

CITY OF ELLENDALE
ELLENDALE, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

CITY OF ELLENDALE
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CITY OF ELLENDALE
LIST OF OFFICIALS
DECEMBER 31, 2021

CITY COUNCIL

Office

Matt Thorpe

Mayor

Richard Waldholm

Commissioners

Don Flaherty

Thomas Denison

Dawn Bauer

Bruce Crabtree

Justin Meidinger

EMPLOYEES:

Candace Middlestead

Auditor/Administrator

Harold J. Rotunda
Certified Public Accountant
INDEPENDENT AUDITOR'S REPORT

To the Governing Board
City of Ellendale
Ellendale, North Dakota

Opinion

I have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, discretely presented component unit, and each major fund of the City of Ellendale, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Ellendale's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, discretely presented component unit and each major fund of the City of Ellendale as of December 31, 2021, and the respective changes in modified cash basis financial position and the cash flows, where applicable, for the year then ended, in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinions

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

Emphasis of Matter-Basis of Accounting

I 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. My opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

My 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 my 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 generally accepted auditing standards 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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 generally accepted auditing standards and Government Auditing Standards, I:

- 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 audit 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 City of Ellendale'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 in the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Ellendale's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated September 30, 2023, on my considerations of the City's internal control over financial reporting and on my 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 my 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.

Fargo, North Dakota
September 30, 2023

CITY OF ELLENDALE
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2021

	Governmental Activities	Business-type Activities	Total	Component Units Housing Authority
ASSETS				
Current assets:				
Cash and investments	2,121,055.28	1,411,556.10	3,532,611.38	61,012.76
Non-current assets:				
Capital assets (net of accumulated de	6,400,199.33	255,080.01	6,655,279.34	594,900.02
Total Assets	8,521,254.61	1,666,636.11	10,187,890.72	655,912.78
LIABILITIES				
Current liabilities:				
Accounts Payable			-	
Non-current liabilities				
Due within one year:				
Bonds payable	45,084.00		45,084.00	37,369.21
Notes payable	40,000.00		40,000.00	
Due after one year:				
Bonds payable	1,109,934.00		1,109,934.00	522,587.27
Notes payable	257,000.00		257,000.00	
Total liabilities	1,452,018.00	-	1,452,018.00	559,956.48
NET POSITION				
Net investment capital assets	4,948,181.33	255,080.01	5,203,261.34	34,943.54
Restricted for:			-	
Capital projects	285,395.21		285,395.21	
Debt service	370,492.87	674,115.11	1,044,607.98	
Public safety	297,816.55		297,816.55	
Economic development	218,561.97		218,561.97	
Community development	1,282,859.81		1,282,859.81	
Unrestricted	(334,071.13)	737,440.99	403,369.86	61,012.76
Total net position	7,069,236.61	1,666,636.11	8,735,872.72	95,956.30

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

CITY OF ELLENDALE
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021

		Program Revenues			Revenue & Change in net position
	Expenses	Charges for Services	Operating grants and Contributions	Capital grants and Contributions	Governmental Activities
Governmental activities:					
General government	344,410.52	19,023.00			(325,387.52)
Public safety	192,255.49				(192,255.49)
Highways and streets	354,392.45		85,058.00		(269,334.45)
Economic development	167,582.92				(167,582.92)
					-
Interest expense	35,250.69			69,802.04	34,551.35
					-
Total Governmental Activities	1,093,892.07	19,023.00	85,058.00	69,802.04	(920,009.03)
Business-type activities					
Water	303,296.55	273,138.37			(30,158.18)
Sewer	155,621.47	113,883.86			(41,737.61)
Garbage	224,481.84	255,545.85			31,064.01
Penalty	600.00	-			(600.00)
Meter	-	8,891.94			8,891.94
Surcharge	-	35,658.42			35,658.42
Ambulance	221,330.52	142,189.45			(79,141.07)
Perpetual care	7,159.40	-			(7,159.40)
					-
Total Business-type activities	912,489.78	829,307.89	-	-	(83,181.89)
Total	2,006,381.85	848,330.89	85,058.00	69,802.04	(1,003,190.92)
Component Unit					
Housing Authority	58,277.08	68,431.34			10,154.26
	Governmental	Business-type	Total	Component Units	
Net expense	(920,009.03)	(83,181.89)	(1,003,190.92)	Housing Authority	10,154.26
General Revenues					
Property taxes	275,144.70	62,324.47	337,469.17		
Sales taxes	352,970.37		352,970.37		
State aid	322,607.61	35,901.00	358,508.61		
Interest	7,667.28	4,177.07	11,844.35	0.00	
Other	259,350.25	55,117.74	314,467.99		
Total General Revenues	1,217,740.21	157,520.28	1,375,260.49	-	
Transfers in (out)	88,227.53	(88,227.53)	-		
Change in Net Position	385,958.71	(13,889.14)	372,069.57	10,154.26	
Net Position- January 1	6,683,277.68	1,680,525.85	8,363,803.53	85,802.04	
Net Position- December 31	7,069,236.39	1,666,636.71	8,735,873.10	95,956.30	

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

CITY OF ELLENDALE

BALANCE SHEET- MODIFIED CASH BASIS- GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	(108,025.48)	1,573,192.66	370,492.87	285,395.21	2,121,055.26
Total Assets	(108,025.48)	1,573,192.66	370,492.87	285,395.21	2,121,055.26
LIABILITIES					
Total liabilities	-	-	-	-	-
FUND BALANCE					
Restricted for					
Capital projects				285,395.21	285,395.21
Debt service			370,492.87	-	370,492.87
Public safety		297,816.55	-		297,816.55
Economic development		218,561.97			218,561.97
Community development		1,282,859.81			1,282,859.81
Unassigned	(108,025.48)	(226,045.67)			(334,071.15)
Total fund balance	(108,025.48)	1,573,192.66	370,492.87	285,395.21	2,121,055.26
Total liabilities and fund balance	(108,025.48)	1,573,192.66	370,492.87	285,395.21	2,121,055.26

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

CITY OF ELLENDALE
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2021

Total Fund Balances for Governmental Funds	2,121,055.26
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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 governmental funds

Cost of capital assets	9,584,902.49	
Less accumulated depreciation	3,184,703.36	
Net capital assets		6,400,199.13

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net position. Balances at year end are:

USDA payable	(1,045,018.00)
Bonds payable	(110,000.00)
SRF Notes payable	(297,000.00)

Total Net Position of Governmental Activities	7,069,236.39
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The accompanying notes are an integral part of these financial statements.

CITY OF ELLENDALE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- MODIFIED CASH BASIS- GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
Property taxes	202,634.01	72,510.69			275,144.70
Sales taxes		352,970.37			352,970.37
Special Assessments			3,919.33	65,882.71	69,802.04
Intergovernmental	144,482.95	263,182.66			407,665.61
Interest	4,518.29	3,148.99	-		7,667.28
Charges for services	34,735.88	63,058.72	71,222.79		169,017.39
Other	33,228.04	76,127.82			109,355.86
Total Revenues	419,599.17	830,999.25	75,142.12	65,882.71	1,391,623.25
Current:					
General government	286,684.84	216,041.68			502,726.52
Public safety	169,429.17	22,826.32			192,255.49
Highways and streets		114,995.34			114,995.34
Economic development		167,582.92			167,582.92
Capital outlays		65,018.56		288.34	65,306.90
Debt Service					
Principal		15,000.00	40,000.00	29,531.00	84,531.00
Interest expense		4,987.69	10,110.00	20,153.00	35,250.69
Total Expenditures	456,114.01	606,452.51	50,110.00	49,972.34	1,162,648.86
Excess revenues (expenditures)	(36,514.84)	224,546.74	25,032.12	15,910.37	228,974.39
Other Financing Sources (Uses):					
Transfers in		179,171.60			179,171.60
Transfers out	-	(90,944.07)			(90,944.07)
Bond proceeds			-		-
Total other financing sources and uses	-	88,227.53	-	-	88,227.53
Net change in fund balances	(36,514.84)	312,774.27	25,032.12	15,910.37	317,201.92
Fund balance- beginning	(71,510.64)	1,260,418.39	345,460.75	269,484.84	1,803,853.34
Fund balance- ending	(108,025.48)	1,573,192.66	370,492.87	285,395.21	2,121,055.26

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

CITY OF ELLENDALE
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2021

Net Change in Fund Balances- Total Governmental Funds	317,201.92
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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 outlay 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 outlays exceeded depreciation in the current year.

Current year capital outlay	211,305.57	
Current year depreciation expense	227,079.78	(15,774.21)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bonds payable	15,000.00
USDA payable	29,531.00
SRF Notes payable	40,000.00

Change in Net Position of Governmental Activities	385,958.71
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The accompanying notes are an integral part of these financial statements.

CITY OF ELLENDALE
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS

DECEMBER 31, 2021	Utilities	Ambulance	Surcharge	Total
ASSETS				
Current assets:				
Cash, cash equivalents and investments	1,055,738.18	126,761.08	229,056.84	1,411,556.10
Noncurrent assets:				
Capital assets (net of accumulated depreciation)	255,080.61			255,080.61
Total Assets	1,310,818.79	126,761.08	229,056.84	1,666,636.71
LIABILITIES				
Current liabilities				
Non-current liabilities:				
Total liabilities	-	-	-	-
NET POSITION				
Net investment in capital assets	255,080.61		-	255,080.61
Restricted for:	-			-
Capital projects	-			-
Debt service	-			-
Unrestricted	1,055,738.18	126,761.08	229,056.84	1,411,556.10
Total net position	1,310,818.79	126,761.08	229,056.84	1,666,636.71

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

CITY OF ELLENDALE
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Utilities	Ambulance	Surcharge	Total
OPERATING REVENUE				
Charges for services	651,460.02	142,189.45	35,658.42	829,307.89
OPERATING EXPENSES				
Salaries and benefits	194,696.01	179,530.63	-	374,226.64
Office	8,938.71	4,881.31	-	13,820.02
Insurance	2,710.78	4,909.09	-	7,619.87
Contract services	306,139.37	3,688.00	-	309,827.37
Electricity	23,021.34	-	-	23,021.34
Supplies	-	13,421.57	-	13,421.57
Repairs and maintenance	109,383.12	5,352.78	-	114,735.90
Small equipment	-	-	-	-
Telephone	-	963.27	-	963.27
Depreciation	30,529.83	-	-	30,529.83
Miscellaneous	15,740.10	8,583.87	-	24,323.97
Total operating expenses	691,159.26	221,330.52	-	912,489.78
Operating income (loss)	(39,699.24)	(79,141.07)	35,658.42	(83,181.89)
NON-OPERATING REVENUE (EXPENSE)				
Property taxes	-	62,324.47	-	62,324.47
Interest income	2,449.83	387.74	1,339.50	4,177.07
Grant income	-	35,901.00	-	35,901.00
Interest expense	-	-	-	-
Capital outlay	-	-	-	-
Other	37,194.04	17,923.70	-	55,117.74
Total non-operating rev (exp)	39,643.87	116,536.91	1,339.50	157,520.28
Income (loss) before transfers	(55.37)	37,395.84	36,997.92	74,338.39
Transfers in	67,899.47	-	-	67,899.47
Transfers out	(12,400.00)	-	(143,727.00)	(156,127.00)
Change in net position	55,444.10	37,395.84	(106,729.08)	(13,889.14)
Net Position- January 1	1,255,374.69	89,365.24	335,785.92	1,680,525.85
Net Position- December 31	1,310,818.79	126,761.08	229,056.84	1,666,636.71

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

CITY OF ELLENDALE
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Utilities	Ambulance	Surcharge	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	651,460.02	142,189.45	35,658.42	829,307.89
Payments to suppliers	(465,933.42)	(41,799.89)	-	(507,733.31)
Payments to employees	(194,696.01)	(179,530.63)	-	(374,226.64)
Other receipts	37,194.04	116,149.17	-	153,343.21
Net cash provided by (used in) operating activi	28,024.63	37,008.10	35,658.42	100,691.15
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	67,899.47	-	-	67,899.47
Transfers from other funds	(12,400.00)	-	(143,727.00)	(156,127.00)
Net cash provided by (used in) noncapital fina	55,499.47	-	(143,727.00)	(88,227.53)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	-	-	-	-
Principal paid on capital debt	-	-	-	-
Interest paid on capital debt	-	-	-	-
Net cash provided by (used in) capita	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends	2,449.83	387.74	1,339.50	4,177.07
Net cash provided by (used in) investing activi	2,449.83	387.74	1,339.50	4,177.07
Net increase (decrease) in cash and cash equival	85,973.93	37,395.84	(106,729.08)	16,640.69
Balance- beginning of year	969,764.25	89,365.24	335,785.92	1,394,915.41
Balance- end of year	1,055,738.18	126,761.08	229,056.84	1,411,556.10
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	(39,699.24)	(79,141.07)	35,658.42	(83,181.89)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	30,529.83			30,529.83
Change in assets and liabilities:				
Refundable deposits				-
Miscellaneous receipts (expense)	37,194.04	116,149.17	-	153,343.21
Net cash provided by operating activi	28,024.63	37,008.10	35,658.42	100,691.15

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

CITY OF ELLENDALE
ELLENDALE, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Ellendale (City) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. 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 such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

Based on these criteria, there is one discretely presented component unit: Ellendale Housing Authority- The Housing Authority is a non-profit corporation formed for the purpose of providing funds to finance improvements on City property and for leasing property from the City. The directors of the Authority are appointed by the Mayor. The Authority does not issue separate statements.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF ELLENDALE

Notes to Financial Statements- Continued

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: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses/expenditures. Funds are organized into two major categories: governmental and proprietary. The City currently has no fiduciary funds.

The City reports the following major governmental fund:

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

Special Revenue Fund- This fund accounts for financial resources that exist for special purposes. The major sources of revenues is property taxes, sales taxes and intergovernmental revenues.

Capital Projects Funds. Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service funds. Debt funds are used to account for the accumulation of financial resources for the payment of principal and interest on the City's debt. The City annually levies special assessments restricted for the retirement of debt.

CITY OF ELLENDALE

Notes to Financial Statements- Continued

The City reports the following major enterprise funds:

Utilities- accounts for operating activities of the City's water, sewer, and sanitation utility services.

Ambulance- accounts for the operating activities of the City's ambulance services.

Surcharge- accounts for the collection of surcharge fees.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined 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.

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 presents 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.

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 assets (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 assets.

CITY OF ELLENDALE

Notes to Financial Statements- Continued

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive 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. All government-wide financial statements would be presented on the accrual basis of accounting.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

CITY OF ELLENDALE

Notes to Financial Statements- Continued

D. Budgets

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

City taxes must be levied by the governing board on or before October 7. The taxes levied must be certified to the County auditor by October 10. The governing body of the City may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the County auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts and certificates of deposits with maturity of less than 90 days. Investments consist of certificates of deposits, with a maturity date in excess of 90 days, stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2004. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF ELLENDALE

Notes to Financial Statements- Continued

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 of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Vehicles and equipment	10

G. Long-Term Obligations

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

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

H. Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

CITY OF ELLENDALE

Notes to Financial Statements- Continued

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the city council-the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the City's preference is to first use restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

The council has set a General Fund minimum fund balance target at 10% of expenditures and recurring transfers.

I. Interfund Transactions

In the governmental 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.

CITY OF ELLENDALE

Notes to Financial Statements- Continued

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Council did not amend the general fund budget.

EXPENDITURES OVER APPROPRIATIONS

The City did not overspend any budgets

NOTE 3 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 institution 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 deposit not covered by insurance or bonds.

CITY OF ELLENDALE

Notes to Financial Statements- Continued

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and 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, instrumentalities, or by any City, city, township, school district, park district, or 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 such other securities approved by the banking board.

At December 31, 2021, the City's carrying amount of deposits was \$3,532,611. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2021, the Housing Authority's carrying amount of deposits was \$61,013. The bank balances was covered by Federal Depository Insurance.

Credit Risk

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

Concentration of Credit Risk

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

CITY OF ELLENDALE
Notes to Financial Statements- Continued

NOTE 4: PROPERTY TAXES

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

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

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

NOTE 5: TRANSFERS

Transfer are used to 1) move unrestricted general fund revenues to finance various programs, 2) move sales tax revenues to fund programs and projects, and 3) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due.

	Transfer in	Transfer out
General Fund		
Special Revenue Fund	179,172	90,944
Capital Project Fund		
Debt Service Fund		
Total Governmental Funds		
Water & Sewer Fund	67,899	12,400
Surcharge		143,727
Total Enterprise Funds	67,899	156,127
Total	247,071	247,071

CITY OF ELLENDALE
Notes to Financial Statements- Continued

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2021:

	Balance January 1	Increases	Decreases	Balance December 31
Governmental activities				
Construction in progress	332,307	52,990		385,296
Infrastructure	6,514,151			6,514,151
Ellendale Acres	109,651			109,651
Bldgs and Improvements	1,821,453			1,821,453
Vehicles & Equipment	596,036	158,316		754,352
Total Cap Assets	9,373,597	211,306		9,584,902
Less accumulated depreciation for:				
Buildings & Improve	1,552,533	15,426		1,567,959
Vehicles & Equip	490,624	30,924		521,548
Infrastructure	914,466	180,729		1,095,196
Total Accumulated Dep	2,957,624	227,080		3,184,703
Total Cap Assets, Net	6,415,973			6,400,200
Business-type activities				
Bldgs and Improvements	669,380			669,380
Vehicles & Equipment	480,404			480,404
Total Cap Assets	1,149,784			1,149,784
Less accumulated depreciation for:				
Buildings & Improve	523,524	4,557		528,081
Vehicles & Equip	340,649	25,972		366,622
Total Accumulated Dep	864,173	30,529		894,704
Total Cap Assets, Net	285,610			255,080
Component Unit- Housing Authority				
	Balance January 1	Increases	Decreases	Balance December 31
Building- Cost	826,250			826,250
Building- Accumulated dep	214,825	16,525		231,350
Net	611,425	16,525		594,900
Depreciation Expense was charged to functions/programs of the City as follows:				
Governmental Activities:				
General government			22,376	
Public safety			4,529	
Public works			19,446	
Infrastructure			180,729	
Total			227,080	
Business-type activities				
Water and sewer			30,529	

CITY OF ELLENDALE
Notes to Financial Statements- Continued

NOTE 7: LONG-TERM DEBT

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

	Payable 2020	Increases	Decreases	Payable 2021	Due Within One Year
Bonds Payable	125,000		15,000	110,000	15,000
SRF Notes	337,000		40,000	297,000	40,000
USDA	1,074,549		29,531	1,045,018	30,084
TOTAL	1,536,549		84,531	1,452,018	

Debt payable at December 31, 2021, is comprised of the following individual issues:

Bonds Payable:

Refunding improvement	05/01/2028	4.05-4.80%	110,000
USDA Loan	05/01/2048	1.875%	1,045,018

SRF NOTES PAYABLE

Refunding improvement	05/01/2028	2.50%	297,000
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COMPONENT UNIT- HOUSING AUTHORITY

Bonds payable	583,429	23,473	559,956	37,369
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The annual long-term debt service requirements for bonds payable, as of December 31, 2021, are as follows:

Year Ending	Bonds Payable		SRF Notes Payable		USDA	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
2022	15,000	4,826	40,000	7,425	30,084	19,600
2023	15,000	4,144	40,000	6,425	30,649	19,035
2024	15,000	3,461	40,000	5,425	31,224	18,460
2025	15,000	2,760	42,000	4,425	31,809	17,875
2026	15,000	2,040	45,000	3,375	32,406	17,278
2027-2031	35,000	1,800	90,000	3,375	171,373	77,047
2032-2036					188,054	60,366
2037-2041					206,357	42,063
2042-2046					226,442	21,978
2047-2048					96,620	2,748
TOTAL	110,000	19,031	297,000	30,450	1,045,018	296,450

NOTES PAYABLE-COMPONENT UNIT

Notes payable to Bank, due in monthly installments of \$4,289, including interest at 3.03%, through October 2032. Note used for apartments. 559,956

CITY OF ELLENDALE
Notes to Financial Statements- Continued

2022	51,465
2023	51,465
2024	51,465
2025	51,465
2026	51,465
Thereafter	<u>351,670</u>
	608,995
Less amount representing interest	<u>49,039</u>
	559,956

NOTE 8.DEFICIT FUND BALANCE

The following fund balances had deficits at December 31, 2021:
General 108,025 Will be eliminated with taxes/transfers.
Equip repl 94,580 Will be eliminated with taxes/transfers.
Tif district131,466 Will be eliminated with taxes/transfers.

NOTE 9: PENSION PLANS

The City participates in the North Dakota Public Employees Retirement System (PERS) administered by the State of North Dakota. Following is a brief description of the plan:

PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. PERS provides for retirement, disability and death benefits to plan members and beneficiaries. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employees accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be paid to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

CITY OF ELLENDALE

Notes to Financial Statements- Continued

Employees are entitled to unreduced monthly pension benefits equal to 2% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at the normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 7% of the participants annual covered salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The City had agreed to pay 100% of the member assessments in lieu of a salary increase. The City is required to contribute 7.12% of each participant's salary as the employer's share. The City is required to contribute 1.14% of each participating covered wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. The City's contributions to PERS for the fiscal years ending December 31, 2021, 2020, and 2019 were \$30,377, \$31,543, and \$34,058, respectively, equal to the required contributions for the year.

PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained on the NDPERS website.

NOTE 10: CONTINGENCIES

The City has agreed to an operation and maintenance deficit agreement for the Ellendale Housing Authority. This agreement guarantees the City will reimburse the Authority all amounts incurred for operating expenses if the Authority has insufficient funds in its operating account. The Authority agrees to reimburse the City for funds advanced when it has the funds available.

CITY OF ELLENDALE

Notes to Financial Statements- Continued

NOTE 11: RISK MANAGEMENT

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

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

The State Bonding Fund currently provides the City with blanket fidelity bond coverage for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The City has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

CITY OF ELLENDALE

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2021

City of Ellendale
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Harold J. Rotunda

Certified Public Accountant

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

Independent Auditor's Report

Governing Board
City of Ellendale
Ellendale, North Dakota

I 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, business-type activities, discretely presented component unit and each major fund of City of Ellendale as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated September 30, 2023.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Ellendale'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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be a significant deficiency (2021-001 and 2021-002).

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in my audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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

Fargo, North Dakota
September 30, 2023

CITY OF ELLENDALE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021

2021-001 Segregation of Duties

Criteria

An appropriate system of internal controls maintains proper segregation of duties to provide reasonable assurance that transactions are handled properly.

Condition

The City has one employee who is responsible for most accounting functions. The city auditor collects monies, issues checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

Cause

The City is subject to size and budget constraints limiting the number of personnel within the accounting department

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

I recommend the City review its internal controls over accounting functions to determine if additional procedures can be implemented that are cost effective. The Board should constantly be aware of the this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

View of Responsible Officials and Planned Corrective Actions

The Council will review its current monitoring functions and determine if any additional monitoring procedures are warranted. However, due to the small size of the City, it is not cost effective for the City to hire additional accounting personnel to address this deficiency.

CITY OF ELLENDALE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2021

2021-002 Financial Statement Preparation

Criteria

An appropriate system of internal controls requires that a City make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis of accounting. This requires the City's personnel to maintain a working knowledge of current modified cash basis of accounting required financial statement disclosures.

Condition

The City's personnel prepared periodic financial information for internal use that meets the needs of management and the Council. However, the City currently does not prepare the financial statements, including accompanying note disclosures as required by accounting principles generally accepted in the United States of America. The City elected to have the auditor assist in the preparation of the financial statements and notes.

Cause

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

Effect

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

Recommendation

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

View of Responsible Officials and Planned Corrective Actions

The City will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.