

# **AUDIT REPORT**

CITY OF ELGIN  
Elgin, North Dakota

For the Years Ended December 31, 2021 and 2020

**RATH & MEHRER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ELGIN  
Elgin, North Dakota

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CITY OF ELGIN  
Elgin, North Dakota

CITY OFFICIALS

Ronald Bartz	Mayor
Leslie Bartz	Council Member
Ron Fischer	Council Member
Niomi Keller	Council Member
Robert Mead	Council Member
Charles Oien	Council Member
Trisha Weishaar	Council Member
Reva Weekes	Auditor

# Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA  
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Bryce Fischer, CPA  
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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Elgin  
Elgin, 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, each major fund and the aggregate remaining fund information of the City of Elgin, 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, 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 audit. 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 audit.
- 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The budgeting comparison information and 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgeting comparison information and 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 July 15, 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

July 15, 2022

CITY OF ELGIN  
Elgin, North Dakota

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	437,895.10	496,836.33	934,731.43
Economic Development Loans Receivable	52,896.01		52,896.01
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	124,000.00	2,409,693.00	2,533,693.00
Machinery and Vehicles	279,219.00	17,298.00	296,517.00
Total Capital Assets	403,219.00	2,426,991.00	2,830,210.00
Total Assets	894,010.11	2,923,827.33	3,817,837.44
<b>LIABILITIES:</b>			
Long-Term Liabilities:			
Due Within One Year:			
Capital Lease Payable	10,774.64		10,774.64
Loans Payable	21,118.04	32,588.74	53,706.78
Revenue Bonds Payable		25,574.18	25,574.18
Due After One Year:			
Capital Lease Payable	97,096.81		97,096.81
Loans Payable	122,762.13	266,397.94	389,160.07
Revenue Bonds Payable		1,181,246.81	1,181,246.81
Total Liabilities	251,751.62	1,505,807.67	1,757,559.29
<b>NET POSITION:</b>			
Net Investment in Capital Assets	151,467.38	903,885.33	1,055,352.71
Restricted for:			
Special Purposes	324,294.10		324,294.10
Water and Sewer Construction		501.00	501.00
Unrestricted	166,497.01	513,633.33	680,130.34
Total Net Position	642,258.49	1,418,019.66	2,060,278.15

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

CITY OF ELGIN  
Elgin, North Dakota

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	314,716.94	494,623.26	809,340.20
Economic Development Loans Receivable	76,989.01		76,989.01
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	128,000.00	2,138,761.00	2,266,761.00
Machinery and Vehicles	111,078.00		111,078.00
Total Capital Assets	239,078.00	2,138,761.00	2,377,839.00
Total Assets	630,783.95	2,633,384.26	3,264,168.21
<b>LIABILITIES:</b>			
Long-Term Liabilities:			
Due Within One Year:			
Capital Lease Payable	10,461.83		10,461.83
Loans Payable		43,951.38	43,951.38
Revenue Bonds Payable		24,912.01	24,912.01
Due After One Year:			
Capital Lease Payable	107,871.45		107,871.45
Loans Payable		298,986.68	298,986.68
Revenue Bonds Payable		1,206,820.99	1,206,820.99
Total Liabilities	118,333.28	1,574,671.06	1,693,004.34
<b>NET POSITION:</b>			
Net Investment in Capital Assets	120,744.72	564,089.94	684,834.66
Restricted for:			
Special Purposes	226,314.44		226,314.44
Water and Sewer Construction		501.00	501.00
Unrestricted	165,391.51	494,122.26	659,513.77
Total Net Position	512,450.67	1,058,713.20	1,571,163.87

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



CITY OF ELGIN  
Elgin, North Dakota

Statement of Activities - Modified Cash Basis  
December 31, 2021

Functions/Programs	Net (Expense) Revenue and Change in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>						
<u>Governmental Activities:</u>						
General Government	84,556.51	4,522.00		(80,034.51)		(80,034.51)
Public Safety	57,844.08			(57,844.08)		(57,844.08)
Streets and Public Works	102,672.28	46,264.45	141,133.31	84,725.48		84,725.48
Urban and Economic Development	47,500.00		35,000.00	(12,500.00)		(12,500.00)
Culture and Recreation	34,625.19		629.24	(33,995.95)		(33,995.95)
Other	550.00			(550.00)		(550.00)
Interest on Long-Term Debt	6,208.26			(6,208.26)		(6,208.26)
<b>Total Governmental Activities</b>	<b>333,956.32</b>	<b>50,786.45</b>	<b>176,762.55</b>	<b>(106,407.32)</b>		<b>(106,407.32)</b>
<u>Business-Type Activities:</u>						
Water	257,606.63	243,364.87			(14,241.76)	(14,241.76)
Sewer	91,386.69	91,206.44	389,333.51		389,153.26	389,153.26
Garbage	111,239.75	101,163.76			(10,075.99)	(10,075.99)
<b>Total Business-Type Activities</b>	<b>460,233.07</b>	<b>435,735.07</b>	<b>389,333.51</b>		<b>364,835.51</b>	<b>364,835.51</b>
<b>Total Primary Government</b>	<b>794,189.39</b>	<b>486,521.52</b>	<b>566,096.06</b>	<b>(106,407.32)</b>	<b>364,835.51</b>	<b>258,428.19</b>
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				52,895.49		52,895.49
Property taxes; levied for special purposes				5,166.35		5,166.35
City sales taxes				65,319.75		65,319.75
Cigarette taxes				1,362.41		1,362.41
Telecommunication tax				2,448.75		2,448.75
Intergovernmental revenue not restricted to specific programs				50,005.82		50,005.82
Earnings on investments and other revenue				53,421.42	66.10	53,487.52
Transfers				5,595.15	(5,595.15)	-
<b>Total General Revenues and Transfers</b>				<b>236,215.14</b>	<b>(5,529.05)</b>	<b>230,686.09</b>
<b>Change in Net Position</b>				<b>129,807.82</b>	<b>359,306.46</b>	<b>489,114.28</b>
<b>Net Position - January 1</b>				<b>512,450.67</b>	<b>1,058,713.20</b>	<b>1,571,163.87</b>
<b>Net Position - December 31</b>				<b>642,258.49</b>	<b>1,418,019.66</b>	<b>2,060,278.15</b>

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

CITY OF ELGIN  
Elgin, North Dakota

Statement of Activities - Modified Cash Basis  
December 31, 2020

Functions/Programs	Net (Expense) Revenue and Change in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>						
<u>Governmental Activities:</u>						
General Government	81,185.72	3,789.00		(77,396.72)		(77,396.72)
Public Safety	56,644.08	200.00		(56,444.08)		(56,444.08)
Streets and Public Works	100,176.61	45,979.73	90,817.87	36,620.99		36,620.99
Urban and Economic Development	37,739.51			(37,739.51)		(37,739.51)
Culture and Recreation	35,162.46		1,894.27	(33,268.19)		(33,268.19)
Conservation of Natural Resources	596.73			(596.73)		(596.73)
Other	500.00			(500.00)		(500.00)
Interest on Long-Term Debt	3,841.89			(3,841.89)		(3,841.89)
<b>Total Governmental Activities</b>	<b>315,847.00</b>	<b>49,968.73</b>	<b>92,712.14</b>	<b>(173,166.13)</b>		<b>(173,166.13)</b>
<u>Business-Type Activities:</u>						
Water	241,766.01	244,425.25			2,659.24	2,659.24
Sewer	65,895.22	86,971.16	149,385.55		170,461.49	170,461.49
Garbage	76,701.06	100,709.53			24,008.47	24,008.47
<b>Total Business-Type Activities</b>	<b>384,362.29</b>	<b>432,105.94</b>	<b>149,385.55</b>		<b>197,129.20</b>	<b>197,129.20</b>
<b>Total Primary Government</b>	<b>700,209.29</b>	<b>482,074.67</b>	<b>242,097.69</b>	<b>(173,166.13)</b>	<b>197,129.20</b>	<b>23,963.07</b>
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				82,659.13		82,659.13
Property taxes; levied for special purposes				4,558.58		4,558.58
City sales taxes				62,075.77		62,075.77
Cigarette taxes				1,691.08		1,691.08
Telecommunication tax				2,448.75		2,448.75
Intergovernmental revenue not restricted to specific programs				44,342.17		44,342.17
Earnings on investments and other revenue				28,186.74	62.80	28,249.54
Transfers				(20,196.00)	20,196.00	-
<b>Total General Revenues and Transfers</b>				<b>205,766.22</b>	<b>20,258.80</b>	<b>226,025.02</b>
<b>Change in Net Position</b>				<b>32,600.09</b>	<b>217,388.00</b>	<b>249,988.09</b>
<b>Net Position - January 1</b>				<b>409,802.58</b>	<b>841,325.20</b>	<b>1,251,127.78</b>
<b>Prior Period Adjustment (Note 12)</b>				<b>70,048.00</b>		<b>70,048.00</b>
<b>Net Position - January 1, as restated</b>				<b>479,850.58</b>	<b>841,325.20</b>	<b>1,321,175.78</b>
<b>Net Position - December 31</b>				<b>512,450.67</b>	<b>1,058,713.20</b>	<b>1,571,163.87</b>

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

CITY OF ELGIN  
Elgin, North Dakota

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

	Major Fund:			Other Governmental Funds	Total Governmental Funds
	General	Highway Distribution	Sales Tax		
	<b>ASSETS:</b>				
Cash, Cash Equivalents and Investments	166,497.01	40,752.23	115,489.38	115,156.48	437,895.10
Economic Development Loans Receivable			52,896.01		52,896.01
<b>Total Assets</b>	<b>166,497.01</b>	<b>40,752.23</b>	<b>168,385.39</b>	<b>115,156.48</b>	<b>490,791.11</b>
<b>FUND BALANCES:</b>					
Nonspendable:					
Economic Development Loans			52,896.01		52,896.01
Restricted for:					
General Government				26,910.78	26,910.78
Street and Public Works		40,752.23		47,338.03	88,090.26
Urban and Economic Development			115,489.38		115,489.38
Culture and Recreation				18,584.86	18,584.86
Conservation of Natural Resources				2,349.30	2,349.30
Airport				10,298.83	10,298.83
Maintenance Equipment				9,674.68	9,674.68
Unassigned	166,497.01				166,497.01
<b>Total Fund Balances</b>	<b>166,497.01</b>	<b>40,752.23</b>	<b>168,385.39</b>	<b>115,156.48</b>	<b>490,791.11</b>

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

CITY OF ELGIN  
Elgin, North Dakota

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

	Major Fund:			Other Governmental Funds	Total Governmental Funds
	General	Highway Distribution	Sales Tax		
<b>ASSETS:</b>					
Cash, Cash Equivalents and Investments	165,391.51	47,107.15	63,480.37	38,737.91	314,716.94
Economic Development Loans Receivable			76,989.01		76,989.01
<b>Total Assets</b>	<b>165,391.51</b>	<b>47,107.15</b>	<b>140,469.38</b>	<b>38,737.91</b>	<b>391,705.95</b>
<b>FUND BALANCES:</b>					
Nonspendable:					
Economic Development Loans			76,989.01		76,989.01
Restricted for:					
General Government				4,093.80	4,093.80
Street and Public Works		47,107.15			47,107.15
Urban and Economic Development			63,480.37		63,480.37
Culture and Recreation				15,110.03	15,110.03
Conservation of Natural Resources				2,349.30	2,349.30
Airport				9,184.78	9,184.78
Maintenance Equipment				8,000.00	8,000.00
Unassigned	165,391.51				165,391.51
<b>Total Fund Balances</b>	<b>165,391.51</b>	<b>47,107.15</b>	<b>140,469.38</b>	<b>38,737.91</b>	<b>391,705.95</b>

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

CITY OF ELGIN  
Elgin, 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		490,791.11
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	690,876.00	
Less Accumulated Depreciation	<u>(287,657.00)</u>	
Net Capital Assets		403,219.00
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:		
Capital Lease Payable	(107,871.45)	
Loan Payable	<u>(143,880.17)</u>	
Total Long-Term Liabilities		<u>(251,751.62)</u>
Total Net Position of Governmental Activities		<u><u>642,258.49</u></u>

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

CITY OF ELGIN  
Elgin, 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		391,705.95
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	483,126.00	
Less Accumulated Depreciation	<u>(244,048.00)</u>	
Net Capital Assets		239,078.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2020 are:		
Capital Lease Payable		<u>(118,333.28)</u>
Total Net Position of Governmental Activities		<u><u>512,450.67</u></u>

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

CITY OF ELGIN  
Elgin, 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			
		Distribution	Sales Tax		
<u>Revenues:</u>					
Taxes	52,895.49		65,319.75	5,166.35	123,381.59
Licenses, Permits and Fees	4,522.00				4,522.00
Intergovernmental	88,038.20	65,899.38		76,641.95	230,579.53
Charges for Services	12,510.70	33,753.75			46,264.45
Miscellaneous	10,666.13		10,096.26	32,659.03	53,421.42
<b>Total Revenues</b>	<b>168,632.52</b>	<b>99,653.13</b>	<b>75,416.01</b>	<b>114,467.33</b>	<b>458,168.99</b>
<u>Expenditures:</u>					
Current:					
General Government	61,165.17			19,391.34	80,556.51
Public Safety	57,844.08				57,844.08
Streets and Public Works		63,063.28			63,063.28
Urban and Economic Development			47,500.00		47,500.00
Culture and Recreation	28,517.77			6,107.42	34,625.19
Other				550.00	550.00
Capital Outlay	207,750.00				207,750.00
Debt Service:					
Principal		24,331.66			24,331.66
Interest		6,208.26			6,208.26
<b>Total Expenditures</b>	<b>355,277.02</b>	<b>93,603.20</b>	<b>47,500.00</b>	<b>26,048.76</b>	<b>522,428.98</b>
Excess (Deficiency) of Revenue					
Over Expenditures	(186,644.50)	6,049.93	27,916.01	88,418.57	(64,259.99)
<u>Other Financing Sources (Uses):</u>					
Transfers In	30,000.00			8,000.00	38,000.00
Transfers Out		(12,404.85)		(20,000.00)	(32,404.85)
Proceeds from Bank Loan	157,750.00				157,750.00
<b>Total Other Financing Sources (Uses)</b>	<b>187,750.00</b>	<b>(12,404.85)</b>	<b>-</b>	<b>(12,000.00)</b>	<b>163,345.15</b>
<b>Net Change in Fund Balances</b>	<b>1,105.50</b>	<b>(6,354.92)</b>	<b>27,916.01</b>	<b>76,418.57</b>	<b>99,085.16</b>
Fund Balance - January 1	165,391.51	47,107.15	140,469.38	38,737.91	391,705.95
Fund Balance - December 31	166,497.01	40,752.23	168,385.39	115,156.48	490,791.11

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

CITY OF ELGIN  
Elgin, 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			
		Distribution	Sales Tax		
<u>Revenues:</u>					
Taxes	82,659.13		62,075.77	4,558.58	149,293.48
Licenses, Permits and Fees	3,789.00				3,789.00
Intergovernmental	71,419.59	67,880.28		1,894.27	141,194.14
Charges for Services	10,991.09	34,988.64			45,979.73
Fines and Forfeits	200.00				200.00
Miscellaneous	14,272.17	2,364.95	5,047.96	6,501.66	28,186.74
<b>Total Revenues</b>	<b>183,330.98</b>	<b>105,233.87</b>	<b>67,123.73</b>	<b>12,954.51</b>	<b>368,643.09</b>
<u>Expenditures:</u>					
Current:					
General Government	59,919.00			17,266.72	77,185.72
Public Safety	56,644.08				56,644.08
Streets and Public Works		81,342.61			81,342.61
Urban and Economic Development			37,739.51		37,739.51
Culture and Recreation	27,202.41			7,960.05	35,162.46
Conservation of Natural Resources				596.73	596.73
Other				500.00	500.00
Debt Service:					
Principal		10,158.11			10,158.11
Interest		3,841.89			3,841.89
<b>Total Expenditures</b>	<b>143,765.49</b>	<b>95,342.61</b>	<b>37,739.51</b>	<b>26,323.50</b>	<b>303,171.11</b>
Excess (Deficiency) of Revenue					
Over Expenditures	39,565.49	9,891.26	29,384.22	(13,368.99)	65,471.98
<u>Other Financing Sources (Uses):</u>					
Transfers In				8,000.00	8,000.00
Transfers Out		(28,196.00)			(28,196.00)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(28,196.00)</b>	<b>-</b>	<b>8,000.00</b>	<b>(20,196.00)</b>
<b>Net Change in Fund Balances</b>	<b>39,565.49</b>	<b>(18,304.74)</b>	<b>29,384.22</b>	<b>(5,368.99)</b>	<b>45,275.98</b>
Fund Balance - January 1	125,826.02	65,411.89	111,085.16	44,106.90	346,429.97
Fund Balance - December 31	165,391.51	47,107.15	140,469.38	38,737.91	391,705.95

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



CITY OF ELGIN  
Elgin, 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 99,085.16

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

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

Current Year Capital Outlay	207,750.00	
Current Year Depreciation Expense	<u>(43,609.00)</u>	164,141.00

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	(157,750.00)	
Repayment of Debt	<u>24,331.66</u>	<u>(133,418.34)</u>

Change in Net Position of Governmental Activities 129,807.82

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

CITY OF ELGIN  
Elgin, 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		45,275.98
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	-		
Current Year Depreciation Expense	<u>(22,834.00)</u>		(22,834.00)

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	-		
Repayment of Debt	<u>10,158.11</u>		<u>10,158.11</u>

Change in Net Position of Governmental Activities		<u>32,600.09</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ELGIN  
Elgin, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	269,513.01	79,106.81	148,216.51	496,836.33
<b>Noncurrent Assets:</b>				
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	991,971.00	1,417,722.00		2,409,693.00
Machinery and Vehicles		17,298.00		17,298.00
<b>Total Noncurrent Assets:</b>	991,971.00	1,435,020.00	-	2,426,991.00
<b>Total Assets</b>	1,261,484.01	1,514,126.81	148,216.51	2,923,827.33
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Loans Payable	32,588.74			32,588.74
Revenue Bonds Payable	6,760.01	18,814.17		25,574.18
<b>Total Current Liabilities</b>	39,348.75	18,814.17	-	58,162.92
<b>Noncurrent Liabilities:</b>				
Loans Payable	266,397.94			266,397.94
Revenue Bonds Payable	436,257.91	744,988.90		1,181,246.81
<b>Total Noncurrent Liabilities</b>	702,655.85	744,988.90	-	1,447,644.75
<b>Total Liabilities</b>	742,004.60	763,803.07	-	1,505,807.67
<b>NET POSITION</b>				
Net Investment in Capital Assets	249,966.40	653,918.93		903,885.33
Restricted for:				
Water and Sewer Construction	501.00			501.00
Unrestricted	269,012.01	96,404.81	148,216.51	513,633.33
<b>Total Net Position</b>	519,479.41	750,323.74	148,216.51	1,418,019.66

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

CITY OF ELGIN  
Elgin, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	253,259.74	63,324.42	178,039.10	494,623.26
<b>Noncurrent Assets:</b>				
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	1,045,414.00	1,093,347.00		2,138,761.00
<b>Total Assets</b>	1,298,673.74	1,156,671.42	178,039.10	2,633,384.26
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Loans Payable	43,951.38			43,951.38
Revenue Bonds Payable	6,579.08	18,332.93		24,912.01
<b>Total Current Liabilities</b>	50,530.46	18,332.93	-	68,863.39
<b>Noncurrent Liabilities:</b>				
Loans Payable	298,986.68			298,986.68
Revenue Bonds Payable	443,017.92	763,803.07		1,206,820.99
<b>Total Noncurrent Liabilities</b>	742,004.60	763,803.07	-	1,505,807.67
<b>Total Liabilities</b>	792,535.06	782,136.00	-	1,574,671.06
<b>NET POSITION</b>				
Net Investment in Capital Assets	252,878.94	311,211.00		564,089.94
Restricted for:				
Water and Sewer Construction	501.00			501.00
Unrestricted	252,758.74	63,324.42	178,039.10	494,122.26
<b>Total Net Position</b>	506,138.68	374,535.42	178,039.10	1,058,713.20

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

CITY OF ELGIN  
Elgin, 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	233,500.33			233,500.33
Sewer Charges		88,093.88		88,093.88
Garbage Collections			101,163.76	101,163.76
Penalty	9,864.54	3,112.56		12,977.10
<b>Total Operating Revenues</b>	<b>243,364.87</b>	<b>91,206.44</b>	<b>101,163.76</b>	<b>435,735.07</b>
<u>Operating Expenses:</u>				
Salaries and Benefits	37,948.91	11,349.18		49,298.09
Health Insurance	10,756.86			10,756.86
Maintenance and Repairs	12,878.68	10,594.24	30,000.00	53,472.92
Office Supplies	4,738.04			4,738.04
Equipment and Supplies	2,588.40			2,588.40
Utilities	5,959.79	2,212.79		8,172.58
Chemicals		8,407.68		8,407.68
Fuel	3,012.18	81.99		3,094.17
Water Service	89,395.05			89,395.05
Other Services	10,830.67			10,830.67
Sanitation Contract			59,340.12	59,340.12
Landfill Fees			21,899.63	21,899.63
Dues and Memberships	1,455.00			1,455.00
Water Testing	260.00	584.74		844.74
Miscellaneous	3,647.43			3,647.43
Depreciation	53,443.00	37,625.00		91,068.00
<b>Total Operating Expenses</b>	<b>236,914.01</b>	<b>70,855.62</b>	<b>111,239.75</b>	<b>419,009.38</b>
<b>Operating Income (Loss)</b>	<b>6,450.86</b>	<b>20,350.82</b>	<b>(10,075.99)</b>	<b>16,725.69</b>
<u>Non-Operating Revenues (Expenses):</u>				
USDA-RD Grants		389,333.51		389,333.51
Interest	65.04	1.06		66.10
Interest and Service Charges	(20,692.62)	(20,531.07)		(41,223.69)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(20,627.58)</b>	<b>368,803.50</b>	<b>-</b>	<b>348,175.92</b>
<b>Income (Loss) Before Transfers</b>	<b>(14,176.72)</b>	<b>389,154.32</b>	<b>(10,075.99)</b>	<b>364,901.61</b>
Transfers In	27,517.45			27,517.45
Transfers Out		(13,366.00)	(19,746.60)	(33,112.60)
<b>Changes in Net Position</b>	<b>13,340.73</b>	<b>375,788.32</b>	<b>(29,822.59)</b>	<b>359,306.46</b>
<b>Net Position - January 1</b>	<b>506,138.68</b>	<b>374,535.42</b>	<b>178,039.10</b>	<b>1,058,713.20</b>
<b>Net Position - December 31</b>	<b>519,479.41</b>	<b>750,323.74</b>	<b>148,216.51</b>	<b>1,418,019.66</b>

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

CITY OF ELGIN  
Elgin, 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	240,059.18			240,059.18
Sewer Charges		85,512.35		85,512.35
Garbage Collections			100,709.53	100,709.53
Penalty	4,366.07	1,458.81		5,824.88
<b>Total Operating Revenues</b>	<b>244,425.25</b>	<b>86,971.16</b>	<b>100,709.53</b>	<b>432,105.94</b>
<u>Operating Expenses:</u>				
Salaries and Benefits	36,083.38	12,352.36		48,435.74
Health Insurance	14,927.81	4,179.84		19,107.65
Maintenance and Repairs	6,505.38	969.55		7,474.93
Office Supplies	3,650.90			3,650.90
Equipment and Supplies	593.00	1,026.70		1,619.70
Utilities	4,669.76	1,347.51		6,017.27
Chemicals		121.00		121.00
Fuel	3,701.22			3,701.22
Water Service	86,886.46			86,886.46
Other Services	2,378.41			2,378.41
Sanitation Contract			56,043.44	56,043.44
Landfill Fees			20,657.62	20,657.62
Dues and Memberships	199.00	15.00		214.00
Water Testing	668.32			668.32
Miscellaneous	4,648.10	58.26		4,706.36
Depreciation	53,443.00	24,825.00		78,268.00
<b>Total Operating Expenses</b>	<b>218,354.74</b>	<b>44,895.22</b>	<b>76,701.06</b>	<b>339,951.02</b>
<b>Operating Income (Loss)</b>	<b>26,070.51</b>	<b>42,075.94</b>	<b>24,008.47</b>	<b>92,154.92</b>
<u>Non-Operating Revenues (Expenses):</u>				
USDA-RD Grants		149,385.55		149,385.55
Interest	62.74	0.06		62.80
Interest and Service Charges	(23,411.27)	(21,000.00)		(44,411.27)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(23,348.53)</b>	<b>128,385.61</b>	<b>-</b>	<b>105,037.08</b>
<b>Income (Loss) Before Transfers</b>	<b>2,721.98</b>	<b>170,461.55</b>	<b>24,008.47</b>	<b>197,192.00</b>
Transfers In	60,791.80			60,791.80
Transfers Out		(20,196.00)	(20,399.80)	(40,595.80)
<b>Changes in Net Position</b>	<b>63,513.78</b>	<b>150,265.55</b>	<b>3,608.67</b>	<b>217,388.00</b>
<b>Net Position - January 1</b>	<b>442,624.90</b>	<b>224,269.87</b>	<b>174,430.43</b>	<b>841,325.20</b>
<b>Net Position - December 31</b>	<b>506,138.68</b>	<b>374,535.42</b>	<b>178,039.10</b>	<b>1,058,713.20</b>

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

CITY OF ELGIN  
Elgin, 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	243,364.87	91,206.44	101,163.76	435,735.07
Payments to suppliers	(134,765.24)	(21,881.44)	(111,239.75)	(267,886.43)
Payments to employees	(48,705.77)	(11,349.18)		(60,054.95)
<b>Net cash provided (used) by operating activities</b>	<b>59,893.86</b>	<b>57,975.82</b>	<b>(10,075.99)</b>	<b>107,793.69</b>
<u>Cash flows from noncapital financing activities:</u>				
Transfers in	27,517.45			27,517.45
Transfers out		(13,366.00)	(19,746.60)	(33,112.60)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>27,517.45</b>	<b>(13,366.00)</b>	<b>(19,746.60)</b>	<b>(5,595.15)</b>
<u>Cash flows from capital and related financing activities:</u>				
USDA-RD grants		389,333.51		389,333.51
Sewer improvement project		(362,000.00)		(362,000.00)
Purchase of sewer jetter		(17,298.00)		(17,298.00)
Principal payments	(50,530.46)	(18,332.93)		(68,863.39)
Interest and service charges	(20,692.62)	(20,531.07)		(41,223.69)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(71,223.08)</b>	<b>(28,828.49)</b>	<b>-</b>	<b>(100,051.57)</b>
<u>Cash Flows from investing activities:</u>				
Interest income	65.04	1.06	-	66.10
<b>Net increase in cash and cash equivalents</b>	<b>16,253.27</b>	<b>15,782.39</b>	<b>(29,822.59)</b>	<b>2,213.07</b>
Cash and cash equivalents, January 1	253,259.74	63,324.42	178,039.10	494,623.26
<b>Cash and cash equivalents, December 31</b>	<b>269,513.01</b>	<b>79,106.81</b>	<b>148,216.51</b>	<b>496,836.33</b>
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (Loss)	6,450.86	20,350.82	(10,075.99)	16,725.69
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	53,443.00	37,625.00	-	91,068.00
<b>Net cash provided (used) by operating activities</b>	<b>59,893.86</b>	<b>57,975.82</b>	<b>(10,075.99)</b>	<b>107,793.69</b>

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

CITY OF ELGIN  
Elgin, 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	244,425.25	86,971.16	100,709.53	432,105.94
Payments to suppliers	(113,900.55)	(3,538.02)	(76,701.06)	(194,139.63)
Payments to employees	(51,011.19)	(16,532.20)		(67,543.39)
<b>Net cash provided (used) by operating activities</b>	<b>79,513.51</b>	<b>66,900.94</b>	<b>24,008.47</b>	<b>170,422.92</b>
<u>Cash flows from noncapital financing activities:</u>				
Transfers in	60,791.80			60,791.80
Transfers out		(20,196.00)	(20,399.80)	(40,595.80)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>60,791.80</b>	<b>(20,196.00)</b>	<b>(20,399.80)</b>	<b>20,196.00</b>
<u>Cash flows from capital and related financing activities:</u>				
USDA-RD grants		149,385.55		149,385.55
Sewer improvement project		(150,000.00)		(150,000.00)
Principal payments	(102,066.37)	(17,864.00)		(119,930.37)
Interest and service charges	(23,411.27)	(21,000.00)		(44,411.27)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(125,477.64)</b>	<b>(39,478.45)</b>	<b>-</b>	<b>(164,956.09)</b>
<u>Cash Flows from investing activities:</u>				
Interest income	62.74	0.06	-	62.80
<b>Net increase in cash and cash equivalents</b>	<b>14,890.41</b>	<b>7,226.55</b>	<b>3,608.67</b>	<b>25,725.63</b>
Cash and cash equivalents, January 1	238,369.33	56,097.87	174,430.43	468,897.63
<b>Cash and cash equivalents, December 31</b>	<b>253,259.74</b>	<b>63,324.42</b>	<b>178,039.10</b>	<b>494,623.26</b>
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (Loss)	26,070.51	42,075.94	24,008.47	92,154.92
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	53,443.00	24,825.00	-	78,268.00
<b>Net cash provided (used) by operating activities</b>	<b>79,513.51</b>	<b>66,900.94</b>	<b>24,008.47</b>	<b>170,422.92</b>

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



CITY OF ELGIN  
Elgin, North Dakota

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

	<u>Custodial Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>5,146.23</u>
 <u>Net Position:</u>	
Restricted For:	
Organizations and Other Governments	<u>5,146.23</u>

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

CITY OF ELGIN  
Elgin, North Dakota

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

	<u>Custodial Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>4,793.54</u>
<u>Net Position:</u>	
Restricted For:	
Organizations and Other Governments	<u>4,793.54</u>

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

CITY OF ELGIN  
Elgin, North Dakota

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

	<u>Custodial Funds</u>
<u>Additions:</u>	
State Aid collections for other governments	4,230.95
Reimbursement from Kidz Clubhouse	1,082.06
Pass-through grants/contributions	<u>7,500.00</u>
 Total Additions	 <u>12,813.01</u>
 <u>Deductions:</u>	
Payments of State Aid to other governments	3,878.26
Payments made for the purpose of public service	<u>8,582.06</u>
 Total Deductions	 <u>12,460.32</u>
 Change in Net Position	 <u>352.69</u>
 Net Position - January 1	 <u>4,793.54</u>
 Net Position - December 31	 <u><u>5,146.23</u></u>

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

CITY OF ELGIN  
Elgin, North Dakota

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

	<u>Custodial Funds</u>
<u>Additions:</u>	
State Aid collections for other governments	3,751.75
Reimbursement from Kidz Clubhouse	1,351.15
Pass-through grants/contributions	<u>7,500.00</u>
 Total Additions	 <u>12,602.90</u>
 <u>Deductions:</u>	
Payments of State Aid to other governments	3,751.75
Payments made for the purpose of public service	<u>8,851.15</u>
 Total Deductions	 <u>12,602.90</u>
 Change in Net Position	 <u>-</u>
 Net Position - January 1	 <u>4,793.54</u>
 Net Position - December 31	 <u><u>4,793.54</u></u>

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

CITY OF ELGIN  
Elgin, North Dakota

Notes to the Financial Statements  
December 31, 2021 and 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The accompanying financial statements present the activities of the city. The city has considered all potential component units for which the city is financially accountable and other organizations for which the nature and significance of their relationships with the city are such that exclusion would cause the city's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. 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, there are no component units to be included within the City of Elgin as a reporting entity.

B. Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

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

*Highway Distribution Fund.* This fund accounts for the accumulation of the highway distribution tax to be used for street repairs and maintenance. The city also accounts for utility charges for street lights and mosquito spraying as part of this fund.

*Sales Tax Fund.* This fund accounts for the city's sales tax collections, which are used for urban and economic development.

The city reports the following major enterprise funds:

*Water Fund.* This fund accounts for the activities of the city's water distribution system.

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

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

The city reports the following type of fiduciary fund:

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

### C. Measurement Focus and Basis of Accounting

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

#### Measurement Focus

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

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

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

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

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

D. Cash, 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	40 to 75 years
Machinery and Vehicles	7 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 \$939,878 and the bank balance was \$947,199. Of the bank balance, \$348,354 was covered by Federal Depository Insurance. The remaining balance of \$598,845 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 \$814,134 and the bank balance was \$848,619. Of the bank balance, \$337,996 was covered by Federal Depository Insurance. The remaining balance of \$510,623 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 \$20,965, which are all considered deposits.

At December 31, 2020, the city held certificates of deposit in the amount of \$20,965, 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** ECONOMIC DEVELOPMENT LOANS RECEIVABLE

Economic development loans receivable consist of loans of city sales tax funds to local businesses for urban and economic development. At December 31, 2021 and 2020 the following loans were outstanding:

	<u>2021</u>	<u>2020</u>
R Family Market, LLC	11,996.01	11,996.01
Our Place Cafe Lanes and Lounge	12,000.00	16,000.00
Rustic Restorations	-	8,493.00
Sheep Creek Play Daycare	9,200.00	11,400.00
Al's Body Shop	4,500.00	17,600.00
Sippin Chicken	15,200.00	11,500.00
Total	<u>52,896.01</u>	<u>76,989.01</u>

Note 5 CAPITAL ASSETS

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

December 31, 2021

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	300,000			300,000
Machinery and Vehicles	183,126	207,750		390,876
<b>Total</b>	<b>483,126</b>	<b>207,750</b>	<b>-</b>	<b>690,876</b>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	172,000	4,000		176,000
Machinery and Vehicles	72,048	39,609	-	111,657
<b>Total</b>	<b>244,048</b>	<b>43,609</b>	<b>-</b>	<b>287,657</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>239,078</b>	<b>164,141</b>	<b>-</b>	<b>403,219</b>

December 31, 2020

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	300,000			300,000
Machinery and Vehicles	183,126			183,126
<b>Total</b>	<b>483,126</b>	<b>-</b>	<b>-</b>	<b>483,126</b>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	168,000	4,000		172,000
Machinery and Vehicles	53,214	18,834		72,048
<b>Total</b>	<b>221,214</b>	<b>22,834</b>	<b>-</b>	<b>244,048</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>261,912</b>	<b>(22,834)</b>	<b>-</b>	<b>239,078</b>

December 31, 2021

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	3,281,124	362,000		3,643,124
Machinery and Vehicles		17,298		17,298
<b>Total</b>	<b>3,281,124</b>	<b>379,298</b>	<b>-</b>	<b>3,660,422</b>

<i>Less accumulated depreciation for:</i>			
Buildings and Infrastructure	1,142,363	91,068	1,233,431
Machinery and Vehicles			
<b>Total</b>	<u>1,142,363</u>	<u>91,068</u>	<u>1,233,431</u>
Business-type Activities			
Capital Assets, Net	<u>2,138,761</u>	<u>288,230</u>	<u>2,426,991</u>

December 31, 2020

	Balance January 1	Increases	Decreases	Balance December 31
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Construction in Progress	<u>512,392</u>		<u>512,392</u>	-
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	<u>2,618,732</u>	<u>662,392</u>		<u>3,281,124</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	<u>1,064,095</u>	<u>78,268</u>		<u>1,142,363</u>
Total capital assets being depreciated, net	<u>1,554,637</u>	<u>584,124</u>	-	<u>2,138,761</u>
Business-type Activities Capital Assets, Net	<u>2,067,029</u>	<u>584,124</u>	<u>512,392</u>	<u>2,138,761</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>
<u>Governmental Activities:</u>		
General Government	4,000	4,000
Street and Public Works	<u>39,609</u>	<u>18,834</u>
Total Depreciation Expense	<u>43,609</u>	<u>22,834</u>
<u>Business-type Activities:</u>		
Water	53,443	53,443
Sewer	<u>37,625</u>	<u>24,825</u>
Total Depreciation Expense	<u>91,068</u>	<u>78,268</u>

Note 6 CAPITAL LEASE PAYABLE

The city has entered into the following lease agreement.

\$146,676 lease-purchase of a Caterpillar 926M Wheel Loader, due in annual installments of \$14,000 through April 18, 2022, and a final payment of \$100,000 due April 18, 2023; payments include interest at 2.99%.

107,871.45

This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under this capital lease, and the net present value of the minimum lease payments at December 31, 2021:

<u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	10,774.64	3,225.36
2023	<u>97,096.81</u>	<u>2,903.19</u>
Total	<u>107,871.45</u>	<u>6,128.55</u>

Note 7 LONG-TERM DEBT

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

Governmental Activities:

	<u>Balance January 1</u>	<u>2021</u>		<u>Balance December 31</u>	<u>Due Within One Year</u>
		<u>Increases</u>	<u>Decreases</u>		
Capital Lease	118,333		10,462	107,871	10,775
Bank Loan Payable		<u>157,750</u>	<u>13,870</u>	<u>143,880</u>	<u>21,118</u>
Total	<u>118,333</u>	<u>157,750</u>	<u>24,332</u>	<u>251,751</u>	<u>31,893</u>

Governmental Activities:

	<u>Balance January 1</u>	<u>2021</u>		<u>Balance December 31</u>	<u>Due Within One Year</u>
		<u>Increases</u>	<u>Decreases</u>		
Capital Lease	118,333		10,462	107,871	10,775
Bank Loan Payable		<u>157,750</u>	<u>13,870</u>	<u>143,880</u>	<u>21,118</u>
Total	<u>118,333</u>	<u>157,750</u>	<u>24,332</u>	<u>251,751</u>	<u>31,893</u>

	<u>Balance January 1</u>	<u>2020</u>		<u>Balance December 31</u>	<u>Due Within One Year</u>
		<u>Increases</u>	<u>Decreases</u>		
Capital Lease	<u>128,491</u>		<u>10,158</u>	<u>118,333</u>	<u>10,462</u>

Business-type Activities (Proprietary Funds):

	<u>Balance January 1</u>	<u>2021</u>		<u>Balance December 31</u>	<u>Due Within One Year</u>
		<u>Increases</u>	<u>Decreases</u>		
Loans Payable	342,938		43,951	298,987	32,589
Revenue Bonds	<u>1,231,733</u>		<u>24,912</u>	<u>1,206,821</u>	<u>25,574</u>
Total	<u>1,574,671</u>	<u>-</u>	<u>68,863</u>	<u>1,505,808</u>	<u>58,163</u>

	Balance January 1	2020		Balance December 31	Due Within One Year
		Increases	Decreases		
Loans Payable	438,601		95,663	342,938	43,951
Revenue Bonds	1,256,000		24,267	1,231,733	24,912
Total	1,694,601	-	119,930	1,574,671	68,863

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 a street sweeper. Loan payable outstanding at December 31, 2021 is as follows:

\$157,750 Loan Payable with First International Bank and Trust dated April 28, 2021. This loan is due in monthly installments of \$2,067.49 through April 15, 2028; interest is at 2.75%.

143,880.17

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

Year Ending December 31	Principal	Interest
2022	21,118.04	3,691.84
2023	21,706.16	3,103.72
2024	22,310.65	2,499.23
2025	22,932.00	1,877.88
2026	23,570.62	1,239.26
2027 - 2028	32,242.70	628.08
Total	<u>143,880.17</u>	<u>13,040.01</u>

Business-type 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:

Loans payable. The city has taken out loans to provide funds for water improvement projects. Loans payable outstanding at December 31, 2021 are as follows:

\$400,000 Loan Payable with the Bank of North Dakota dated June 25, 1990. This loan is due in annual installments of \$11,800.00 to \$17,224.72 through June 30, 2030; interest is at 3%.

136,318.76

\$251,600 Loan Payable with the First International Bank and Trust dated June 23, 2016. This loan is due in annual installments of \$17,579.99 to \$21,579.99 through June 30, 2030; interest is at 3.95%.

162,667.92

Total Loans Payable

298,986.68

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	32,588.74	9,715.71
2023	33,136.29	8,778.27
2024	33,918.18	7,586.95
2025	34,807.61	6,366.89
2026	35,704.74	5,564.79
2027 - 2030	<u>128,831.12</u>	<u>8,217.90</u>
Total	<u>298,986.68</u>	<u>46,230.51</u>

Revenue bonds payable. 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:

\$456,000 Revenue Bonds, Series 2019A, due in annual installments of \$18,943.00 through September 17, 2059; interest is at 2.75%.

443,017.92

\$800,000 Revenue Bonds, Series 2019B, due in annual installments of \$38,864 through September 17, 2049; interest is at 2.625%.

763,803.07

Total Revenue Bonds Payable

1,206,820.99

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	25,574.18	32,232.82
2023	26,253.95	31,553.05
2024	26,951.80	30,855.20
2025	27,668.21	30,138.79
2026	28,403.66	29,403.34
2027 - 2031	153,753.18	135,281.82
2032 - 2036	175,305.16	113,729.84
2037 - 2041	199,879.54	89,155.46
2042 - 2046	227,900.46	61,134.54
2047 - 2051	181,008.83	30,208.46
2052 - 2056	80,585.21	14,129.79
2057 - 2059	<u>53,536.81</u>	<u>2,962.24</u>
Total	<u>1,206,820.99</u>	<u>600,785.35</u>

Note 8 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2021</u>		
Reserve for Maintenance Equipment	8,000.00	
Highway Distribution		8,000.00
To set-aside funds for the purchase of equipment.		
Water Operating	19,746.60	
Garbage		19,746.60
To subsidize expenditures.		
Water Operating	7,770.85	
Highway Distribution		4,404.85
Sewer Operating		3,366.00
To subsidize expenditures.		
General	30,000.00	
Reserve for Maintenance Equipment		20,000.00
Sewer Operating		10,000.00
To subsidize capital purchases.		
<u>December 31, 2020</u>		
Reserve for Maintenance Equipment	8,000.00	
Highway Distribution		8,000.00
To set-aside funds for the purchase of equipment.		
Water Operating	20,399.80	
Garbage		20,399.80
To subsidize expenditures.		
Water Operating	40,392.00	
Highway Distribution		20,196.00
Sewer Operating		20,196.00
To subsidize debt service payments.		

Note 9 RISK MANAGEMENT

The City of Elgin 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 \$449,439 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 \$226,759 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 10 PENSION PLAN

##### North Dakota Public Employees Retirement System (Main System)

The city provides benefits for all of its full-time employees through the North Dakota Public Employees Retirement System (NDPERS).

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

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

##### **Pension Benefits**

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55 – 64 with three or more years of service.

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

##### **Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly

payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. During the year ended December 31, 2021 and 2020, the city contributed \$5,269.72 and \$4,633.48, respectively.

**Note 11 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.

**Note 12 PRIOR PERIOD ADJUSTMENTS**

A prior adjustment was made to eliminate accruals for GASB No. 68 and restate the financial statements to the pure modified cash basis of accounting.

	<u>Governmental Activities</u>
Net Position as previously reported	409,802.58
Adjustments to restate the January 1, 2020 balance:	
Deferred Outflows of Resources - Related to Pensions	(52,241.00)
Net Pension Liability	104,176.00
Deferred Inflows of Resources - Related to Pensions	<u>18,113.00</u>
Net Position, January 1, 2020 as restated	<u><u>479,850.58</u></u>

CITY OF ELGIN  
Elgin, 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	88,679.60	52,895.49	(35,784.11)
Licenses, Permits and Fees	4,400.00	4,522.00	122.00
Intergovernmental	50,100.00	88,038.20	37,938.20
Charges for Services	5,550.00	12,510.70	6,960.70
Miscellaneous	22,950.00	10,666.13	(12,283.87)
<b>Total Revenues</b>	<b>171,679.60</b>	<b>168,632.52</b>	<b>(3,047.08)</b>
<u>Expenditures:</u>			
Current:			
General Government	59,350.00	61,165.17	(1,815.17)
Public Safety	57,844.00	57,844.08	(0.08)
Streets and Public Works	2,000.00		2,000.00
Culture and Recreation	40,550.00	28,517.77	12,032.23
Capital Outlay		207,750.00	(207,750.00)
<b>Total Expenditures</b>	<b>159,744.00</b>	<b>355,277.02</b>	<b>(195,533.02)</b>
Excess (Deficiency) of Revenue Over Expenditures	11,935.60	(186,644.50)	(198,580.10)
<u>Other Financing Sources:</u>			
Transfers In		30,000.00	30,000.00
Proceeds from Bank Loan		157,750.00	157,750.00
<b>Total Other Financing Sources:</b>	<b>-</b>	<b>187,750.00</b>	<b>187,750.00</b>
<b>Net Change in Fund Balances</b>	<b>11,935.60</b>	<b>1,105.50</b>	<b>(10,830.10)</b>
Fund Balance - January 1	165,391.51	165,391.51	
<b>Fund Balance - December 31</b>	<b>177,327.11</b>	<b>166,497.01</b>	<b>(10,830.10)</b>

CITY OF ELGIN  
Elgin, 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	79,842.11	82,659.13	2,817.02
Licenses, Permits and Fees	4,400.00	3,789.00	(611.00)
Intergovernmental	47,100.00	71,419.59	24,319.59
Charges for Services	3,800.00	10,991.09	7,191.09
Fines and Forfeits	100.00	200.00	100.00
Miscellaneous	9,750.00	14,272.17	4,522.17
<b>Total Revenues</b>	<b>144,992.11</b>	<b>183,330.98</b>	<b>38,338.87</b>
<u>Expenditures:</u>			
Current:			
General Government	56,036.06	59,919.00	(3,882.94)
Public Safety	56,644.00	56,644.08	(0.08)
Streets and Public Works	2,000.00		2,000.00
Culture and Recreation	54,000.00	27,202.41	26,797.59
<b>Total Expenditures</b>	<b>168,680.06</b>	<b>143,765.49</b>	<b>24,914.57</b>
<b>Net Change in Fund Balances</b>	<b>(23,687.95)</b>	<b>39,565.49</b>	<b>63,253.44</b>
<b>Fund Balance - January 1</b>	<b>125,826.02</b>	<b>125,826.02</b>	
<b>Fund Balance - December 31</b>	<b>102,138.07</b>	<b>165,391.51</b>	<b>63,253.44</b>

CITY OF ELGIN  
Elgin, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	72,000.00	65,899.38	(6,100.62)
Charges for Services	37,000.00	33,753.75	(3,246.25)
<b>Total Revenues</b>	<b>109,000.00</b>	<b>99,653.13</b>	<b>(9,346.87)</b>
<u>Expenditures:</u>			
Current:			
Streets and Public Works	33,763.08	63,063.28	(29,300.20)
Capital Outlay	29,800.00		29,800.00
Debt Service:			
Principal	24,331.66	24,331.66	-
Interest	6,208.26	6,208.26	-
<b>Total Expenditures</b>	<b>94,103.00</b>	<b>93,603.20</b>	<b>499.80</b>
Excess (Deficiency) of Revenue Over Expenditures	14,897.00	6,049.93	(8,847.07)
<u>Other Financing (Uses):</u>			
Transfers Out		(12,404.85)	(12,404.85)
<b>Net Change in Fund Balances</b>	<b>14,897.00</b>	<b>(6,354.92)</b>	<b>(21,251.92)</b>
Fund Balance - January 1	47,107.15	47,107.15	
<b>Fund Balance - December 31</b>	<b>62,004.15</b>	<b>40,752.23</b>	<b>(21,251.92)</b>

CITY OF ELGIN  
Elgin, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	75,000.00	67,880.28	(7,119.72)
Charges for Services	37,900.00	34,988.64	(2,911.36)
Miscellaneous		2,364.95	2,364.95
<b>Total Revenues</b>	<b>112,900.00</b>	<b>105,233.87</b>	<b>(7,666.13)</b>
<u>Expenditures:</u>			
Current:			
Streets and Public Works	68,109.76	81,342.61	(13,232.85)
Debt Service:			
Principal	10,158.11	10,158.11	-
Interest	3,841.89	3,841.89	-
<b>Total Expenditures</b>	<b>82,109.76</b>	<b>95,342.61</b>	<b>(13,232.85)</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>30,790.24</b>	<b>9,891.26</b>	<b>(20,898.98)</b>
<u>Other Financing (Uses):</u>			
Transfers Out		(28,196.00)	(28,196.00)
<b>Net Change in Fund Balances</b>	<b>30,790.24</b>	<b>(18,304.74)</b>	<b>(49,094.98)</b>
<b>Fund Balance - January 1</b>	<b>65,411.89</b>	<b>65,411.89</b>	
<b>Fund Balance - December 31</b>	<b>96,202.13</b>	<b>47,107.15</b>	<b>(49,094.98)</b>

CITY OF ELGIN  
Elgin, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	48,000.00	65,319.75	17,319.75
Miscellaneous	2,210.00	10,096.26	7,886.26
Total Revenues	50,210.00	75,416.01	25,206.01
<u>Expenditures:</u>			
Current:			
Streets and Public Works	55,000.00	47,500.00	7,500.00
Net Change in Fund Balances	(4,790.00)	27,916.01	32,706.01
Fund Balance - January 1	140,469.38	140,469.38	
Fund Balance - December 31	135,679.38	168,385.39	32,706.01

CITY OF ELGIN  
Elgin, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	48,000.00	62,075.77	14,075.77
Miscellaneous	2,210.00	5,047.96	2,837.96
<b>Total Revenues</b>	<b>50,210.00</b>	<b>67,123.73</b>	<b>16,913.73</b>
<u>Expenditures:</u>			
Current:			
Urban and Economic Development	55,000.00	37,739.51	17,260.49
<b>Net Change in Fund Balances</b>	<b>(4,790.00)</b>	<b>29,384.22</b>	<b>34,174.22</b>
Fund Balance - January 1	111,085.16	111,085.16	
Fund Balance - December 31	106,295.16	140,469.38	34,174.22



CITY OF ELGIN  
Elgin, 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 city's budgets during the years ended December 31, 2021 and 2020.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following fund for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
General Fund	195,533.02	
<u>Special Revenue Fund</u>		
Highway Distribution		13,232.85

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

CITY OF ELGIN  
Elgin, North Dakota

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

	Balance 01-01-2021	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2021
<b>Major Governmental Funds</b>						
General Fund	165,391.51	326,382.52	30,000.00		355,277.02	166,497.01
Highway Distribution	47,107.15	99,653.13		12,404.85	93,603.20	40,752.23
Sales Tax	63,480.37	99,509.01			47,500.00	115,489.38
<b>Total Major Governmental Funds</b>	<b>275,979.03</b>	<b>525,544.66</b>	<b>30,000.00</b>	<b>12,404.85</b>	<b>496,380.22</b>	<b>322,738.62</b>
<b>Non-major Governmental Funds</b>						
Airport	9,184.78	1,664.05			550.00	10,298.83
Community Center	4,093.80	42,208.32			19,391.34	26,910.78
Library	15,110.03	9,582.25			6,107.42	18,584.86
Forestry	2,349.30					2,349.30
American Rescue Plan		47,338.03				47,338.03
Reserve for Maintenance Equipment	8,000.00	13,674.68	8,000.00	20,000.00		9,674.68
<b>Total Nonmajor Governmental Funds</b>	<b>38,737.91</b>	<b>114,467.33</b>	<b>8,000.00</b>	<b>20,000.00</b>	<b>26,048.76</b>	<b>115,156.48</b>
<b>Total Governmental Funds</b>	<b>314,716.94</b>	<b>640,011.99</b>	<b>38,000.00</b>	<b>32,404.85</b>	<b>522,428.98</b>	<b>437,895.10</b>
<b>Major Enterprise Funds</b>						
Water:						
Operating	187,313.81	235,934.12	27,517.45		254,694.09	196,071.29
Water Main Reserve	62,474.06	31.25				62,505.31
Water System Upkeep	1,371.73					1,371.73
USDA Water Project	501.00	7,464.54				7,965.54
USDA Water Reserve	1,599.14					1,599.14
Sewer:						
Operating	62,657.61	88,094.94		13,366.00	62,059.11	75,327.44
USDA Sewer Project		389,333.51			389,333.51	-
USDA Sewer Reserve	666.81	3,112.56				3,779.37
Garbage	178,039.10	101,163.76		19,746.60	111,239.75	148,216.51
<b>Total Major Enterprise Funds</b>	<b>494,623.26</b>	<b>825,134.68</b>	<b>27,517.45</b>	<b>33,112.60</b>	<b>817,326.46</b>	<b>496,836.33</b>
<b>Fiduciary Fund</b>						
<b>Custodial Funds</b>						
JDA	4,793.54	8,582.06			8,582.06	4,793.54
Park Board		4,230.95			3,878.26	352.69
<b>Total Custodial Funds</b>	<b>4,793.54</b>	<b>12,813.01</b>	<b>-</b>	<b>-</b>	<b>12,460.32</b>	<b>5,146.23</b>
<b>Total Funds</b>	<b>814,133.74</b>	<b>1,477,959.68</b>	<b>65,517.45</b>	<b>65,517.45</b>	<b>1,352,215.76</b>	<b>939,877.66</b>

CITY OF ELGIN  
Elgin, North Dakota

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

	Balance 01-01-2020	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2020
<u>Major Governmental Funds</u>						
General Fund	125,826.02	183,330.98			143,765.49	165,391.51
Highway Distribution	65,411.89	105,233.87		28,196.00	95,342.61	47,107.15
Sales Tax	36,759.15	79,460.73			52,739.51	63,480.37
<b>Total Major Governmental Funds</b>	<b>227,997.06</b>	<b>368,025.58</b>	<b>-</b>	<b>28,196.00</b>	<b>291,847.61</b>	<b>275,979.03</b>
<u>Non-major Governmental Funds</u>						
Airport	8,464.64	1,220.14			500.00	9,184.78
Community Center	18,310.66	3,049.86			17,266.72	4,093.80
Library	15,835.57	7,234.51			7,960.05	15,110.03
Forestry	1,496.03	1,450.00			596.73	2,349.30
Reserve for Maintenance Equipment			8,000.00			8,000.00
<b>Total Nonmajor Governmental Funds</b>	<b>44,106.90</b>	<b>12,954.51</b>	<b>8,000.00</b>	<b>-</b>	<b>26,323.50</b>	<b>38,737.91</b>
<b>Total Governmental Funds</b>	<b>272,103.96</b>	<b>380,980.09</b>	<b>8,000.00</b>	<b>28,196.00</b>	<b>318,171.11</b>	<b>314,716.94</b>
<u>Major Enterprise Funds</u>						
Water:						
Operating	174,053.84	242,857.55	60,791.80		290,389.38	187,313.81
Water Main Reserve	62,442.76	31.30				62,474.06
Water System Upkeep	1,371.73					1,371.73
USDA Water Project	501.00	1,599.14				2,100.14
USDA Water Reserve						-
Sewer:						
Operating	55,305.87	86,304.41		20,196.00	58,756.67	62,657.61
USDA Sewer Project	792.00	149,385.55			150,177.55	-
USDA Sewer Reserve		666.81				666.81
Garbage	174,430.43	100,709.53		20,399.80	76,701.06	178,039.10
<b>Total Major Enterprise Funds</b>	<b>468,897.63</b>	<b>581,554.29</b>	<b>60,791.80</b>	<b>40,595.80</b>	<b>576,024.66</b>	<b>494,623.26</b>
<u>Fiduciary Fund</u>						
<u>Custodial Funds</u>						
JDA	4,793.54	8,851.15			8,851.15	4,793.54
Park Board		3,751.75			3,751.75	-
<b>Total Custodial Funds</b>	<b>4,793.54</b>	<b>12,602.90</b>	<b>-</b>	<b>-</b>	<b>12,602.90</b>	<b>4,793.54</b>
<b>Total Funds</b>	<b>745,795.13</b>	<b>975,137.28</b>	<b>68,791.80</b>	<b>68,791.80</b>	<b>906,798.67</b>	<b>814,133.74</b>

# Rath & Mehrer, P.C.

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

### INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Elgin  
Elgin, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Elgin, as of and for the year 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 July 15, 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 audit 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### City's Response to Findings

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

### Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

July 15, 2022

CITY OF ELGIN  
Elgin, 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
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  No
- Significant deficiency(ies) identified?  Yes  None Reported
- Noncompliance material to financial Statements noted?  Yes  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.