. Because of the use of a modified cash basis of accounting framework in the preparation of these financial statements, this proportionate share of the NDPERS net pension liability is not reported in the City's financial statements as a liability, and is instead disclosed herein as a commitment. In accordance with the modified cash basis of accounting, pension expense or expenditures are only reported when contributions are paid by the City to NDPERS.

The NDPERS net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's covered payroll relative to the covered payroll of all participating local governments, actuarially determined. At December 31, 2019, the City's proportion was 0.006010 percent, which was an increase of 0.000113 from its proportion measured as of December 31, 2018.

*Actuarial assumptions*

Actuarial assumptions used in the determination of net pension liability, including mortality rates and life expectancies, long-term expected rate of return, discount rate and sensitivity of the net pension liability to changes in discount rate are available in the separately issued NDPERS financial report that can be obtained at <https://ndpers.nd.gov/>.

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. The City's contributions to the OPEB plan were \$726 for the year ended December 31, 2019.

Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**Information about the City's Proportionate Share of OPEB Obligation**

*Commitment Related to Proportionate Share of Net OPEB Liability*

At December 31, 2019, NDPERS, as a whole, reported a total net OPEB liability of \$80,318,738 of which the City's proportionate share amounted to \$4,500. Because of the use of a modified cash basis of accounting framework in the preparation of these financial statements, this proportionate share of the net OPEB liability is not reported in the City's financial statements as a liability, and is instead disclosed herein as a commitment. In accordance with the modified cash basis of accounting, pension expense or expenditures are only reported when contributions are paid by the City to NDPERS.



**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2019

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's covered payroll relative to the covered payroll of all participating local governments, actuarially determined. At December 31, 2019, the City's proportion was 0.005603 percent, which was an increase of 0.000066 from its proportion measured as of December 31, 2018.

*Actuarial assumptions*

Actuarial assumptions used in the determination of net OPEB liability, including mortality rates and life expectancies, long-term expected rate of return, discount rate and sensitivity of the net OPEB liability to changes in discount rate are available in the separately issued NDPERS financial report that can be obtained at <https://ndpers.nd.gov/>.

**NOTE 8 - RISK MANAGEMENT**

The City of Glenburn 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 of Glenburn pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile insurance and \$261,934 for inland marine coverage.

The City of Glenburn 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 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 two million dollars 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 \$178,900 for its employees. The State Bonding does not currently charge any premium for this coverage.

The City of Glenburn has insurance with North Dakota Workforce Safety and Insurance. The City provides a wage benefit paid directly to the full-time city manager for the purchase of health insurance. The benefit is prorated for the part-time city auditor.

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



**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 9 – FUND BALANCE**

At December 31, 2019, a summary of the governmental fund balance classifications are as follows:

	General	Debt Service	Highway Fund	Cemetery Fund	Total
<b>Restricted</b>					
Debt service	\$ -	\$ 13,458	\$ -	\$ -	\$ 13,458
<b>Committed</b>					
Advertising	1,563	-	-	-	1,563
Emergency	6,331	-	-	-	6,331
<b>Unassigned</b>	924,559	-	(38,155)	-	886,404
<b>Total Fund Balance</b>	<u>\$ 932,453</u>	<u>\$ 13,458</u>	<u>\$ (38,155)</u>	<u>\$ -</u>	<u>\$ 907,756</u>

**NOTE 10 – COMMITMENTS**

The City has entered into a contract in the amount of \$1,193,000 for the construction of a new water tower. As of December 31, 2019, \$675,204 has been paid on this contract.

**NOTE 11 – SUBSEQUENT EVENTS**

During 2019, the City entered into a contract for the construction of a new water tower expected to cost approximately \$1.2 million.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal, state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. At this time, the extent of the impact this matter will have on the City's results of operations and financial condition is uncertain.

No significant events have occurred subsequent to the City's year end. Subsequent events have been evaluated through December 31, 2020, which is the date these financial statements were available to be issued.

**CITY OF GLENBURN**  
**BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenue:				
Property taxes	\$ 58,500	\$ 58,500	\$ 111,647	\$ 53,147
Sales and use taxes	-	-	13,552	13,552
Licenses, permits and fees	3,060	3,060	14,953	11,893
State aid	81,000	81,000	93,281	12,281
Charges for services	300	300	-	(300)
Fines and forfeits	400	400	500	100
Miscellaneous revenues	6,900	6,900	4,273	(2,627)
Interest and dividends	-	-	20,336	20,336
	<u>150,160</u>	<u>150,160</u>	<u>258,542</u>	<u>108,382</u>
Total revenues				
Expenditures:				
Current:				
General government	146,530	146,530	141,891	4,639
Public safety	18,000	18,000	17,595	405
Public works	-	-	10,194	(10,194)
Highways and streets	80,300	80,300	-	80,300
Health and welfare	14,500	14,500	15,721	(1,221)
Culture and recreation	-	-	12,307	(12,307)
	<u>259,330</u>	<u>259,330</u>	<u>197,708</u>	<u>61,622</u>
Total expenditures				
Excess of Revenues Over (Under)				
Expenditures	<u>(109,170)</u>	<u>(109,170)</u>	<u>60,834</u>	<u>170,004</u>
Other Financing Sources (Uses):				
Operating transfers in	<u>51,622</u>	<u>51,622</u>	<u>-</u>	<u>(51,622)</u>
	<u>51,622</u>	<u>51,622</u>	<u>-</u>	<u>(51,622)</u>
Total other financing sources (uses)				
Net Change in Fund Balance	(57,548)	(57,548)	60,834	118,382
Fund Balance (Deficit), Beginning of Year	<u>871,619</u>	<u>871,619</u>	<u>871,619</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ 814,071</u>	<u>\$ 814,071</u>	<u>\$ 932,453</u>	<u>\$ 118,382</u>

See Note to the Budgetary Comparison Schedules

**CITY OF GLENBURN**  
**BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenue:				
Taxes	\$ -	\$ -	\$ 50,133	\$ 50,133
Total revenues	<u>-</u>	<u>-</u>	<u>50,133</u>	<u>50,133</u>
Expenditures:				
Current:				
Principal	43,000	43,000	121,000	(78,000)
Interest	8,145	8,145	9,951	(1,806)
Bank fees	1,245	1,245	1,115	130
Total expenditures	<u>52,390</u>	<u>52,390</u>	<u>132,066</u>	<u>(79,676)</u>
Net Change in Fund Balance	(52,390)	(52,390)	(81,933)	(29,543)
Fund Balance (Deficit), Beginning of Year	<u>95,391</u>	<u>95,391</u>	<u>95,391</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ 43,001</u>	<u>\$ 43,001</u>	<u>\$ 13,458</u>	<u>\$ (29,543)</u>

See Note to the Budgetary Comparison Schedules

**CITY OF GLENBURN**  
**BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS**  
**HIGHWAY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenue:				
Intergovernmental revenues	\$ -	\$ -	\$ 33,130	\$ 33,130
Total revenues	<u>-</u>	<u>-</u>	<u>33,130</u>	<u>33,130</u>
Expenditures:				
Current:				
Public works	66,000	66,000	45,008	20,992
Total expenditures	<u>66,000</u>	<u>66,000</u>	<u>45,008</u>	<u>20,992</u>
Net Change in Fund Balance	(66,000)	(66,000)	(11,878)	54,122
Fund Balance (Deficit), Beginning of Year	<u>(26,277)</u>	<u>(26,277)</u>	<u>(26,277)</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u><u>\$ (92,277)</u></u>	<u><u>\$ (92,277)</u></u>	<u><u>\$ (38,155)</u></u>	<u><u>\$ 54,122</u></u>

See Note to the Budgetary Comparison Schedules

**CITY OF GLENBURN**  
**NOTE TO BUDGETARY COMPARISON SCHEDULES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

**NOTE 1 - BUDGETARY COMPARISON**

**Basis of Accounting**

Based upon available financial information, the city auditor prepares the city's budget. The budget is prepared on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them.

**Relevant Dates**

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

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

**Actual Expenditures in Excess of Budget**

The City's expenditures exceeded budget in the Debt Service Fund by \$79,676 during 2019. No remedial action is anticipated or required by the City with respect to these excess expenditures.

**CITY OF GLENBURN**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**LAST TEN YEARS (PRESENTED PROSPECTIVELY)**

For the Fiscal Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.006010%	\$ 70,453	\$ 62,527	112.68%	71.66%
2018	0.005897%	99,518	60,585	164.26%	62.80%
2017	0.005805%	93,305	59,261	157.45%	61.98%
2016	0.005634%	54,909	56,773	96.72%	70.46%
2015	0.006103%	41,499	54,371	76.33%	77.15%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous year.

Complete data for this schedule is not available prior to 2015.

**CITY OF GLENBURN**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY**  
**LAST TEN YEARS (PRESENTED PROSPECTIVELY)**

For the Fiscal Year Ended June 30	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2019	0.005603%	\$ 4,500	\$ 62,527	7.20%	63.13%
2018	0.005537%	4,361	60,585	7.20%	61.89%
2017	0.005478%	4,333	59,261	7.31%	59.78%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net OPEB liability which is June 30 of the previous fiscal year.

Complete data for this schedule is not available prior to 2017.

**CITY OF GLENBURN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**ND PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**DECEMBER 31, 2019**

**Pension**

Year Ended Dec 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2019	\$ 4,536	\$ (4,536)	-	\$ 63,711	7.12%
2018	4,381	(4,381)	-	61,537	7.12%
2017	4,252	(4,252)	-	59,719	7.12%
2016	4,042	(4,042)	-	56,773	7.12%
2015	3,871	(3,871)	-	54,371	7.12%

**OPEB**

Year Ended Dec 31	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2019	\$ 726	\$ 726	-	\$ 63,711	1.14%
2018	702	702	-	61,537	1.14%
2017	681	681	-	59,717	1.14%

The amounts presented for each fiscal year were determined as of the City's year end which is December 31.



**CITY OF GLENBURN**  
**NOTE TO THE OTHER INFORMATION**  
**DECEMBER 31, 2019**

**NOTE 1 - CHANGES OF BENEFIT TERMS AND ASSUMPTIONS**

**NDPERS**

**Changes of benefit terms.**

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

**Changes of assumptions.**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

**OPEB**

**Changes of benefit terms.**

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

**Changes of assumptions.**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

**CITY OF GLENBURN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2019**

Federal Grantor	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
Department of Interior			
Garrison Diverson Unit		15.518	\$ 561,578
Environmental Protection Agency			
Passed through North Dakota Public Finance Agency: <i>Drinking Water State Revolving Fund Cluster</i>			
Capitalization Grants for Drinking Water State Revolving Funds	N/A	66.468	<u>255,676</u>
Total Federal Awards Expended			<u>\$ 817,254</u>

See Notes to the Schedule of Expenditures of Federal Awards

**CITY OF GLENBURN**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the accompanying schedule of expenditures of federal awards (Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 2 – INDIRECT COST RATE**

The City of Glenburn has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 – BASIS OF PRESENTATION**

The Schedule includes the federal award activity of the City of Glenburn under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

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

Governing Board  
City of Glenburn  
Glenburn, North Dakota

We have audited 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, the financial statements of the governmental activities, business-type activities, each major fund, and the remaining fund information of the City of Glenburn, 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 December 31, 2020.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Glenburn's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Glenburn's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Glenburn'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 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 the 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 have not been identified. We did find certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2019-001 and 2019-002 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Glenburn, North Dakota's financial statements are free from 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 of Glenburn's Response to Findings**

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

### **Purpose of This Report**

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



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

December 31, 2020

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board  
City of Glenburn  
Glenburn, North Dakota

### **Report on Compliance for Each Major Federal Program**

We have audited City of Glenburn's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-003. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-003, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

December 31, 2020



**CITY OF GLENBURN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2019**

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor's report issued:

Internal control over financial reporting:

Unmodified

Material weakness(es) identified?	x	Yes			No
Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes		x	No

Non-compliance material to financial statements noted?

		Yes		x	No
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Federal Awards

Internal control over financial reporting:

Material weakness(es) identified?		Yes		x	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	x	Yes			No

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

	x	Yes			No
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Identification of major programs:

Name of Federal Program Cluster

CFDA Number(s)

Garrison Diversion Unit

15.518

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

		Yes		x	No
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**CITY OF GLENBURN**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
DECEMBER 31, 2019

**Section II – Financial Statement Findings**

**Control Deficiency 2019-001 – Material Weakness**

**Criteria**

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

**Condition**

The City's internal control structure does not provide for the proper segregation of duties and reconciliation.

**Cause**

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

**Effect**

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

**Recommendation**

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

**Views of Responsible Officials and Planned Corrective Actions**

The City Council will continue to review financial information as a compensating control.

**CITY OF GLENBURN**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
DECEMBER 31, 2019

**Control Deficiency 2019-002 – Material Weakness**

**Criteria**

An appropriate system of internal control requires the entity to prepare financial statements in compliance with accounting principles generally accepted in the United States of America, as applied under the modified cash basis of accounting.

**Condition**

The City's auditor prepares periodic financial information for internal use that meets the needs of the Council. However, the City currently does not prepare financial statements, including accompanying note disclosures, as required by the modified cash basis of accounting. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

**Cause**

The City elected to not allocate resources for the preparation of the financial statements.

**Effect**

There is an increased risk of material misstatement to the City's financial statements.

**Recommendation**

We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

**Views of Responsible Officials and Planned Corrective Actions**

Due to financial, efficiency and time constraints, it has been determined by the City's management that it is in the best interest of the City to have the financial statements and accompanying note disclosures prepared by the auditing firm at the time of the audit.

**CITY OF GLENBURN**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
DECEMBER 31, 2019

**Section III – Federal Award Findings and Questioned Costs**

**2019-003 – Procurement – 15.518 Garrison Diversion Unit**

**Criteria**

Uniform Guidance 2 CFR section 200.318 requires a non-federal entity must adopt a procurement policy that conforms to applicable Federal law.

**Condition**

The City did not adopt a procurement policy in accordance with the Uniform Guidance.

**Cause**

Oversight by management.

**Context**

We reviewed the City for proper procurement and noted no procurement policy exists.

**Effect**

The City is not in compliance with Uniform Guidance 2 CFR section 200.318.

**Recommendation**

The City should adopt a procurement policy that conforms with the Uniform Guidance.

**Repeat Finding**

No.

**Views of Responsible Officials**

The City was unaware of this requirement until audit fieldwork and will adopt a procurement policy as recommended.

**CITY OF GLENBURN**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**2018-001 – Material Weakness**

**Criteria**

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

**Condition**

The City's internal control structure does not provide for the proper segregation of duties and reconciliation.

**Corrective Action**

See 2019-001

**2018-002 – Material Weakness**

**Criteria**

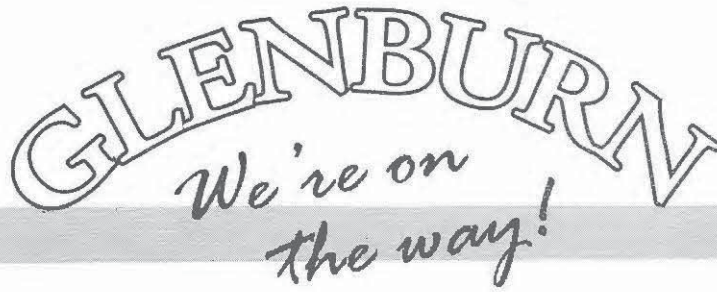
An appropriate system of internal control requires the entity to prepare financial statements in compliance with accounting principles generally accepted in the United States of America, as applied under the modified cash basis of accounting.

**Condition**

The City's auditor prepares periodic financial information for internal use that meets the needs of the Council. However, the City currently does not prepare financial statements, including accompanying note disclosures, as required by the modified cash basis of accounting. The City has elected to have the auditors assist in the preparation of the financial statements and notes.

**Corrective Action**

See 2019-002



**Corrective Action Plan  
For the Year Ended December 31, 2019**

**2019-001**

Contact Person

Donna Zeltinger, City Auditor

Corrective Action Plan

The City Council will continue to review financial information as a compensating control.

Planned Completion Date for CAP

Ongoing

**2019-002**

Contact Person

Donna Zeltinger, City Auditor

Corrective Action Plan

No action is planned on the finding. Due to financial, efficiency and time constraints, it has been determined by the City's management that it is in the best interest of the City to have the financial statements and accompanying note disclosures prepared by the auditing firm at the time of the audit.

Planned Completion Date for CAP

None. See above.

**2019-003**

Contact Person

Donna Zeltinger, City Auditor

Corrective Action Plan

The City will be approving a procurement policy in accordance with Uniform Guidance requirements as recommended.

Planned Completion Date for CAP

Immediately