

AUDIT REPORT

CITY OF EDGELEY
Edgeley, North Dakota

For the Years Ended December 31, 2021 and 2020

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF EDGELEY
Edgeley, North Dakota

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CITY OF EDGELEY
Edgeley, North Dakota

CITY OFFICIALS

Wayne Henderson	Mayor
Michelle Berry	Council Member
Sally Caudillo	Council Member
Rick Gutschmidt	Council Member
Lucas Madcke	Council Member
Dan Schlosser	Council Member
Preston Sitzmann	Council Member
Joseph Neis	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Edgeley
Edgeley, North Dakota

Report on the Audit of Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edgeley, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the city, as of December 31, 2021 and 2020, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the years then ended in accordance with modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the city, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – 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.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the city's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the city's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Supplementary Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgeting comparison information and the schedules of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

August 26, 2022

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2021

	Primary Government		Component Units			
	Governmental Activities	Business-Type Activities	Total	Municipal Airport Authority	Public Library	Job Development Authority
ASSETS:						
Cash, Cash Equivalents and Investments	454,549.88	291,999.21	746,549.09	142,917.29	150,039.93	366,620.83
Capital Assets (net of accumulated depreciation):						
Land			-	148,500.00		
Buildings and Infrastructure	2,104,320.00	1,327,050.00	3,431,370.00	1,524,786.00		
Machinery and Vehicles	133,941.00	5,760.00	139,701.00	224,132.00		
Total Capital Assets	2,238,261.00	1,332,810.00	3,571,071.00	1,897,418.00	-	-
Total Assets	2,692,810.88	1,624,809.21	4,317,620.09	2,040,335.29	150,039.93	366,620.83
LIABILITIES:						
Long-Term Liabilities:						
Due Within One Year:						
Lease Payable	10,115.25		10,115.25			
Loan Payable	24,638.18		24,638.18			
Special Assessments Bonds Payable		20,000.00	20,000.00			
Revenue Bonds Payable	91,895.93	9,900.00	101,795.93			
Due After One Year:						
Lease Payable	77,301.29		77,301.29			
Loan Payable	45,814.55		45,814.55			
Special Assessments Bonds Payable		165,000.00	165,000.00			
Revenue Bonds Payable	1,338,055.88	117,300.00	1,455,355.88			
Total Liabilities	1,587,821.08	312,200.00	1,900,021.08	-	-	-
NET POSITION:						
Net Investment in Capital Assets	650,439.92	1,020,610.00	1,671,049.92	1,897,418.00		
Restricted for:						
Debt Service		290,486.07	290,486.07			
Special Purposes	334,486.01		334,486.01			
Unrestricted	120,063.87	1,513.14	121,577.01	142,917.29	150,039.93	366,620.83
Total Net Position	1,104,989.80	1,312,609.21	2,417,599.01	2,040,335.29	150,039.93	366,620.83

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Primary Government		Component Units			
	Governmental Activities	Business-Type Activities	Total	Municipal Airport Authority	Public Library	Job Development Authority
ASSETS:						
Cash, Cash Equivalents and Investments	542,597.98	302,403.24	845,001.22	107,463.43	156,142.01	290,065.24
Capital Assets (net of accumulated depreciation):						
Land			-	148,500.00		
Buildings and Infrastructure	2,143,560.00	1,382,158.00	3,525,718.00	1,652,188.00		
Machinery and Vehicles	126,745.00		126,745.00	8,128.00		
Total Capital Assets	2,270,305.00	1,382,158.00	3,652,463.00	1,808,816.00		
Total Assets	2,812,902.98	1,684,561.24	4,497,464.22	1,916,279.43	156,142.01	290,065.24
LIABILITIES:						
Long-Term Liabilities:						
Due Within One Year:						
Lease Payable	9,792.11		9,792.11			
Loan Payable	24,393.15		24,393.15			
Special Assessments Bonds Payable		20,000.00	20,000.00			
Revenue Bonds Payable	93,142.80	9,600.00	102,742.80			
Due After One Year:						
Lease Payable	87,416.54		87,416.54			
Loan Payable	70,452.73		70,452.73			
Special Assessments Bonds Payable		185,000.00	185,000.00			
Revenue Bonds Payable	1,354,206.85	127,200.00	1,481,406.85			
Total Liabilities	1,639,404.18	341,800.00	1,981,204.18			
NET POSITION:						
Net Investment in Capital Assets	630,900.82	1,040,358.00	1,671,258.82	1,808,816.00		
Restricted for:						
Debt Service		292,461.01	292,461.01			
Special Purposes	381,712.48		381,712.48			
Unrestricted	160,885.50	9,942.23	170,827.73	107,463.43	156,142.01	290,065.24
Total Net Position	1,173,498.80	1,342,761.24	2,516,260.04	1,916,279.43	156,142.01	290,065.24

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2021

Net (Expense) Revenue and Change in Net Position

	Program Revenues				Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Municipal Authority	Public Library	Edgeley Job Dev. Authority	
Functions/Programs										
Primary Government										
<u>Governmental Activities:</u>										
General Government	79,955.90	1,670.00		(78,285.90)		(78,285.90)				
Public Safety	1,600.00			(1,600.00)		(1,600.00)				
Streets and Public Works	456,439.12	12,381.51	104,788.80	(339,268.81)		(339,268.81)				
Urban and Economic Development	54,341.90			(54,341.90)		(54,341.90)				
Culture and Recreation	81,500.00			(81,500.00)		(81,500.00)				
Other	32,443.37			(32,443.37)		(32,443.37)				
Interest on Long-Term Debt	34,352.64			(34,352.64)		(34,352.64)				
Total Governmental Activities	740,632.93	14,051.51	57,768.99	(621,792.62)		(621,792.62)				
<u>Business-Type Activities:</u>										
Water	201,182.39	206,140.69			4,958.30	4,958.30				
Sewer	104,612.24	62,182.42	25,759.13		(16,670.69)	(16,670.69)				
Garbage	120,902.96	122,420.80			1,517.84	1,517.84				
Total Business-Type Activities	426,697.59	390,743.91			(10,194.55)	(10,194.55)				
Total Primary Government	1,167,330.52	404,795.42		(621,792.62)	(10,194.55)	(631,987.17)				
Component Units:										
Municipal Airport Authority	182,867.96	12,957.14	249,075.80				79,164.98			
Public Library	16,159.38	3,000.00						(13,159.38)		
Edgeley Job Dev. Authority	7,996.29	7,720.00							(276.29)	
Total Component Units	207,023.63	23,677.14					79,164.98	(13,159.38)	(276.29)	

<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes	115,794.25		115,794.25	30,987.54	4,557.71
City sales taxes	290,950.42		290,950.42		
Restaurant and lodging taxes	11,252.37		11,252.37		
Telecommunication tax	2,827.31		2,827.31		
Gaming taxes	1,820.10		1,820.10		
Cigarette tax	1,316.97		1,316.97		
Homestead tax credit	5,452.94		5,452.94		
Intergovernmental revenue not restricted to specific programs	42,976.78		42,976.78		552.11
Earnings on investments and other revenue	51,242.48	42.52	51,285.00	3.34	1,947.48
Gain on sale/trade-in of capital assets	9,650.00		9,650.00	13,900.00	
Transfers	20,000.00	(20,000.00)	-		
Total General Revenues and Transfers	553,283.62	(19,957.48)	523,676.14	44,890.88	7,057.30
Change in Net Position	(68,509.00)	(30,152.03)	(98,661.03)	124,055.86	(6,102.08)
Net Position - January 1	1,173,498.80	1,342,761.24	2,516,260.04	1,916,279.43	156,142.01
Net Position - December 31	1,104,989.80	1,312,609.21	2,417,599.01	2,040,335.29	150,039.93
					366,620.83

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

CITY OF EDGELEY
Edgeley, North Dakota

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

Net (Expense) Revenue and Change in Net Position

Functions/Programs	Program Revenues			Primary Government			Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Municipal Airport Authority	Public Library	Development Authority	Job Dev.
Primary Government										
<u>Governmental Activities:</u>										
General Government	86,745.81	365.00		(86,380.81)		(86,380.81)				
Public Safety	1,600.00			(1,600.00)		(1,600.00)				
Streets and Public Works	137,973.66	11,728.98	57,768.99	(68,475.69)		(68,475.69)				
Urban and Economic Development	153,932.20			(153,932.20)		(153,932.20)				
Culture and Recreation	51,500.00			(51,500.00)		(51,500.00)				
Other	41,292.43			(41,292.43)		(41,292.43)				
Interest on Long-Term Debt	19,481.21			(19,481.21)		(19,481.21)				
Total Governmental Activities	492,525.31	12,093.98	57,768.99	(422,662.34)		(422,662.34)				
<u>Business-Type Activities:</u>										
Water	163,802.50	201,407.03			37,604.53	37,604.53				
Sewer	92,280.93	60,079.23	27,707.13		(4,494.57)	(4,494.57)				
Garbage	116,767.84	119,400.79			2,632.95	2,632.95				
Total Business-Type Activities	372,851.27	380,887.05			35,742.91	35,742.91				
Total Primary Government	865,376.58	392,981.03		(422,662.34)	35,742.91	(386,919.43)				
Component Units:										
Municipal Airport Authority	247,637.81	16,963.67	86,699.41				(143,974.73)			
Public Library	36,585.84	3,000.00						(33,585.84)		
Job Development Authority	4,531.00	10,400.00							5,869.00	
Total Component Units	288,754.65	30,363.67					(143,974.73)	(33,585.84)	5,869.00	

General Revenues:					
<u>Taxes:</u>					
Property taxes; levied for general purposes	116,744.55	116,744.55		30,425.21	4,628.83
City sales taxes	281,486.32	281,486.32			
Restaurant and lodging taxes	11,372.10	11,372.10			147,797.20
Telecommunication tax	2,827.31	2,827.31			
Gaming taxes	1,003.00	1,003.00			
Cigarette tax	1,482.99	1,482.99			
Homestead tax credit	4,446.54	4,446.54			
Intergovernmental revenue not restricted to specific programs	35,970.07	35,970.07			448.89
Earnings on investments and other revenue	52,351.39	53,549.26	1,197.87	1,172.77	5,524.24
Transfers	20,000.00	-	(20,000.00)		
Total General Revenues and Transfers	527,684.27	508,882.14	(18,802.13)	31,597.98	10,601.96
Change in Net Position	105,021.93	121,962.71	16,940.78	(112,376.75)	(22,983.88)
Net Position - January 1	1,068,476.87	2,394,297.33	1,325,820.46	2,028,656.18	179,125.89
Net Position - December 31	1,173,498.80	2,516,260.04	1,342,761.24	1,916,279.43	156,142.01
					290,065.24

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

CITY OF EDGELEY
Edgeley, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2021

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Highway	City Sales Tax	2020 Street Project		
ASSETS:						
Cash, Cash Equivalents and Investments	120,063.87	14,165.09	234,445.68		85,875.24	454,549.88
Interfund Receivables	3,947.77					3,947.77
Total Assets	124,011.64	14,165.09	234,445.68	-	85,875.24	458,497.65
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund Payables					3,947.77	3,947.77
Fund Balances:						
Restricted for:						
Street and Public Works		14,165.09	89,891.77		43,648.34	147,705.20
Urban and Economic Development			6,692.21		24,390.75	31,082.96
Culture and Recreation			119,114.81			119,114.81
Capital Improvements			18,746.89			18,746.89
Other Special Purposes					17,836.15	17,836.15
Unassigned	124,011.64				(3,947.77)	120,063.87
Total Fund Balances	124,011.64	14,165.09	234,445.68	-	81,927.47	454,549.88
Total Liabilities and Fund Balances	124,011.64	14,165.09	234,445.68	-	85,875.24	458,497.65

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Highway	City Sales Tax	2020 Street Project		
ASSETS:						
Cash, Cash Equivalents and Investments	160,885.50	137,020.16	211,266.86		33,425.46	542,597.98
Interfund Receivables	3,947.77					3,947.77
Total Assets	164,833.27	137,020.16	211,266.86	-	33,425.46	546,545.75
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund Payables					3,947.77	3,947.77
Fund Balances:						
Restricted for:						
Street and Public Works		137,020.16	82,692.98			219,713.14
Urban and Economic Development			6,788.27		23,138.38	29,926.65
Culture and Recreation			101,530.49			101,530.49
Capital Improvements			20,255.12			20,255.12
Other Special Purposes					10,287.08	10,287.08
Unassigned	164,833.27				(3,947.77)	160,885.50
Total Fund Balances	164,833.27	137,020.16	211,266.86	-	29,477.69	542,597.98
Total Liabilities and Fund Balances	164,833.27	137,020.16	211,266.86	-	33,425.46	546,545.75

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

CITY OF EDGELEY
Edgeley, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2021

Total Fund Balances for Governmental Funds		454,549.88
Total net position reported for governmental 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	2,993,989.00	
Less Accumulated Depreciation	<u>(755,728.00)</u>	
Net Capital Assets		2,238,261.00
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, 2021 are:		
Lease Payable	(87,416.54)	
Loan Payable	(70,452.73)	
Revenue Bonds Payable	<u>(1,429,951.81)</u>	
Total Long-Term Liabilities		<u>(1,587,821.08)</u>
Total Net Position of Governmental Activities		<u>1,104,989.80</u>

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

CITY OF EDGELEY
Edgeley, North Dakota

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

Total Fund Balances for Governmental Funds		542,597.98
Total net position reported for governmental 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	2,907,489.00	
Less Accumulated Depreciation	<u>(637,184.00)</u>	
Net Capital Assets		2,270,305.00
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:		
Lease Payable	(97,208.65)	
Loan Payable	(94,845.88)	
Revenue Bonds Payable	<u>(1,447,349.65)</u>	
Total Long-Term Liabilities		<u>(1,639,404.18)</u>
Total Net Position of Governmental Activities		<u>1,173,498.80</u>

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2021

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Highway	City Sales Tax	2020 Street Project		
Revenues:						
Taxes	118,621.56		290,950.42		11,252.37	420,824.35
Licenses, Permits and Fees	1,670.00					1,670.00
Intergovernmental	53,671.79	59,035.46			43,648.34	156,355.59
Charges for Services		12,381.51				12,381.51
Miscellaneous	22,406.25				28,836.23	51,242.48
Total Revenues	196,369.60	71,416.97	290,950.42	-	83,736.94	642,473.93
Expenditures:						
Current:						
General Government	77,422.90					77,422.90
Streets and Public Works	110,358.12	244,272.04		747.96		355,378.12
Urban and Economic Development			44,341.90		10,000.00	54,341.90
Culture and Recreation			50,000.00			50,000.00
Other	11,156.21				21,287.16	32,443.37
Capital Outlay	20,000.00			75,000.00		95,000.00
Debt Service:						
Principal	34,185.26		93,145.80			127,331.06
Interest and Service Charges	4,068.74		30,283.90			34,352.64
Total Expenditures	257,191.23	244,272.04	217,771.60	75,747.96	31,287.16	826,269.99
Excess (Deficiency) of Revenue Over Expenditures						
	(60,821.63)	(172,855.07)	73,178.82	(75,747.96)	52,449.78	(183,796.06)
Other Financing Sources (Uses):						
Transfers In	20,000.00	50,000.00				70,000.00
Transfers Out			(50,000.00)			(50,000.00)
Revenue Bonds Issued				75,747.96		75,747.96
Total Other Financing Sources (Uses)	20,000.00	50,000.00	(50,000.00)	75,747.96	-	95,747.96
Net Change in Fund Balances	(40,821.63)	(122,855.07)	23,178.82	-	52,449.78	(88,048.10)
Fund Balance - January 1	164,833.27	137,020.16	211,266.86	-	29,477.69	542,597.98
Fund Balance - December 31	124,011.64	14,165.09	234,445.68	-	81,927.47	454,549.88

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Highway	City Sales Tax	2020 Street Project		
Revenues:						
Taxes	119,571.86		281,486.32		11,372.10	412,430.28
Licenses, Permits and Fees	365.00					365.00
Intergovernmental	45,177.25	55,494.34				100,671.59
Charges for Services		11,728.98				11,728.98
Miscellaneous	26,713.03				25,638.36	52,351.39
Total Revenues	191,827.14	67,223.32	281,486.32	-	37,010.46	577,547.24
Expenditures:						
Current:						
General Government	84,212.81					84,212.81
Streets and Public Works	61,087.33	52,068.29	5.00	252.04		113,412.66
Urban and Economic Development			147,797.20		6,135.00	153,932.20
Culture and Recreation			20,000.00			20,000.00
Other	16,617.05				24,675.38	41,292.43
Capital Outlay				1,399,000.00		1,399,000.00
Debt Service:						
Principal	33,629.83		211,902.39			245,532.22
Interest and Service Charges	4,624.17		14,857.04			19,481.21
Total Expenditures	200,171.19	52,068.29	394,561.63	1,399,252.04	30,810.38	2,076,863.53
Excess (Deficiency) of Revenue Over Expenditures	(8,344.05)	15,155.03	(113,075.31)	(1,399,252.04)	6,200.08	(1,499,316.29)
Other Financing Sources (Uses):						
Transfers In	20,000.00	90,000.00				110,000.00
Transfers Out			(90,000.00)			(90,000.00)
Revenue Bonds Issued				1,399,252.04		1,399,252.04
Total Other Financing Sources (Uses)	20,000.00	90,000.00	(90,000.00)	1,399,252.04	-	1,419,252.04
Net Change in Fund Balances	11,655.95	105,155.03	(203,075.31)	-	6,200.08	(80,064.25)
Fund Balance - January 1	153,177.32	31,865.13	414,342.17	-	23,277.61	622,662.23
Fund Balance - December 31	164,833.27	137,020.16	211,266.86	-	29,477.69	542,597.98

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

CITY OF EDGELEY
Edgeley, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds (88,048.10)

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

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

Current Year Capital Outlay	95,000.00	
Current Year Depreciation Expense	<u>(136,694.00)</u>	(41,694.00)

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

Debt Proceeds	(75,747.96)	
Repayment of Debt	<u>127,331.06</u>	51,583.10

In the statement of activities, only the gain on the trade-in or sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources and the result of the trade-in has no effect. Thus the change in net position differs from the change in fund balance by the amount of capital assets sold or traded.

9,650.00

Change in Net Position of Governmental Activities

(68,509.00)

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

CITY OF EDGELEY
Edgeley, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds (80,064.25)

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	1,399,000.00	
Current Year Depreciation Expense	<u>(60,194.00)</u>	1,338,806.00

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	(1,399,252.04)	
Repayment of Debt	<u>245,532.22</u>	<u>(1,153,719.82)</u>

Change in Net Position of Governmental Activities 105,021.93

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2021

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	50,032.55	227,707.18	14,259.48	291,999.21
Noncurrent Assets:				
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	198,225.00	1,128,825.00		1,327,050.00
Machinery and Vehicles			5,760.00	5,760.00
Total Noncurrent Assets	198,225.00	1,128,825.00	5,760.00	1,332,810.00
Total Assets	248,257.55	1,356,532.18	20,019.48	1,624,809.21
LIABILITIES				
Current Liabilities:				
Special Assessment Bonds Payable		20,000.00		20,000.00
Revenue Bonds Payable	9,900.00			9,900.00
Total Current Liabilities	9,900.00	20,000.00	-	29,900.00
Noncurrent Liabilities:				
Special Assessment Bonds Payable		165,000.00		165,000.00
Revenue Bonds Payable	117,300.00			117,300.00
Total Noncurrent Liabilities	117,300.00	165,000.00	-	282,300.00
Total Liabilities	127,200.00	185,000.00	-	312,200.00
NET POSITION				
Net Investment in Capital Assets	71,025.00	943,825.00	5,760.00	1,020,610.00
Restricted for:				
Debt Service	87,985.84	202,500.23		290,486.07
Unrestricted	(37,953.29)	25,206.95	14,259.48	1,513.14
Total Net Position	121,057.55	1,171,532.18	20,019.48	1,312,609.21

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	58,461.22	225,440.38	18,501.64	302,403.24
Noncurrent Assets:				
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	214,408.00	1,167,750.00		1,382,158.00
Total Assets	272,869.22	1,393,190.38	18,501.64	1,684,561.24
LIABILITIES				
Current Liabilities:				
Special Assessment Bonds Payable		20,000.00		20,000.00
Revenue Bonds Payable	9,600.00			9,600.00
Total Current Liabilities	9,600.00	20,000.00	-	29,600.00
Noncurrent Liabilities:				
Special Assessment Bonds Payable		185,000.00		185,000.00
Revenue Bonds Payable	127,200.00			127,200.00
Total Noncurrent Liabilities	127,200.00	185,000.00	-	312,200.00
Total Liabilities	136,800.00	205,000.00	-	341,800.00
NET POSITION				
Net Investment in Capital Assets	77,608.00	962,750.00	-	1,040,358.00
Restricted for:				
Debt Service	87,968.50	204,492.51		292,461.01
Unrestricted	(29,507.28)	20,947.87	18,501.64	9,942.23
Total Net Position	136,069.22	1,188,190.38	18,501.64	1,342,761.24

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2021

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Charges	205,990.69			205,990.69
Sewer Charges		62,014.81		62,014.81
Garbage Charges			122,420.80	122,420.80
Other Fees	150.00	167.61		317.61
Total Operating Revenues	206,140.69	62,182.42	122,420.80	390,743.91
<u>Operating Expenses:</u>				
Salaries and Benefits	33,143.55	21,488.20	20,000.00	74,631.75
Operations	67,247.59	36,447.63	5,889.21	109,584.43
Purchased Water	80,499.96			80,499.96
Garbage Contract			93,573.75	93,573.75
Depreciation	16,183.00	38,925.00	1,440.00	56,548.00
Total Operating Expenses	197,074.10	96,860.83	120,902.96	414,837.89
Operating Income (Loss)	9,066.59	(34,678.41)	1,517.84	(24,093.98)
<u>Non-Operating Revenues (Expenses):</u>				
Interest	30.03	12.49		42.52
Special Assessments		25,759.13		25,759.13
City Share of Special Assessments		(1,601.41)		(1,601.41)
Interest Payments and Service Charges	(4,108.29)	(6,150.00)		(10,258.29)
Total Non-Operating Revenues (Expenses)	(4,078.26)	18,020.21	-	13,941.95
Income (Loss) Before Transfers	4,988.33	(16,658.20)	1,517.84	(10,152.03)
Transfers Out	(20,000.00)			(20,000.00)
Change in Net Position	(15,011.67)	(16,658.20)	1,517.84	(30,152.03)
Net Position - January 1	136,069.22	1,188,190.38	18,501.64	1,342,761.24
Net Position - December 31	121,057.55	1,171,532.18	20,019.48	1,312,609.21

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2020

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Charges	199,346.25			199,346.25
Sewer Charges		60,079.23		60,079.23
Garbage Charges			119,340.79	119,340.79
Other Fees	2,060.78		60.00	2,120.78
Total Operating Revenues	201,407.03	60,079.23	119,400.79	380,887.05
<u>Operating Expenses:</u>				
Salaries and Benefits	44,693.13	12,791.88	20,000.00	77,485.01
Group Health Insurance		21,171.04		21,171.04
Operations	18,065.80	11,304.53	3,941.84	33,312.17
Purchased Water	80,499.96			80,499.96
Garbage Contract			92,826.00	92,826.00
Depreciation	16,183.00	38,925.00		55,108.00
Total Operating Expenses	159,441.89	84,192.45	116,767.84	360,402.18
Operating Income (Loss)	41,965.14	(24,113.22)	2,632.95	20,484.87
<u>Non-Operating Revenues (Expenses):</u>				
Interest	1,127.53	70.34		1,197.87
Special Assessments		27,707.13		27,707.13
City Share of Special Assessments		(1,488.48)		(1,488.48)
Interest Payments and Service Charges	(4,360.61)	(6,600.00)		(10,960.61)
Total Non-Operating Revenues (Expenses)	(3,233.08)	19,688.99	-	16,455.91
Income (Loss) Before Transfers	38,732.06	(4,424.23)	2,632.95	36,940.78
Transfers Out				(20,000.00)
Change in Net Position	18,732.06	(4,424.23)	2,632.95	16,940.78
Net Position - January 1	117,337.16	1,192,614.61	15,868.69	1,325,820.46
Net Position - December 31	136,069.22	1,188,190.38	18,501.64	1,342,761.24

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year ended December 31, 2021

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	206,140.69	62,182.42	122,420.80	390,743.91
Payments to suppliers and employees	(180,891.10)	(57,935.83)	(119,462.96)	(358,289.89)
Net cash provided (used) by operating activities	25,249.59	4,246.59	2,957.84	32,454.02
<u>Cash flows from noncapital financing activities:</u>				
City share of special assessments		(1,601.41)		(1,601.41)
Transfers out	(20,000.00)			(20,000.00)
Net cash provided (used) by noncapital financing activities	(20,000.00)	(1,601.41)	-	(21,601.41)
<u>Cash flows from capital and related financing activities:</u>				
Special assessments		25,759.13		25,759.13
Purchase of trailer			(7,200.00)	(7,200.00)
Principal payments	(9,600.00)	(20,000.00)		(29,600.00)
Interest and service charges	(4,108.29)	(6,150.00)		(10,258.29)
Net cash provided (used) by capital and related financing activities	(13,708.29)	(390.87)	(7,200.00)	(21,299.16)
<u>Cash Flows from investing activities:</u>				
Interest income	30.03	12.49	-	42.52
Net increase in cash and cash equivalents	(8,428.67)	2,266.80	(4,242.16)	(10,404.03)
Cash and cash equivalents, January 1	58,461.22	225,440.38	18,501.64	302,403.24
Cash and cash equivalents, December 31	50,032.55	227,707.18	14,259.48	291,999.21
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (loss)	9,066.59	(34,678.41)	1,517.84	(24,093.98)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	16,183.00	38,925.00	1,440.00	56,548.00
Net cash provided (used) by operating activities	25,249.59	4,246.59	2,957.84	32,454.02

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	201,407.03	60,079.23	119,400.79	380,887.05
Payments to suppliers and employees	(143,258.89)	(45,267.45)	(116,767.84)	(305,294.18)
Net cash provided (used) by operating activities	58,148.14	14,811.78	2,632.95	75,592.87
<u>Cash flows from noncapital financing activities:</u>				
City share of special assessments		(1,488.48)		(1,488.48)
Transfers out	(20,000.00)			(20,000.00)
Net cash provided (used) by noncapital financing activities	(20,000.00)	(1,488.48)	-	(21,488.48)
<u>Cash flows from capital and related financing activities:</u>				
Special assessments		27,707.13		27,707.13
Principal payments	(9,300.00)	(15,000.00)		(24,300.00)
Interest and service charges	(4,360.61)	(6,600.00)		(10,960.61)
Net cash provided (used) by capital and related financing activities	(13,660.61)	6,107.13	-	(7,553.48)
<u>Cash Flows from investing activities:</u>				
Interest income	1,127.53	70.34	-	1,197.87
Net increase in cash and cash equivalents	25,615.06	19,500.77	2,632.95	47,748.78
Cash and cash equivalents, January 1	32,846.16	205,939.61	15,868.69	254,654.46
Cash and cash equivalents, December 31	58,461.22	225,440.38	18,501.64	302,403.24
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (loss)	41,965.14	(24,113.22)	2,632.95	20,484.87
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	16,183.00	38,925.00		55,108.00
Net cash provided (used) by operating activities	58,148.14	14,811.78	2,632.95	75,592.87

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2021

	<u>Custodial Fund</u>
<u>Assets:</u>	
Cash and Investments	<u>643.28</u>
 <u>Net Position:</u>	
Restricted For:	
Organizations and Other Governments	<u>643.28</u>

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Custodial Fund
<u>Assets:</u>	
Cash and Investments	-
	<hr/> <hr/>
<u>Net Position:</u>	
Restricted For:	
Organizations and Other Governments	-
	<hr/> <hr/>

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Changes in Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2021

	<u>Custodial Fund</u>
<u>Additions:</u>	
State aid collections for other governments	<u>7,584.12</u>
<u>Deductions:</u>	
Payment of state aid collections to other governments	<u>6,940.84</u>
Change in Net Position	<u>643.28</u>
Net Position - January 1	<u>-</u>
Net Position - December 31	<u><u>643.28</u></u>

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	<u>Custodial Fund</u>
<u>Additions:</u>	
State aid collections for other governments	<u>6,347.65</u>
<u>Deductions:</u>	
Payment of state aid collections to other governments	<u>6,347.65</u>
Change in Net Position	<u>-</u>
Net Position - January 1	<u>-</u>
Net Position - December 31	<u><u>-</u></u>

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

CITY OF EDGELEY
Edgeley, North Dakota

Notes to the Financial Statements
December 31, 2021 and 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Edgeley operates under a city commission 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. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the city to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the city.

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

Discretely Presented Component Units:

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

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

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

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the city's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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 Fund. This fund accounts for the state highway distribution tax used for street repairs and maintenance.

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

2020 Street Project Fund: This fund accounts for the proceeds from the Sales Tax Revenue Bonds of 2020 used for a city street project.

The city reports the following major enterprise funds:

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

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

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

Additionally, the city reports the following type of fiduciary fund:

Custodial Fund: This fund accounts for assets held by the city in a custodial capacity as an agent on behalf of others. The city's custodial fund is used to accounts for various deposits of other governments.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings and Infrastructure	20 to 75 years
Machinery and Vehicles	5 to 10 years

F. 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.

G. 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.

H. 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.

I. 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 investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies 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, 2021 the city's carrying amount of deposits was \$747,197 and the bank balance was \$952,984. Of the bank balance, \$456,185 was covered by Federal Depository Insurance. The remaining balance of \$496,799 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2020 the city's carrying amount of deposits was \$845,001 and the bank balance was \$1,009,050. Of the bank balance, \$429,103 was covered by Federal Depository Insurance. The remaining balance of \$579,947 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

At December 31, 2021, the city held certificates of deposit in the amount of \$126,870, which are all considered deposits.

At December 31, 2020, the city held certificates of deposit in the amount of \$126,849, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on the 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 year ended December 31, 2021 and 2020 are as follows:

<u>Fund</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2021</u>		
General	3,947.77	
Fire Department		3,947.77
<u>December 31, 2020</u>		
General	3,947.77	
Fire Department		3,947.77

Note 5 CAPITAL ASSETS

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

<u>December 31, 2021</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,707,000	75,000		2,782,000
Machinery and Vehicles	200,489	44,500	33,000	211,989
Total	<u>2,907,489</u>	<u>119,500</u>	<u>33,000</u>	<u>2,993,989</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	563,440	114,240		677,680
Machinery and Vehicles	73,744	22,454	18,150	78,048
Total	<u>637,184</u>	<u>136,694</u>	<u>18,150</u>	<u>755,728</u>
Governmental Activities Capital Assets, Net	<u>2,270,305</u>	<u>(17,194)</u>	<u>14,850</u>	<u>2,238,261</u>

<u>December 31, 2020</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,308,000	1,399,000		2,707,000
Machinery and Vehicles	200,489			200,489
Total	1,508,489	1,399,000	-	2,907,489
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	522,900	40,540		563,440
Machinery and Vehicles	54,090	19,654		73,744
Total	576,990	60,194	-	637,184
Governmental Activities Capital Assets, Net	931,499	1,338,806	-	2,270,305
<u>December 31, 2021</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,310,000			2,310,000
Machinery and Vehicles		7,200		7,200
Total	2,310,000	7,200	-	2,317,200
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	927,842	55,108		982,950
Machinery and Vehicles		1,440		1,440
Total	927,842	56,548	-	984,390
Business-type Activities Capital Assets, Net	1,382,158	(49,348)	-	1,332,810
<u>December 31, 2020</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,310,000			2,310,000
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	872,734	55,108		927,842
Business-type Activities Capital Assets, Net	1,437,266	(55,108)	-	1,382,158
<u>December 31, 2021</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Discretely Presented Component Unit:				
<i>Capital assets not being depreciated:</i>				
Land	148,500			148,500

<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	3,185,050			3,185,050
Machinery and Vehicles	62,320	233,600	56,000	239,920
Total	<u>3,247,370</u>	<u>233,600</u>	<u>56,000</u>	<u>3,424,970</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,532,862	127,402		1,660,264
Machinery and Vehicles	54,192	11,996	50,400	15,788
Total	<u>1,587,054</u>	<u>139,398</u>	<u>50,400</u>	<u>1,676,052</u>
Total capital assets being depreciated, net	<u>1,660,316</u>	<u>94,202</u>	<u>5,600</u>	<u>1,748,918</u>
Discretely Presented Component Unit Capital Assets, net	<u>1,808,816</u>	<u>94,202</u>	<u>5,600</u>	<u>1,897,418</u>
December 31, 2020				
	Balance January 1	Increases	Decreases	Balance December 31
Discretely Presented Component Unit:				
<i>Capital assets not being depreciated:</i>				
Land	148,500			148,500
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	3,185,050			3,185,050
Machinery and Vehicles	62,320			62,320
Total	<u>3,247,370</u>	<u>-</u>	<u>-</u>	<u>3,247,370</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,405,460	127,402		1,532,862
Machinery and Vehicles	51,076	3,116		54,192
Total	<u>1,456,536</u>	<u>130,518</u>	<u>-</u>	<u>1,587,054</u>
Total capital assets being depreciated, net	<u>1,790,834</u>	<u>(130,518)</u>	<u>-</u>	<u>1,660,316</u>
Discretely Presented Component Unit Capital Assets, net	<u>1,939,334</u>	<u>(130,518)</u>	<u>-</u>	<u>1,808,816</u>

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

	<u>2021</u>	<u>2020</u>
Governmental Activities:		
General Government	2,533	2,533
Public Safety	1,600	1,600
Streets and Public Works	101,061	24,561
Culture and Recreation	31,500	31,500
Total	<u>136,694</u>	<u>60,194</u>
Business-type Activities:		
Water	16,183	16,183
Sewer	38,925	38,925
Garbage	1,440	
Total	<u>56,548</u>	<u>55,108</u>

Discretely Presented
Component Unit:

127,718

130,518

Note 6 LEASE PAYABLE

The city has entered into the following lease agreement.

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

87,416.54

This lease agreement qualifies as a 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, 2021;

<u>Year Ending December 31</u>	<u>Principal</u>
2022	13,000.00
2023	<u>79,852.22</u>
Total minimum lease payments	92,852.22
Less: amount representing interest	<u>(5,435.68)</u>
Present value of future minimum lease payments	<u>87,416.54</u>

Note 7 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2021 and 2020, the following changes occurred in liabilities reported in the long-term liabilities:

Governmental Activities:

	<u>2021</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Lease Payable	97,208		9,792	87,416	10,115
Loan Payable	94,846		24,393	70,453	24,638
Revenue Bonds Payable	1,447,350	75,748	93,146	1,429,952	91,896
Total	<u>1,639,404</u>	<u>75,748</u>	<u>127,331</u>	<u>1,587,821</u>	<u>126,649</u>
	<u>2020</u>			<u>Balance December 31</u>	<u>Due Within One Year</u>
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Lease Payable	106,688		9,480	97,208	9,792
Loan Payable	118,996		24,150	94,846	24,393
Revenue Bonds Payable	260,000	1,399,252	211,902	1,447,350	93,143
Total	<u>485,684</u>	<u>1,399,252</u>	<u>245,532</u>	<u>1,639,404</u>	<u>127,328</u>

Business-type Activities (Proprietary Funds):

	Balance January 1	Increases	2021		Balance December 31	Due Within One Year
			Decreases			
Special Assessment Bonds	205,000		20,000		185,000	20,000
Revenue Bonds Payable	136,800	-	9,600		127,200	9,900
Total	341,800	-	29,600		312,200	29,900

	Balance January 1	Increases	2020		Balance December 31	Due Within One Year
			Decreases			
Special Assessment Bonds	220,000		15,000		205,000	20,000
Revenue Bonds Payable	146,100		9,300		136,800	9,600
Total	366,100	-	24,300		341,800	29,600

Outstanding debt at December 31, 2021 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, 2021, is as follows:

Loan Payable. The city has taken out a loan to provide funds for the construction of a city shop. Loan Payable at December 31, 2021 is as follows:

\$240,000.00 loan payable with Dakota Valley Electric Cooperative. This loan is due in monthly installments of \$2,012.50 through October 10, 2024; payments include interest at 1%.

70,452.73

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	24,638.18	591.82
2023	24,885.70	344.30
2024	20,928.85	96.03
Total	70,452.73	1,032.15

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from sales tax collections to pay debt service. Revenue bonds outstanding at December 31, 2021 are as follows:

\$630,000.00 Sales Tax Revenue Bonds of 2011, due in annual installments of \$20,000.00 to \$45,000.00 through May 1, 2027; interest is at 3.5% to 4.75%.

60,000.00

\$1,475,000.00 Sales Tax Revenue Bonds of 2020, due in semi-annual installments of \$44,478.71 through November 1, 2039 and a final installment of \$44,479.01 on May 1, 2040; interest is at 2%.

1,369,951.81

Total

1,429,951.81

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	91,895.93	28,636.49
2023	93,110.28	26,372.14
2024	64,378.80	24,578.62
2025	65,672.81	23,284.61
2026	66,992.84	21,964.58
2027-2031	355,712.06	89,075.04
2032-2036	392,927.42	51,859.68
2037-2040	299,261.67	12,089.60
Total	<u>1,429,951.81</u>	<u>277,860.76</u>

Business-type Activities (Proprietary Funds):

Special Assessment Bond Debt. The city has special assessment bonds to provide funds for sewer main improvements. Special assessment bonds outstanding at December 31, 2021 are as follows:

\$342,766.00 Sewer Main Improvement Bonds of 2009, due in annual installments of \$15,000.00 to \$25,000.00 through September 1, 2030; interest is at 2.5%.

185,000.00

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>
2022	20,000.00	4,625.00
2023	20,000.00	4,125.00
2024	20,000.00	3,625.00
2025	20,000.00	3,125.00
2026	20,000.00	2,625.00
2027-2030	85,000.00	5,375.00
Total	<u>185,000.00</u>	<u>23,500.00</u>

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2021 are as follows:

\$313,000.00 Bank of North Dakota Loan, due in annual installments of \$9,300.00 to \$13,700.00 through December 7, 2032; interest is at 3%.	<u>127,200.00</u>
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The annual requirements to amortize the outstanding revenue bond debt are as follows:

Year Ending December 31	Principal	Interest
2022	9,900.00	3,816.00
2023	10,200.00	3,519.00
2024	10,500.00	3,213.00
2025	10,800.00	2,898.00
2026	11,200.00	2,574.00
2027-2031	60,900.00	7,641.00
2032	13,700.00	411.00
Total	<u>127,200.00</u>	<u>24,072.00</u>

Note 8 TRANSFERS

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

Fund	Transfers In	Transfers Out
<u>December 31, 2021</u>		
General	20,000.00	
Water		20,000.00
To subsidize expenditures.		
Highway	50,000.00	
City Sales Tax:		
Capital Improvements		50,000.00
Yearly transfers to subsidize expenditures.		
<u>December 31, 2020</u>		
General	20,000.00	
Water		20,000.00
To subsidize expenditures.		
Highway	90,000.00	
City Sales Tax:		
Capital Improvements		40,000.00
Streets		50,000.00
Yearly transfers to subsidize expenditures.		

Note 9 DEFICIT FUND BALANCES

The following fund had a deficit balance as of December 31:

	<u>2021</u>	<u>2020</u>
<u>Special Revenue Fund</u>		
Fire Department	(3,947.77)	(3,947.77)

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

Note 10 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 NDRIF for its general liability, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$798,000 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$429,750 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 11 PENSION PLAN

The city provides benefits for all of its full-time employees through a defined contribution plan with PFS Shareholder Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city contributes 3% of the employee's gross salary for the year. During the years ending December 31, 2021 and 2020, the city contributed \$3,711.94 and \$4,010.10, respectively.

Note 12 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, 2021 and 2020.

CITY OF EDGELEY
Edgeley, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	118,000.00	118,621.56	621.56
Licenses, Permits and Fees	3,930.00	1,670.00	(2,260.00)
Intergovernmental	31,200.00	53,671.79	22,471.79
Charges for Services	4,200.00		(4,200.00)
Miscellaneous	55,800.00	22,406.25	(33,393.75)
Total Revenues	213,130.00	196,369.60	(16,760.40)
<u>Expenditures:</u>			
Current:			
General Government	80,950.00	77,422.90	3,527.10
Streets and Public Works	61,900.00	110,358.12	(48,458.12)
Health and Welfare	3,000.00		3,000.00
Culture and Recreation		11,156.21	(11,156.21)
Other	26,432.57	20,000.00	6,432.57
Debt Service:			
Principal	34,185.26	34,185.26	-
Interest and Service Charges	4,624.17	4,068.74	555.43
Total Expenditures	211,092.00	257,191.23	(46,099.23)
Excess (Deficiency) of Revenue Over Expenditures	2,038.00	(60,821.63)	(62,859.63)
<u>Other Financing Sources</u>			
Transfers In		20,000.00	20,000.00
Net Change in Fund Balances	2,038.00	(40,821.63)	(42,859.63)
Fund Balance - January 1	164,833.27	164,833.27	
Fund Balance - December 31	166,871.27	124,011.64	(42,859.63)

CITY OF EDGELEY
Edgeley, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	118,000.00	119,571.86	1,571.86
Licenses, Permits and Fees	12,030.00	365.00	(11,665.00)
Intergovernmental	33,600.00	45,177.25	11,577.25
Charges for Services	300.00		(300.00)
Miscellaneous	63,300.00	26,713.03	(36,586.97)
Total Revenues	227,230.00	191,827.14	(35,402.86)
<u>Expenditures:</u>			
Current:			
General Government	108,538.00	84,212.81	24,325.19
Streets and Public Works	55,900.00	61,087.33	(5,187.33)
Health and Welfare	4,500.00		4,500.00
Culture and Recreation		16,617.05	(16,617.05)
Debt Service:			
Principal	33,629.83	33,629.83	-
Interest and Service Charges	4,624.17	4,624.17	-
Total Expenditures	207,192.00	200,171.19	7,020.81
Excess (Deficiency) of Revenue Over Expenditures	20,038.00	(8,344.05)	(28,382.05)
<u>Other Financing Sources</u>			
Transfers In	20,000.00	20,000.00	-
Net Change in Fund Balances	40,038.00	11,655.95	(28,382.05)
Fund Balance - January 1	153,177.32	153,177.32	
Fund Balance - December 31	193,215.32	164,833.27	(28,382.05)

CITY OF EDGELEY
Edgeley, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Fund
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	58,000.00	59,035.46	1,035.46
Charges for Services	1,000.00	12,381.51	11,381.51
Total Revenues	59,000.00	71,416.97	12,416.97
<u>Expenditures:</u>			
Current:			
Streets and Public Works	90,300.00	244,272.04	(153,972.04)
Excess (Deficiency) of Revenue Over Expenditures	(31,300.00)	(172,855.07)	(141,555.07)
<u>Other Financing Sources</u>			
Transfers In	31,500.00	50,000.00	18,500.00
Net Change in Fund Balance	200.00	(122,855.07)	(123,055.07)
Fund Balance - January 1	137,020.16	137,020.16	
Fund Balance - December 31	137,220.16	14,165.09	(123,055.07)

CITY OF EDGELEY
Edgeley, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	58,000.00	55,494.34	(2,505.66)
Charges for Services	24,400.00	11,728.98	(12,671.02)
Total Revenues	82,400.00	67,223.32	(15,176.68)
<u>Expenditures:</u>			
Current:			
Streets and Public Works	49,400.00	52,068.29	(2,668.29)
Excess (Deficiency) of Revenue Over Expenditures	33,000.00	15,155.03	(17,844.97)
<u>Other Financing Sources</u>			
Transfers In		90,000.00	90,000.00
Net Change in Fund Balance	33,000.00	105,155.03	72,155.03
Fund Balance - January 1	31,865.13	31,865.13	
Fund Balance - December 31	64,865.13	137,020.16	72,155.03

CITY OF EDGELEY
Edgeley, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
City Sales Tax Fund
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	244,000.00	290,950.42	46,950.42
<u>Expenditures:</u>			
Current:			
Streets and Public Works	40,000.00		40,000.00
Urban and Economic Development	21,000.00	44,341.90	(23,341.90)
Culture and Recreation	53,150.00	50,000.00	3,150.00
Debt Service:			
Principal	59,500.57	93,145.80	(33,645.23)
Interest and Service Charges	30,283.90	30,283.90	-
Total Expenditures	203,934.47	217,771.60	(13,837.13)
Excess (Deficiency) of Revenue Over Expenditures	40,065.53	73,178.82	33,113.29
<u>Other Financing (Uses):</u>			
Transfers Out		(50,000.00)	(50,000.00)
Net Change in Fund Balance	40,065.53	23,178.82	(16,886.71)
Fund Balance - January 1	211,266.86	211,266.86	
Fund Balance - December 31	251,332.39	234,445.68	(16,886.71)

CITY OF EDGELEY
Edgeley, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	252,000.00	281,486.32	29,486.32
<u>Expenditures:</u>			
Current:			
Streets and Public Works	90,000.00	5.00	89,995.00
Urban and Economic Development	20,000.00	147,797.20	(127,797.20)
Culture and Recreation	68,000.00	20,000.00	48,000.00
Debt Service:			
Principal		211,902.39	(211,902.39)
Interest and Service Charges		14,857.04	(14,857.04)
Total Expenditures	178,000.00	394,561.63	(216,561.63)
Excess (Deficiency) of Revenue Over Expenditures	74,000.00	(113,075.31)	(187,075.31)
<u>Other Financing (Uses):</u>			
Transfers Out		(90,000.00)	(90,000.00)
Net Change in Fund Balance	74,000.00	(203,075.31)	(277,075.31)
Fund Balance - January 1	414,342.17	414,342.17	
Fund Balance - December 31	488,342.17	211,266.86	(277,075.31)

CITY OF EDGELEY
Edgeley, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2021 and 2020

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board did not amend the budgets during the years ended December 31, 2021 and 2020.

Excess of Actual Expenditures over Budget

Expenditures exceeded budget in the following funds for the years ending December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
General Fund	46,099.23	-
<u>Special Revenue Funds</u>		
Highway	153,972.04	2,668.29
Sales Tax	13,387.13	216,561.53

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

CITY OF EDGELEY
Edgeley, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2021

	Balance 1-1-2021	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2021
Major Governmental Funds						
General Fund	164,833.27	196,369.60	20,000.00		257,191.23	124,011.64
Highway	137,020.16	71,416.97	50,000.00		244,272.04	14,165.09
City Sales Tax						
Capital Improvements	20,255.12	48,491.77		50,000.00		18,746.89
Streets	82,692.98	96,983.49			89,784.70	89,891.77
Parks and Recreation	16,773.34	24,245.84			20,000.00	21,019.18
Jobs Development	6,788.27	24,245.84			24,341.90	6,692.21
Pool Construction	84,757.15	96,983.48			83,645.00	98,095.63
2020 Street Improvement	-	75,747.96			75,747.96	-
Total Major Governmental Funds	513,120.29	558,736.99	70,000.00	50,000.00	719,234.87	372,622.41
Non-Major Governmental Funds						
American Rescue Plan Act		43,648.34				43,648.34
Fire Department	(3,947.77)					(3,947.77)
Restaurant and Lodging Tax	23,138.38	11,252.37			10,000.00	24,390.75
Armory	7,070.93	16,276.00			11,558.59	11,788.34
Clinic	3,216.15	12,560.23			9,728.57	6,047.81
Total Non-Major Governmental Funds	29,477.69	83,736.94	-	-	31,287.16	81,927.47
Total Governmental Funds	542,597.98	642,473.93	70,000.00	50,000.00	750,522.03	454,549.88
Major Enterprise Funds						
Water						
Operating	(29,507.28)	206,153.38		20,000.00	194,599.39	(37,953.29)
Water Emergency	30,650.39	6.07				30,656.46
Water Reserve	57,318.11	11.27				57,329.38
Sewer						
Operating	20,947.87	62,194.91			57,935.83	25,206.95
Sewer Special Assessments	204,492.51	25,759.13			27,751.41	202,500.23
Garbage	18,501.64	122,420.80			126,662.96	14,259.48
Total Major Enterprise Funds	302,403.24	416,545.56	-	20,000.00	406,949.59	291,999.21
Fiduciary Fund						
Custodial Fund						
Park		7,584.12			6,940.84	643.28
Total Primary Government	845,001.22	1,066,603.61	70,000.00	70,000.00	1,164,412.46	747,192.37
Discretely Presented Component Units						
Airport Authority	107,463.43	293,023.82			257,569.96	142,917.29
Library	156,142.01	10,057.30			16,159.38	150,039.93
Job Development Authority	290,065.24	84,551.88			7,996.29	366,620.83
Total Discretely Presented Component Units	553,670.68	387,633.00	-	-	281,725.63	659,578.05
Total Reporting Entity	1,398,671.90	1,454,236.61	70,000.00	70,000.00	1,446,138.09	1,406,770.42

CITY OF EDGELEY
Edgeley, North Dakota

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

	Balance 1-1-2020	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2020
Major Governmental Funds						
General Fund	153,177.32	191,827.14	20,000.00		200,171.19	164,833.27
Highway	31,865.13	67,223.32	90,000.00		52,068.29	137,020.16
<u>City Sales Tax</u>						
Capital Improvements	13,340.74	46,914.38		40,000.00		20,255.12
Streets	83,761.56	93,828.77		50,000.00	44,897.35	82,692.98
Parks and Recreation	13,316.14	23,457.20			20,000.00	16,773.34
Jobs Development	131,128.27	23,457.20			147,797.20	6,788.27
Pool Construction	172,795.46	93,828.77			181,867.08	84,757.15
2020 Street Improvement		1,399,252.04			1,399,252.04	-
Total Major Governmental Funds	599,384.62	540,536.78	110,000.00	90,000.00	646,801.11	513,120.29
Non-Major Governmental Funds						
Fire Department	(3,691.62)				256.15	(3,947.77)
Restaurant and Lodging Tax	17,901.28	11,372.10			6,135.00	23,138.38
Armory	4,474.39	14,251.00			11,654.46	7,070.93
Clinic	4,593.56	11,387.36			12,764.77	3,216.15
Total Non-Major Governmental Funds	23,277.61	37,010.46	-	-	30,810.38	29,477.69
Total Governmental Funds	622,662.23	577,547.24	110,000.00	90,000.00	677,611.49	542,597.98
Major Enterprise Funds						
<u>Water</u>						
Operating	(51,091.91)	198,504.13		20,000.00	156,919.50	(29,507.28)
Water Emergency	29,239.70	1,410.69				30,650.39
Water Reserve	54,698.37	2,619.74				57,318.11
<u>Sewer</u>						
Operating	6,065.75	60,149.57			45,267.45	20,947.87
Sewer Special Assessments	199,873.86	27,707.13			23,088.48	204,492.51
Garbage	15,868.69	119,400.79			116,767.84	18,501.64
Total Major Enterprise Funds	254,654.46	409,792.05	-	20,000.00	342,043.27	302,403.24
Fiduciary Fund						
<u>Custodial Fund</u>						
Park		6,347.65			6,347.65	-
Total Primary Government	877,316.69	993,686.94	110,000.00	110,000.00	1,026,002.41	845,001.22
Discretely Presented Component Units						
Airport Authority	89,322.18	135,261.06			117,119.81	107,463.43
Library	179,125.89	13,601.96			36,585.84	156,142.01
Job Development Authority	131,211.25	163,384.99			4,531.00	290,065.24
Total Discretely Presented Component Units	399,659.32	312,248.01	-	-	158,236.65	553,670.68
Total Reporting Entity	1,276,976.01	1,305,934.95	110,000.00	110,000.00	1,184,239.06	1,398,671.90

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Edgeley
Edgeley, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Edgeley, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated August 26, 2022.

Report on 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) as a basis for designing 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002, that we consider to be significant deficiencies.

Report on 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 financial statements. 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

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

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

August 26, 2022

CITY OF EDGELEY
Edgeley, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2021 and 2020

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor’s Report Issued:

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

Internal control over financial reporting:

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

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2021-001 – Segregation of Duties

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

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

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

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

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

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

2. 2021-002- 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 that 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 external distribution.

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