

AUDIT REPORT

CITY OF NEW ENGLAND
New England, North Dakota

For the Years Ended December 31, 2020 and 2019

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF NEW ENGLAND
New England, North Dakota

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CITY OF NEW ENGLAND
New England, North Dakota

CITY OFFICIALS

Marty Opdahl	Mayor
Chris Fitterer	Council Member
Tom Gorek	Council Member
Lyle Kovar	Council Member
Breann Krebs	Council Member
Renee Rettinger	Council Member
Jason Jung	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of New England
New England, 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, each major fund and the aggregate remaining fund information of the City of New England, New England, North Dakota, as of and for the years ended December 31, 2020 and 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New England, New England, North Dakota, as of December 31, 2020 and 2019, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information, schedule of employer's share of net pension liability and the schedules of fund activity arising from cash transactions are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2021 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

September 17, 2021

CITY OF NEW ENGLAND
New England, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	910,010.87	71,584.59	981,595.46
Capital Assets (net of accumulated depreciation):			
Construction in Progress	3,089,092.00	6,406,107.00	9,495,199.00
Buildings and Infrastructure	488,398.00	9,221,996.00	9,710,394.00
Machinery and Vehicles	265,499.00	11,307.00	276,806.00
Total Capital Assets	3,842,989.00	15,639,410.00	19,482,399.00
Total Assets	4,752,999.87	15,710,994.59	20,463,994.46
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	52,732.00		52,732.00
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Capital Lease Payable	29,056.34		29,056.34
Bank Loan Payable	14,020.98		14,020.98
Special Assessments Bonds Payable	172,623.22	34,952.00	207,575.22
Revenue Bonds Payable		140,196.04	140,196.04
Due After One Year:			
Capital Lease Payable	60,878.16		60,878.16
Bank Loan Payable	30,210.34		30,210.34
Special Assessment Bonds Payable	3,147,376.78	1,277,048.00	4,424,424.78
Revenue Bonds Payable		5,976,247.23	5,976,247.23
Net Pension Liability	109,108.00		109,108.00
Total Liabilities	3,563,273.82	7,428,443.27	10,991,717.09
DEFERRED INFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	71,318.00		71,318.00
NET POSITION:			
Net Investment in Capital Assets	388,823.18	8,210,966.73	8,599,789.91
Restricted for:			
Debt Service	64,246.67	39,497.40	103,744.07
Asset Replacement		7,662.00	7,662.00
Capital Improvements	454,467.62		454,467.62
Special Purposes	434,550.92		434,550.92
Unrestricted	(170,948.34)	24,425.19	(146,523.15)
Total Net Position	1,171,140.05	8,282,551.32	9,453,691.37

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	428,382.59	381,687.40	810,069.99
Capital Assets (net of accumulated depreciation):			
Construction in Progress		4,297,951.00	4,297,951.00
Buildings and Infrastructure	533,276.00	9,476,089.00	10,009,365.00
Machinery and Vehicles	290,567.00	12,923.00	303,490.00
Total Capital Assets	823,843.00	13,786,963.00	14,610,806.00
Total Assets	1,252,225.59	14,168,650.40	15,420,875.99
DEFERRED OUTFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	69,181.00		69,181.00
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Capital Lease Payable	28,171.83		28,171.83
Bank Loan Payable	13,336.88		13,336.88
Special Assessments Bonds Payable	40,000.00		40,000.00
Revenue Bonds Payable		136,680.35	136,680.35
Due After One Year:			
Capital Lease Payable	89,934.50		89,934.50
Bank Loan Payable	44,231.32		44,231.32
Special Assessment Bonds Payable	120,000.00		120,000.00
Revenue Bonds Payable		6,116,443.27	6,116,443.27
Net Pension Liability	160,070.00		160,070.00
Total Liabilities	495,744.53	6,253,123.62	6,748,868.15
DEFERRED INFLOWS OF RESOURCES:			
Changes in Resources Related to Pensions	30,476.00		30,476.00
NET POSITION:			
Net Investment in Capital Assets	488,168.47	7,533,839.38	8,022,007.85
Restricted for:			
Water Project - Phase III		103,333.23	103,333.23
Debt Service	81,993.45	35,567.94	117,561.39
Asset Replacement		2,832.00	2,832.00
Special Purposes	429,369.08		429,369.08
Unrestricted	(204,344.94)	239,954.23	35,609.29
Total Net Position	795,186.06	7,915,526.78	8,710,712.84

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

CITY OF NEW ENGLAND
New England, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2020

	Net (Expense) Revenue and Changes in Net Position				
	Expenses	Program Revenues		Primary Government	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<u>Functions/Programs</u>					
<u>Primary Government:</u>					
<u>Governmental Activities:</u>					
General Government	162,503.90	8,405.00		(154,098.90)	(154,098.90)
Public Safety	75,764.53			(75,764.53)	(75,764.53)
Streets and Public Works	132,844.66		402,140.15	269,295.49	269,295.49
Urban and Economic Development	5,855.00			(5,855.00)	(5,855.00)
Culture and Recreation	37,969.95			(37,969.95)	(37,969.95)
Other	28,680.73			(28,680.73)	(28,680.73)
Interest on Long-Term Debt	14,199.55		43,891.77	29,692.22	29,692.22
Total Governmental Activities	457,818.32	8,405.00	446,031.92	(3,381.40)	(3,381.40)
<u>Business-Type Activities:</u>					
Utility	668,654.82	414,669.45	646,182.63		392,197.26
Total Primary Government	1,126,473.14	423,074.45	1,092,214.55	(3,381.40)	392,197.26

<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes			163,017.59		163,017.59
Property taxes; levied for special purposes			7,628.68		7,628.68
Cigarette taxes			1,580.45		1,580.45
City sales taxes			130,259.72		130,259.72
Telecommunication taxes			4,730.39		4,730.39
Intergovernmental revenue not restricted to specific programs			35,197.55		35,197.55
Earnings on investments and other revenue			11,721.01	27.28	11,748.29
Transfers			25,200.00	(25,200.00)	
Total General Revenues and Transfers			379,335.39	(25,172.72)	354,162.67
Change in Net Position			375,953.99	367,024.54	742,978.53
Net Position - January 1			795,186.06	7,915,526.78	8,710,712.84
Net Position - December 31			1,171,140.05	8,282,551.32	9,453,691.37

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>						
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	189,765.39	5,215.00		(184,550.39)		(184,550.39)
Public Safety	67,391.58			(67,391.58)		(67,391.58)
Streets and Public Works	187,571.48		59,583.24	(127,988.24)		(127,988.24)
Urban and Economic Development	402.20			(402.20)		(402.20)
Culture and Recreation	26,061.79			(26,061.79)		(26,061.79)
Other	14,079.03			(14,079.03)		(14,079.03)
Interest on Long-Term Debt	13,715.59		42,287.16	28,571.57		28,571.57
Total Governmental Activities	498,987.06	5,215.00	101,870.40	(391,901.66)		(391,901.66)
<u>Business-Type Activities:</u>						
Utility	667,824.42	396,587.45	509,459.84		238,222.87	238,222.87
Total Primary Government	1,166,811.48	401,802.45	611,330.24	(391,901.66)	238,222.87	(153,678.79)
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				160,971.85		160,971.85
Property taxes; levied for special purposes				7,920.84		7,920.84
Cigarette taxes				1,579.74		1,579.74
City sales taxes				115,518.84		115,518.84
Telecommunication taxes				4,730.39		4,730.39
Intergovernmental revenue not restricted to specific programs				38,796.65		38,796.65
Earnings on investments and other revenue				9,595.89	36.44	9,632.33
Transfer of fixed asset				25,000.00	(25,000.00)	
Total General Revenues and Transfers				364,114.20	(24,963.56)	339,150.64
Change in Net Position				(27,787.46)	213,259.31	185,471.85
Net Position - January 1				822,973.52	7,702,267.47	8,525,240.99
Net Position - December 31				795,186.06	7,915,526.78	8,710,712.84

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

CITY OF NEW ENGLAND
New England, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2020

Major Funds

	General	Highway Tax	City Sales Tax	Street Improvement Dist. 2020-1	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents		111,282.42	183,916.20	454,467.62	160,344.63	910,010.87
Interfund Receivable			121,588.59			121,588.59
Total Assets	-0-	111,282.42	305,504.79	454,467.62	160,344.63	1,031,599.46
LIABILITIES AND FUND BALANCES:						
<u>Liabilities:</u>						
Interfund Payable						121,588.59
<u>Fund Balances:</u>						
Restricted for:						
Public Safety					1,818.29	1,818.29
Streets and Public Works		111,282.42				111,282.42
Urban and Economic Development			58,821.23			58,821.23
Municipal Improvements			92,009.44			92,009.44
Equipment			138,474.77			138,474.77
Park District			16,199.35			16,199.35
Debt Service					64,246.67	64,246.67
Emergency Services					12,538.37	12,538.37
Cemetery					3,407.05	3,407.05
Capital Improvements				454,467.62		454,467.62
Assigned to:						
Municipal Improvements					78,334.25	78,334.25
Unassigned	(121,588.59)					(121,588.59)
Total Fund Balances	(121,588.59)	111,282.42	305,504.79	454,467.62	160,344.63	910,010.87
Total Liabilities and Fund Balances	-0-	111,282.42	305,504.79	454,467.62	160,344.63	1,031,599.46

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

CITY OF NEW ENGLAND
New England, North Dakota

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

Major Funds

	General	Highway Tax	City Sales Tax	Development Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents		130,553.22	96,662.50	98,974.37	102,192.50	428,382.59
Interfund Receivable			182,954.31			182,954.31
Total Assets	-0-	130,553.22	279,616.81	98,974.37	102,192.50	611,336.90
LIABILITIES AND FUND BALANCES:						
<u>Liabilities:</u>						
Interfund Payable						182,954.31
<u>Fund Balances:</u>						
Restricted for:						
Public Safety					2,404.39	2,404.39
Streets and Public Works		130,553.22				130,553.22
Urban and Economic Development			55,844.21			55,844.21
Municipal Improvements			71,878.41			71,878.41
Equipment			137,789.82			137,789.82
Park District			14,104.37			14,104.37
Debt Service					81,993.45	81,993.45
Emergency Services					11,610.15	11,610.15
Cemetery					6,184.51	6,184.51
Assigned to:						
Municipal Improvements				98,974.37		98,974.37
Unassigned	(182,954.31)					(182,954.31)
Total Fund Balances	(182,954.31)	130,553.22	279,616.81	98,974.37	102,192.50	428,382.59
Total Liabilities and Fund Balances	-0-	130,553.22	279,616.81	98,974.37	102,192.50	611,336.90

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

CITY OF NEW ENGLAND
New England, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2020

Total Fund Balances for Governmental Funds 910,010.87

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

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

Cost of Capital Assets	5,090,233.00	
Less Accumulated Depreciation	(1,247,244.00)	
Net Capital Assets		3,842,989.00

The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	52,732.00	
Total Deferred Inflows of Resources	(71,318.00)	
Net Deferred Outflows/Inflows of Resources		(18,586.00)

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2020 are:

Capital Lease Payable	(89,934.50)	
Bank Loan Payable	(44,231.32)	
Special Assessment Bonds Payable	(3,320,000.00)	
Net Pension Liability	(109,108.00)	
Total Long-Term Liabilities		(3,563,273.82)

Total Net Position of Governmental Activities 1,171,140.05

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

CITY OF NEW ENGLAND
New England, North Dakota

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

Total Fund Balances for Governmental Funds		428,382.59
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	2,001,141.00	
Less Accumulated Depreciation	(1,177,298.00)	
Net Capital Assets		823,843.00
<p>The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.</p>		
Total Deferred Outflows of Resources	69,181.00	
Total Deferred Inflows of Resources	(30,476.00)	
Net Deferred Outflows/Inflows of Resources		38,705.00
<p>Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2019 are:</p>		
Capital Lease Payable	(118,106.33)	
Bank Loan Payable	(57,568.20)	
Special Assessment Bonds Payable	(160,000.00)	
Net Pension Liability	(160,070.00)	
Total Long-Term Liabilities		(495,744.53)
Total Net Position of Governmental Activities		795,186.06
		=====

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

CITY OF NEW ENGLAND
New England, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2020

	Major Funds					Total Governmental Funds
	General	Highway Tax	City Sales Tax	Street Imp. Dist. No. 2020-1	Other Governmental Funds	
Revenues:						
Taxes	167,747.98		130,259.72		7,628.68	305,636.38
Special Assessments					43,891.77	43,891.77
Licenses, Permits and Fees	8,405.00					8,405.00
Intergovernmental	36,778.00	53,490.15		348,650.00		438,918.15
Miscellaneous	11,641.50		30.37	30.00	19.14	11,721.01
Total Revenues	224,572.48	53,490.15	130,290.09	348,680.00	51,539.59	808,572.31
Expenditures:						
Current:						
General Government	150,841.90					150,841.90
Public Safety	6,245.05				5,786.48	12,031.53
Streets and Public Works	26,119.81	72,760.95	12,433.90		20,650.00	131,964.66
Urban and Economic Development			5,855.00			5,855.00
Culture and Recreation			37,969.95			37,969.95
Other				5,120.38	23,560.35	28,680.73
Capital Outlay				3,089,092.00		3,089,092.00
Debt Service:						
Principal			41,508.71		40,000.00	81,508.71
Interest			6,634.55		7,565.00	14,199.55
Total Expenditures	183,206.76	72,760.95	104,402.11	3,094,212.38	97,561.83	3,552,144.03
Excess (Deficiency) of Revenues over Expenditures	41,365.72	(19,270.80)	25,887.98	(2,745,532.38)	(46,022.24)	(2,743,571.72)
Other Financing Sources:						
Transfers In	20,000.00				5,200.00	25,200.00
Special Assessment Bonds Issued				3,200,000.00		3,200,000.00
Total Other Financing Sources	20,000.00			3,200,000.00	5,200.00	3,225,200.00
Net Change in Fund Balances	61,365.72	(19,270.80)	25,887.98	454,467.62	(40,822.24)	481,628.28
Fund Balance - January 1	(182,954.31)	130,553.22	279,616.81		201,166.87	428,382.59
Fund Balance - December 31	(121,588.59)	111,282.42	305,504.79	454,467.62	160,344.63	910,010.87

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Highway Tax	City Sales Tax	Development Fund		
Revenues:						
Taxes	165,702.24		115,518.84		7,920.84	289,141.92
Special Assessments					42,287.16	42,287.16
Licenses, Permits and Fees	5,215.00					5,215.00
Intergovernmental	40,376.39	59,583.24				99,959.63
Miscellaneous	8,878.65		694.31	12.45	10.48	9,595.89
Total Revenues	220,172.28	59,583.24	116,213.15	12.45	50,218.48	446,199.60
Expenditures:						
Current:						
General Government	171,480.39					171,480.39
Public Safety	10,210.27				5,087.31	15,297.58
Streets and Public Works	27,760.08	62,386.74	6,383.60	89,320.56	840.50	186,691.48
Urban and Economic Development			402.20			402.20
Culture and Recreation			26,061.79			26,061.79
Other					14,079.03	14,079.03
Capital Outlay			149,647.00			149,647.00
Debt Service:						
Principal			44,241.67		40,000.00	84,241.67
Interest			4,300.59		9,415.00	13,715.59
Total Expenditures	209,450.74	62,386.74	231,036.85	89,320.56	69,421.84	661,616.73
Excess (Deficiency) of Revenues over Expenditures	10,721.54	(2,803.50)	(114,823.70)	(89,308.11)	(19,203.36)	(215,417.13)
Other Financing Sources (Uses):						
Transfers In					5,200.00	5,200.00
Transfers Out	(5,200.00)					(5,200.00)
Proceeds from Capital Lease			149,647.00			149,647.00
Total Other Financing Sources (Uses)	(5,200.00)		149,647.00		5,200.00	149,647.00
Net Change in Fund Balances	5,521.54	(2,803.50)	34,823.30	(89,308.11)	(14,003.36)	(65,770.13)
Fund Balance - January 1	(188,475.85)	133,356.72	244,793.51	188,282.48	116,195.86	494,152.72
Fund Balance - December 31	(182,954.31)	130,553.22	279,616.81	98,974.37	102,192.50	428,382.59

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

CITY OF NEW ENGLAND
New England, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds		481,628.28
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	3,089,092.00	
Current Year Depreciation Expense	(69,946.00)	3,019,146.00

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

Debt Proceeds	(3,200,000.00)	
Repayment of Debt	81,508.71	(3,118,491.29)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase to Pension Expense		(6,329.00)

Change in Net Position of Governmental Activities		375,953.99

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

CITY OF NEW ENGLAND
New England, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds (65,770.13)

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

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

Current Year Capital Outlay	174,647.00	
Current Year Depreciation Expense	(58,307.00)	116,340.00

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

Debt Proceeds	(149,647.00)	
Repayment of Debt	84,241.67	(65,405.33)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Increase to Pension Expense		(12,952.00)

Change in Net Position of Governmental Activities		(27,787.46)

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

CITY OF NEW ENGLAND
New England, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2020

	Major Enterprise Fund	Utility Fund
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	71,584.59	
<u>Noncurrent Assets:</u>		
Capital Assets (net of accumulated depr):		
Construction in Progress	6,406,107.00	
Buildings and Infrastructure	9,221,996.00	
Machinery and Vehicles	11,307.00	
Total Noncurrent Assets	15,639,410.00	
Total Assets	15,710,994.59	
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Special Assessment Bonds Payable	34,952.00	
Revenue Bonds Payable	140,196.04	
Total Current Liabilities	175,148.04	
<u>Noncurrent Liabilities:</u>		
Special Assessment Bonds Payable	1,277,048.00	
Revenue Bonds Payable	5,976,247.23	
Total Noncurrent Liabilities	7,253,295.23	
Total Liabilities	7,428,443.27	
<u>NET POSITION</u>		
Net Investment in Capital Assets	8,210,966.73	
Restricted for:		
Debt Service	39,497.40	
Asset Replacement	7,662.00	
Unrestricted	24,425.19	
Total Net Position	8,282,551.32	

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	<u>Major Enterprise Fund</u>	<u>Utility Fund</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and Cash Equivalents	381,687.40	
<u>Noncurrent Assets:</u>		
Capital Assets (net of accumulated depr):		
Construction in Progress	4,297,951.00	
Buildings and Infrastructure	9,476,089.00	
Machinery and Vehicles	12,923.00	
Total Noncurrent Assets	13,786,963.00	
Total Assets	14,168,650.40	
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Revenue Bonds Payable	136,680.35	
<u>Noncurrent Liabilities:</u>		
Revenue Bonds Payable	6,116,443.27	
Total Liabilities	6,253,123.62	
<u>NET POSITION</u>		
Net Investment in Capital Assets	7,533,839.38	
Restricted for:		
Water Project - Phase III	103,333.23	
Debt Service	35,567.94	
Asset Replacement	2,832.00	
Unrestricted	239,954.23	
Total Net Position	7,915,526.78	=====

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

CITY OF NEW ENGLAND
New England, North Dakota

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

For the Year Ended December 31, 2020

	Major Enterprise Fund
	Utility Fund
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Utility Charges	408,324.15
Other Charges	6,345.30
Total Charges for Sales and Services	414,669.45
<u>Operating Expenses:</u>	
Water	190,370.07
Garbage	41,762.08
Depreciation	255,709.00
Total Operating Expenses	487,841.15
Operating Income (Loss)	(73,171.70)
<u>Non-Operating Revenues:</u>	
Interest Income	27.28
USDA Grants	629,987.23
MR&I Grant	16,195.40
Other Disbursements	(15,557.93)
Interest Expense	(165,255.74)
Total Non-Operating Revenues (Expenses)	465,396.24
Income (Loss) Before Transfers	392,224.54
Transfers Out	(25,200.00)
Change in Net Position	367,024.54
Net Position - January 1	7,915,526.78
Net Position - December 31	8,282,551.32 =====

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

CITY OF NEW ENGLAND
New England, North Dakota

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

For the Year Ended December 31, 2019

	Major Enterprise Fund
	Utility Fund
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Utility Charges	391,703.65
Other Charges	4,883.80
Total Charges for Sales and Services	396,587.45
<u>Operating Expenses:</u>	
Water	154,707.69
Garbage	52,779.51
Depreciation	278,711.00
Total Operating Expenses	486,198.20
Operating Income (Loss)	(89,610.75)
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	36.44
USDA Grants	453,617.28
MR&I Grant	55,842.56
Other Disbursements	(24,119.43)
Interest Expense	(157,506.79)
Total Non-Operating Revenues (Expenses)	327,870.06
Income (Loss) Before Transfers	238,259.31
Transfer of Fixed Asset to Governmental Activities	(25,000.00)
Change in Net Position	213,259.31
Net Position - January 1	7,702,267.47
Net Position - December 31	7,915,526.78

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

CITY OF NEW ENGLAND
New England, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2020

	Major Enterprise Fund
	Utility Fund
<u>Cash flows from operating activities:</u>	
Receipts from customers	414,669.45
Payments to suppliers and employees	(232,132.15)
	182,537.30
<u>Cash flows from noncapital financing activities:</u>	
Other disbursements	(15,557.93)
Transfers out	(25,200.00)
	(40,757.93)
<u>Cash flows from capital and related financing activities:</u>	
USDA grants	629,987.23
MR&I grant	16,195.40
Special Assessment bonds issued	1,312,000.00
Interim financing issued	1,217,984.71
Water projects	(2,108,156.00)
Principal payments	(1,354,665.06)
Interest payments	(165,255.74)
	(451,909.46)
<u>Cash flows from investing activities:</u>	
Interest income	27.28
	(310,102.81)
Net increase in cash and cash equivalents	381,687.40
Cash and cash equivalents, January 1	71,584.59
Cash and cash equivalents, December 31	71,584.59
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating income (loss)	(73,171.70)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>	
Depreciation expense	255,709.00
Net cash provided (used) by operating activities	182,537.30

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Major Enterprise Fund
	Utility Fund
<u>Cash flows from operating activities:</u>	
Receipts from customers	396,587.45
Payments to suppliers and employees	(207,487.20)
	189,100.25
Net cash provided (used) by operating activities	189,100.25
<u>Cash flows from noncapital financing activities:</u>	
Other disbursements	(24,119.43)
	(24,119.43)
<u>Cash flows from capital and related financing activities:</u>	
USDA grants	453,617.28
MR&I grant	55,842.56
Water projects	(370,253.00)
Principal payments	(133,610.21)
Interest payments	(157,506.79)
	(151,910.16)
Net cash provided (uses) by capital and related financing activities	(151,910.16)
<u>Cash flows from investing activities:</u>	
Interest income	36.44
	36.44
Net increase in cash and cash equivalents	13,107.10
Cash and cash equivalents, January 1	368,580.30
Cash and cash equivalents, December 31	381,687.40
<p style="text-align: center;"><u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u></p>	
Operating income (loss)	(89,610.75)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>	
Depreciation expense	278,711.00
Net cash provided (used) by operating activities	189,100.25

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

CITY OF NEW ENGLAND
New England, North Dakota

Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2020 and 2019

	Custodial Funds	
	12-31-2020	12-31-2019
<u>Assets:</u>		
Cash, Cash Equivalents and Investments	0.00	0.00
<u>Liabilities:</u>		
Due to Other Governments	0.00	0.00
Net Position	0.00	0.00

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

CITY OF NEW ENGLAND
New England, North Dakota

Statement of Changes in Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2020 and 2019

	Custodial Funds	
	2020	2019
<u>Additions:</u>		
Property tax collections for other governments	5,667.11	5,098.77
State aid collections for other governments	11,593.47	12,542.96
Total Additions	17,260.58	17,641.73
<u>Deductions:</u>		
Payment of tax collections to other governments	5,667.11	5,098.77
Payment of state aid to other governments	11,593.47	12,542.96
Total Deductions	17,260.58	17,641.73
 Change in Net Position	 0.00	 0.00
 Net Position - January 1	 0.00	 0.00
 Net Position - December 31	 0.00	 0.00

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

CITY OF NEW ENGLAND
New England, North Dakota

Notes to the Financial Statements
December 31, 2020 and 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

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

Highway Tax. This fund accounts for a special levy, the state highway distribution tax and other state grants to be used for street repairs and maintenance.

City Sales Tax. This city uses this fund to accumulate sales tax for the purpose of urban and economic development, municipal improvement and to provide funding for the park district's swimming pool.

Development Fund. This city uses this fund to account for charges related to grey water dumping fees that have been set-aside for municipal improvements.

Street Improvement District No. 2020-1. This fund accounts for the proceeds from the Definitive Improvement Warrant, Series 2020, used to finance a street improvement project.

The city reports the following major enterprise fund:

Utility Fund. This fund accounts for the activities of the city's water, sewer and garbage operations.

The city reports the following type of fiduciary fund:

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

D. Cash and Cash Equivalents

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

E. Capital Assets

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

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	8 to 20 years

F. Compensated Absences

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

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

G. Long-Term Obligations

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

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

H. Pension

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS); additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

I. Fund Equity

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

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

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

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

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

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

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

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

- * Committed
- * Assigned
- * Unassigned

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

J. Interfund Transactions

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

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

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

K. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2020 the city's carrying amount of deposits was \$981,595 and the bank balance was \$997,232. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$747,232 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2019 the city's carrying amount of deposits was \$810,070 and the bank balance was \$826,571. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$576,571 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by negative cash balances in various funds. The amounts shown as interfund payables represent the amounts of negative cash in the funds. Interfund receivables/payables for the years ended December 31, 2020 and 2019 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2020</u>		
City Sales Tax General Fund	121,588.59	121,588.59
<u>December 31, 2019</u>		
City Sales Tax General Fund	182,954.31	182,954.31

Note 5 CAPITAL ASSETS

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

	<u>2020</u>			Balance December 31
	Balance January 1	Increases	Decreases	
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Construction in Progress		3,089,092		3,089,092
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,601,289			1,601,289
Machinery and Vehicles	399,852			399,852
Total	2,001,141			2,001,141
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,068,013	44,878		1,112,891
Machinery and Vehicles	109,285	25,068		134,353
Total	1,177,298	69,946		1,247,244
Total capital assets being depreciated, net	823,843	(69,946)		753,897
Governmental Activities Capital Assets, Net	823,843	3,019,146)	-0-	3,842,989
	=====	=====	=====	=====
		<u>2019</u>		
	Balance January 1	Increases	Decreases	Balance December 31
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,601,289			1,601,289
Machinery and Vehicles	225,205	174,647		399,852
Total	1,826,494	174,647		2,001,141
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,023,135	44,878		1,068,013
Machinery and Vehicles	95,856	13,429		109,285
Total	1,118,991	58,307		1,177,298
Governmental Activities Capital Assets, Net	707,503	116,340	-0-	823,843
	=====	=====	=====	=====

	<u>2020</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Construction in Progress	4,297,951	2,108,156		6,406,107
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	10,163,695			10,163,695
Machinery and Vehicles	40,433			40,433
Total	<u>10,204,128</u>			<u>10,204,128</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	687,606	254,093		941,699
Machinery and Vehicles	27,510	1,616		29,126
Total	<u>715,116</u>	<u>255,709</u>		<u>970,825</u>
Total capital assets being depreciated, net	<u>9,489,012</u>	<u>(255,709)</u>		<u>9,233,303</u>
Business-type Activities Capital Assets, Net	<u>13,786,963</u>	<u>1,852,447</u>		<u>15,639,410</u>

	<u>2019</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Construction in Progress	3,927,698	370,253		4,297,951
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	10,163,695			10,163,695
Machinery and Vehicles	120,433		80,000	40,433
Total	<u>10,284,128</u>		<u>80,000</u>	<u>10,204,128</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	433,513	254,093		687,606
Machinery and Vehicles	57,892	24,618	55,000	27,510
Total	<u>491,405</u>	<u>278,711</u>	<u>55,000</u>	<u>715,116</u>
Total capital assets being depreciated, net	<u>9,792,723</u>	<u>(278,711)</u>	<u>(25,000)</u>	<u>9,489,012</u>
Business-type Activities Capital Assets, Net	<u>13,720,421</u>	<u>91,542</u>	<u>(25,000)</u>	<u>13,786,963</u>

Depreciation expense was charged to functions/programs of the city as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
<u>Governmental Activities:</u>		
General Government	5,333	5,333
Streets and Public Works	63,733	52,094
Culture and Recreation	880	880
 Total	 <u>69,946</u>	 <u>58,307</u>
	=====	=====
 <u>Business-type Activities:</u>		
Utility	255,709	278,711
	=====	=====

Note 6 CAPITAL LEASE PAYABLE

The city has entered into the following lease agreement.

\$149,647.00 lease-purchase of a Freightliner Garbage Truck, due in annual payments of \$31,880.00 through September 1, 2023; payments include interest at 3.14%.	89,934.50
	=====

This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under this capital lease, and the net present value of the minimum lease payments at December 31, 2020:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental</u> <u>Activities</u> <u>Lease</u> <u>Payments</u>
2021	31,880.00
2022	31,880.00
2023	31,880.00
 Total Payments	 <u>95,640.00</u>
Less: amount representing interest	(5,705.50)
 Present value of future minimum lease payments	 <u>89,934.50</u>
	=====

Note 7 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2020 and 2019, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities:

	<u>2020</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Capital Lease	118,106		28,172	89,934	29,056
Bank Loan	57,568		13,337	44,231	14,021
Special Assessment Bonds	160,000	3,200,000	40,000	3,320,000	172,623
Total	<u>335,674</u>	<u>3,200,000</u>	<u>81,509</u>	<u>3,454,165</u>	<u>215,700</u>

	<u>2019</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Capital Lease		149,647	31,541	118,106	28,172
Bank Loan	70,269		12,701	57,568	13,337
Special Assessment Bonds	200,000		40,000	160,000	40,000
Total	<u>270,269</u>	<u>149,647</u>	<u>84,242</u>	<u>335,674</u>	<u>81,509</u>

Business-type Activities (Proprietary Funds):

	<u>2020</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Special Assessment Bonds		1,312,000		1,312,000	34,952
Revenue Bonds	6,253,124		136,680	6,116,444	140,196
Total	<u>6,253,124</u>	<u>1,312,000</u>	<u>136,680</u>	<u>7,428,444</u>	<u>175,148</u>

	<u>2019</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Revenue Bonds	6,386,734	-0-	133,610	6,253,124	136,680

Outstanding debt at December 31, 2020 consists of the following:

Governmental Activities:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2020 is as follows:

Loan Payable. The city has obtained financing for the purchase of a new city shop building.

\$125,289.00 Loan Payable due in annual payments of \$16,263.26 through October 1, 2023; payments include interest at 5%.	44,231.32 =====
---	--------------------

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	14,020.98	2,242.28
2022	14,731.76	1,531.50
2023	15,478.58	784.68
Total	44,231.32 =====	4,558.46 =====

Special Assessment Bond Debt. The city has issued special assessment bonds to provide funds for the construction and/or improvement of streets and sewer lines. Special assessment bonds outstanding at December 31, 2020 are as follows:

\$590,000 Refunding Improvement Bonds of 2008; due in annual installments of \$40,000 through May 1, 2023; interest is at 4.6%.	120,000.00
\$3,200,000 Definitive Improvement Warrant, Series 2020: due in semi-annual payments of \$99,592 through April 1, 2040; payments include interest at 2%.	3,200,000.00
Total Special Assessment Bonds Payable	3,320,000.00 =====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	172,623	71,160
2022	178,525	63,418
2023	181,309	58,794
2024	144,150	55,034
2025	147,047	52,136
2026-2030	780,777	215,140
2031-2035	862,464	133,454
2036-2040	853,105	43,221
Total	3,320,000 =====	692,358 =====

Business-Type Activities:

Special Assessment Bond Debt. The city has issued special assessment bonds to provide funds for the construction and/or improvement of water and sewer lines. Special assessment bonds outstanding at December 31, 2020 are as follows:

\$1,312,000 Definitive Improvement Warrant,
Series 2020: due in annual payments of
\$54,632 through September 1, 2050; payments
include interest at 1.5% 1,312,000.00
=====

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	34,952	19,680
2022	35,476	19,156
2023	36,008	18,624
2024	36,549	18,083
2025	37,097	17,535
2026-2030	194,000	79,161
2031-2035	208,993	64,167
2036-2040	225,144	48,016
2041-2045	242,544	30,616
2046-2050	261,237	11,871
Total	<u>1,312,000</u>	<u>326,908</u>
	=====	=====

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2020 are as follows:

\$2,741,000 Water Revenue Bonds, Series 2015;
due in annual payments of \$111,504 through
December 1, 2055; payments include interest
at 2.625%. 2,532,981.48

\$2,771,000 Definitive Improvement Warrant,
Series 2017: due in annual payments of
\$128,021 through September 1, 2047; payments
include interest at 2.25%. 2,569,513.30

\$1,062,000 Definitive Improvement Warrant,
Series 2018: due in annual payments of
\$51,592 through November 1, 2048; payments
include interest at 2.625%. 1,013,948.49

Total Revenue Bonds Payable 6,116,443.27
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2021	140,196	150,921
2022	143,613	147,504
2023	147,114	144,003
2024	150,528	140,589
2025	154,370	136,747
2026-2030	830,031	625,554
2031-2035	936,384	519,201
2036-2040	1,056,350	399,235
2041-2045	1,192,041	263,544
2046-2050	847,569	120,537
2051-2055	518,247	41,670
Total	6,116,444	2,689,506
	-----	-----

Note 8 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2020</u>		
General	20,000.00	
Utility - Operating		20,000.00
Fire Hall Saving	5,200.00	
Water Project - Phase I		5,200.00
To subsidize expenditures.		
Water Project - Phase I	123,144.68	
W & S Project - Phase II	130,187.00	
W & S Project - Phase III	65,084.92	
W & S Project - Phase IV	4,532.84	
Utility - Operating		322,949.44
To subsidize USDA project expenditures, make annual debt service payments and set-aside funds per USDA requirements.		
<u>December 31, 2019</u>		
Fire Hall Saving	5,200.00	
General		5,200.00
To subsidize expenditures.		
Water Project - Phase I	123,330.00	
W & S Project - Phase II	130,187.00	
W & S Project - Phase III	51,592.00	
Utility - Operating		305,109.00
To make annual debt service payments and set-aside funds per USDA requirements.		

Note 9 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
General Fund	(121,588.59)	(182,954.31)

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

Note 10 RELATED ORGANIZATIONS

The city is also responsible for levying a property tax for the New England Library. However, the city's accountability for this entity does not extend beyond levying the tax. In 2020 and 2019, the city remitted \$5,667.11 and \$5,098.77 to the library.

Note 11 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$325,965 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$163,528 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 12 PENSION PLAN

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 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 NDPERS plan is financed by investment income and contributions.

Responsibility for administration of the NDPERS benefits program 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 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 provision 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 will be 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 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 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 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:

- 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

Pension Liabilities, Pension Expense; and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2020, the City of New England reported a liability of \$109,108 for its proportionate share of the net pension liability. The 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 share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019 the city's proportion was .009309 percent, which was a decrease of .000176 from its proportion measured as of June 30, 2018.

For the year ended December 31, 2020 the city recognized pension expense of \$13,388. At December 31, 2020 the city reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	-----	-----
Differences between expected and actual experience	64	19,801
Changes in assumptions	40,771	35,005
Net difference between projected and actual earnings on pension plan investments	1,901	
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,632	16,512
City contributions subsequent to the measurement date (see below)	7,364	
Total	----- 52,732 -----	----- 71,318 -----

\$7,364 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	

2020	(2,855)
2021	(4,576)
2022	(4,565)
2023	(10,717)
2024	(3,237)
Thereafter	0

Actuarial assumptions. The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of Year	Increase Rate
	-----	-----
	0	15.00%
	1	10.00%
	2	8.00%
	Age *	

	Under 30	10.00%
	30 - 39	7.50%
	40 - 49	6.75%
	50 - 59	6.50%
	60+	5.25%

* Age-based salary increase rates apply for employees with three or more years of service.

Investment rate of return 7.50%, net of investment expenses.
Cost-of-living adjustments None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Morality Table with ages set back one year for males (not set back for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2019, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2019. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Equity Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

Discount rate. For PERS, GASB No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

Sensitivity of the city's proportionate share of the net pension liability to changes in the discount rate. The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
	-----	-----	-----
The city's proportionate share of the net pension liability	156,438	109,108	69,343

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Note 13 OTHER POSTEMPLOYMENT BENEFITS

The city is required to implement GASB Statement No. 75, Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions. The effect of this statement is not material to the city's financial statements.

Note 14 TAX ABATEMENTS

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the years ended December 31, 2020 or 2019.

CITY OF NEW ENGLAND
New England, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	160,000.00	160,000.00	167,747.98	7,747.98
Licenses, Permits and Fees	5,450.00	5,450.00	8,405.00	2,955.00
Intergovernmental	36,700.00	36,700.00	36,778.00	78.00
Miscellaneous	9,040.00	9,040.00	11,641.50	2,601.50
Total Revenues	211,190.00	211,190.00	224,572.48	13,382.48
<u>Expenditures:</u>				
Current:				
General Government	153,450.00	153,450.00	150,841.90	2,608.10
Public Safety			6,245.05	(6,245.05)
Streets and Public Works	54,500.00	54,750.00	26,119.81	28,630.19
Health and Welfare	250.00	250.00		250.00
Total Expenditures	208,200.00	208,450.00	183,206.76	25,243.24
Excess (Deficiency) of Revenue Over Expenditures	2,990.00	2,740.00	41,365.72	38,625.72
<u>Other Financing Sources:</u>				
Transfers In			20,000.00	20,000.00
Net Change in Fund Balances	2,990.00	2,740.00	61,365.72	58,625.72
Fund Balance - January 1	(182,954.31)	(182,954.31)	(182,954.31)	
Fund Balance - December 31	(179,964.31)	(180,214.31)	(121,588.59)	58,625.72

CITY OF NEW ENGLAND
New England, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	155,000.00	155,000.00	165,702.24	10,702.24
Licenses, Permits and Fees	5,150.00	5,150.00	5,215.00	65.00
Intergovernmental	38,600.00	38,600.00	40,376.39	1,776.39
Charges for Services	1,600.00	1,600.00		(1,600.00)
Miscellaneous	12,050.00	12,050.00	8,878.65	(3,171.35)
Total Revenues	212,400.00	212,400.00	220,172.28	7,772.28
<u>Expenditures:</u>				
Current:				
General Government	155,800.00	155,800.00	171,480.39	(15,680.39)
Public Safety			10,210.27	(10,210.27)
Streets and Public Works	54,500.00	54,750.00	27,760.08	26,989.92
Health and Welfare	250.00	250.00		250.00
Total Expenditures	210,550.00	210,800.00	209,450.74	1,349.26
Excess (Deficiency) of Revenue Over Expenditures	1,850.00	1,600.00	10,721.54	9,121.54
<u>Other Financing (Uses):</u>				
Transfers Out			(5,200.00)	(5,200.00)
Net Change in Fund Balances	1,850.00	1,600.00	5,521.54	3,921.54
Fund Balance - January 1	(188,475.85)	(188,475.85)	(188,475.85)	
Fund Balance - December 31	(186,625.85)	(186,875.85)	(182,954.31)	3,921.54

CITY OF NEW ENGLAND
New England, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Tax Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	60,000.00	60,000.00	53,490.15	(6,509.85)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	46,000.00	46,000.00	72,760.95	(26,760.95)
Net Change in Fund Balances	14,000.00	14,000.00	(19,270.80)	(33,270.80)
Fund Balance - January 1	130,553.22	130,553.22	130,553.22	
Fund Balance - December 31	144,553.22	144,553.22	111,282.42	(33,270.80)

CITY OF NEW ENGLAND
New England, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	60,000.00	60,000.00	59,583.24	(416.76)
<u>Expenditures:</u>				
<u>Current:</u>				
Streets and Public Works	39,800.00	39,800.00	62,386.74	(22,586.74)
Net Change in Fund Balances	20,200.00	20,200.00	(2,803.50)	(23,003.50)
Fund Balance - January 1	133,356.72	133,356.72	133,356.72	
Fund Balance - December 31	153,556.72	153,556.72	130,553.22	(23,003.50)

CITY OF NEW ENGLAND
New England, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
City Sales Tax Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	110,000.00	110,000.00	130,259.72	20,259.72
Miscellaneous			30.37	30.37
Total Revenues	110,000.00	110,000.00	130,290.09	20,290.09
<u>Expenditures:</u>				
Current:				
Streets and Public Works			12,433.90	(12,433.90)
Urban and Economic Development			5,855.00	(5,855.00)
Culture and Recreation	27,500.00	27,500.00	37,969.95	(10,469.95)
Debt Service:				
Principal			41,508.71	(41,508.71)
Interest			6,634.55	(6,634.55)
Total Expenditures	27,500.00	27,500.00	104,402.11	(76,902.11)
Net Change in Fund Balances	82,500.00	82,500.00	25,887.98	(56,612.02)
Fund Balance - January 1	279,616.81	279,616.81	279,616.81	
Fund Balance - December 31	362,116.81	362,116.81	305,504.79	(56,612.02)

CITY OF NEW ENGLAND
New England, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	95,000.00	95,000.00	115,518.84	20,518.84
Miscellaneous			694.31	694.31
Total Revenues	95,000.00	95,000.00	116,213.15	21,213.15
<u>Expenditures:</u>				
Current:				
Streets and Public Works			6,383.60	(6,383.60)
Urban and Economic Development			402.20	(402.20)
Culture and Recreation	23,750.00	23,750.00	26,061.79	(2,311.79)
Capital Outlay		149,647.00	149,647.00	
Debt Service:				
Principal			44,241.67	(44,241.67)
Interest			4,300.59	(4,300.59)
Total Expenditures	23,750.00	173,397.00	231,036.85	(57,639.85)
Excess (Deficiency) of Revenue Over Expenditures	71,250.00	(78,397.00)	(114,823.70)	(36,426.70)
<u>Other Financing Sources:</u>				
Proceeds from Capital Lease		149,647.00	149,647.00	
Net Change in Fund Balances	71,250.00	71,250.00	34,823.30	(36,426.70)
Fund Balance - January 1	244,793.51	244,793.51	244,793.51	
Fund Balance - December 31	316,043.51	316,043.51	279,616.81	(36,426.70)

CITY OF NEW ENGLAND
New England, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2020 and 2019

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendments

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

	Original Budget	Amendment	Amended Budget
	<u>Appropriations</u>		
<u>Special Revenue Fund</u>			
City Sales Tax	23,750	149,647	173,397
	<u>Other Financing Sources</u>		
<u>Special Revenue Fund</u>			
City Sales Tax	0	149,647	149,647

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31, 2020 and 2019:

	2020	2019
<u>Special Revenue Funds</u>		
Highway Tax	26,760.95	22,586.74
City Sales Tax	76,902.11	57,639.85

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

Note 3 Legal budgets were not adopted for the Street Imp. Dist. No. 2020-1 for 2020 or for the Development Fund for 2019 which were major governmental funds.

CITY OF NEW ENGLAND
New England, North Dakota

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.009309%	0.009485%	0.009876%	0.009197%	0.014432%	0.014144%
City's proportionate share of the net pension liability	109,108	160,070	158,740	89,634	98,135	89,775
City's covered-employee payroll	96,833	97,442	100,817	92,679	128,569	119,145
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	112.68%	164.27%	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	6,895	6,938	7,178	6,599	9,154	7,888
Contributions in relation to the statutorily required contribution	(6,895)	(6,938)	(7,178)	(6,599)	(9,154)	(788)
Contribution deficiency (excess)	0	0	0	0	0	0
City's covered-employee payroll	96,833	97,442	100,817	92,679	128,569	119,145
Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%	7.12%	6.64%

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

- For changes of benefit terms and assumptions, see Note 12 to the financial statements.

CITY OF NEW ENGLAND
New England, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2020

	Balance 1-1-20	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-20
Major Governmental Funds:						
General Fund	(182,954.31)	224,572.48	20,000.00		183,206.76	(121,588.59)
Highway Tax	130,553.22	53,490.15			72,760.95	111,282.42
City Sales Tax	279,616.81	130,290.09			104,402.11	305,504.79
Street Imp. District No. 2020-01		3,548,680.00			3,094,212.38	454,467.62
Total Major Governmental Funds	227,215.72	3,957,032.72	20,000.00		3,454,582.20	749,666.24
Non-Major Governmental Funds:						
Fire Hall Savings	2,404.39	0.38	5,200.00		5,786.48	1,818.29
Cemetery	6,184.51	672.54			3,450.00	3,407.05
Emergency	11,610.15	928.22				12,538.37
Development Fund	98,974.37	9.88			20,650.00	78,334.25
Refunding Improvement Bonds of 2008	81,993.45	49,928.57			67,675.35	64,246.67
Total Non-Major Governmental Funds	201,166.87	51,539.59	5,200.00		97,561.83	160,344.63
Total Governmental Funds	428,382.59	4,008,572.31	25,200.00		3,552,144.03	910,010.87
Major Enterprise Fund						
Utility Fund:						
Operating	239,956.13	414,691.73		342,949.44	287,273.77	24,424.65
Water Project - Phase I	36,231.94		123,144.68	5,200.00	111,348.68	42,827.94
Water & Sewer Project - Phase II	2,166.00		130,187.00		128,021.00	4,332.00
Water & Sewer Project - Phase III	103,333.33	30,492.33	65,084.92		198,910.58	
Water & Sewer Project - Phase IV		3,145,680.01	4,532.84		3,150,212.85	
Total Enterprise Fund	381,687.40	3,590,864.07	322,949.44	348,149.44	3,875,766.88	71,584.59
Fiduciary Fund						
Custodial Funds						
Park District		11,115.04			11,115.04	
Library		6,145.54			6,145.54	
Total Fiduciary Fund		17,260.58			17,260.58	
Total All Funds	810,069.99	7,616,696.96	348,149.44	348,149.44	7,445,171.49	981,595.46

CITY OF NEW ENGLAND
New England, North Dakota

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

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
<u>Major Governmental Funds:</u>						
General Fund	(188,475.85)	220,172.28		5,200.00	209,450.74	(182,954.31)
Highway Tax	133,356.72	59,583.24			62,386.74	130,553.22
City Sales Tax	244,793.51	116,213.15			81,389.85	279,616.81
Development Fund	188,282.48	12.45			89,320.56	98,974.37
Total Major Governmental Funds	377,956.86	395,981.12		5,200.00	442,547.89	326,190.09
<u>Non-Major Governmental Funds:</u>						
Fire Hall Savings	2,291.38	0.32	5,200.00		5,087.31	2,404.39
Cemetery	7,524.16	660.35			2,000.00	6,184.51
Emergency	11,529.92	920.73			840.50	11,610.15
Refunding Improvement Bonds of 2008	94,850.40	48,637.08			61,494.03	81,993.45
Total Non-Major Governmental Funds	116,195.86	50,218.48	5,200.00		69,421.84	102,192.50
Total Governmental Funds	494,152.72	446,199.60	5,200.00	5,200.00	511,969.73	428,382.59
<u>Major Enterprise Fund</u>						
<u>Utility Fund:</u>						
Operating	344,084.36	410,648.77		305,109.00	209,668.00	239,956.13
Water Project - Phase I	24,405.94		123,330.00		111,504.00	36,231.94
Water & Sewer Project - Phase II			130,187.00		128,021.00	2,166.00
Water & Sewer Project - Phase III	90.00	509,459.84	51,592.00		457,808.51	103,333.33
Total Enterprise Fund	368,580.30	920,108.61	305,109.00	305,109.00	907,001.51	381,687.40
<u>Fiduciary Fund</u>						
<u>Custodial Funds</u>						
Park District		12,251.59			12,251.59	
Library		5,390.14			5,390.14	
Total Fiduciary Fund		17,641.73			17,641.73	
Total All Funds	862,733.02	1,383,949.94	310,309.00	310,309.00	1,436,612.97	810,069.99

CITY OF NEW ENGLAND
New England, North Dakota

Schedule of Expenditures of Federal Awards
For the Years Ended December 31, 2020 and 2019

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures	
			2020	2019
<u>U.S. Department of Agriculture</u>				
Rural Development - Direct Program:				
Water and Waste Disposal Systems for Rural Communities - Loans	10.760	N/A	1,312,000.00	
Water and Waste Disposal Systems for Rural Communities - Grants	10.760	N/A	629,987.23	453,617.28
Total Water and Waste Disposal Systems for Rural Communities			1,941,987.23	453,617.28
Total U.S. Department of Agriculture			1,941,987.23	453,617.28
<u>U.S. Department of the Interior</u>				
Passed through the Garrison Diversion Conservancy District:				
Municipal, Rural and Industrial Water Supply Program	15.518	N/A	16,195.40	55,842.56
Total Expenditures of Federal Awards			1,958,182.63	509,459.84

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified cash basis of accounting.

The de minimis indirect cost rate was not used.

Note 2 - Loan Outstanding

Program Title	Federal Assistance Listing Number	Outstanding Loan Balance
Water and Waste Disposal Systems for Rural Communities	10.760	7,428,443.26

Rath & Mehrer, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of New England
New England, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New England, New England, North Dakota, as of and for the years ended December 31, 2020 and 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 September 17, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002, that we consider to be significant deficiencies.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

September 17, 2021

Rath & Mehrer, P.C.

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of New England
New England, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of New England's 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 years ended December 31, 2020 and 2019. The city's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to each of 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 audits of the types of compliance requirements referred to above. We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion on compliance for each major federal program. However, our audits do 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 years ended December 31, 2020 and 2019.

Report on Internal Control Over Compliance

Management of the City of New England 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 audits 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

September 17, 2021

CITY OF NEW ENGLAND
New England, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2020 and 2019

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified-Modified Cash Basis
Business-Type Activities	Unmodified-Modified Cash Basis
Major Governmental Funds	Unmodified-Modified Cash Basis
Major Business-Type Funds	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No

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

Noncompliance Material to financial statements noted? Yes X No

Federal Awards

Internal control over major program(s):

* Material weakness(es) identified? Yes X No

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

Type of auditor's report issued on compliance for major program(s):

Unmodified

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

 Yes X No

Identification of major program(s):

Federal Assistance
Listing Number

Name of Federal Program

10.760

Water and Waste Disposal Systems
for Rural Communities

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

\$750,000

Auditee qualified as low-risk auditee?

 Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2020-001 Segregation of Duties

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

Condition: The city has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

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

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

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

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

Repeat Finding from Prior Year: Yes, prior year finding No. 2018-001

2. 2020-002 Financial Statement Preparation

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

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

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

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

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

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

Repeat Finding from Prior Year: Yes, prior year finding No. 2018-002

SECTION III - FEDERAL AWARD FINDINGS AND RESPONSES

No matters were reported.

CITY OF NEW ENGLAND
New England, North Dakota

Summary Schedule of Prior Audit Findings
For the Years Ended December 31, 2020 and 2019

1. Finding No. 2018-001: Segregation of Duties

Status: This finding is repeated and updated in the Schedule of Findings and Responses as No. 2020-001.

Reasons for Recurrence and Corrective Action Plan: The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties. See Corrective Action Plan.

2. Finding No. 2018-002: Financial Statement Preparation

Status: This finding is repeated and updated in the Schedule of Findings and Responses as No. 2020-002.

Reasons for Recurrence and Corrective Action Plan: The city feels it is more cost effective to have their external auditors prepare the financial statements and note disclosures. See Corrective Action Plan.

CITY OF NEW ENGLAND

Mayor – Marty Opdahl

City Auditor – Jason Jung

CITY OF NEW ENGLAND
New England, North Dakota

Corrective Action Plan
For the Years Ended December 31, 2020 and 2019

1. Finding No. 2020-001: Financial Statement Preparation

Contact Person: Jason Jung, City Auditor

Corrective Action Plan: The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties.

Completion Date: The City of New England will implement when it becomes cost effective.

2. Finding No. 2020-002: Financial Statement Preparation

Contact Person: Jason Jung, City Auditor

Corrective Action Plan: The city feels it is more cost effective to have their external auditors prepare the financial statements and note disclosures.

Completion Date: The City of New England will implement when it becomes cost effective.

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