

# **AUDIT REPORT**

CITY OF FESSENDEN  
Fessenden, North Dakota

For the Years Ended December 31, 2021 and 2020

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

CITY OF FESSENDEN  
Fessenden, North Dakota

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CITY OF FESSENDEN  
Fessenden, North Dakota

CITY OFFICIALS

Kevin Roller	Mayor
Jordan Beckley	Alderman
Eric Bollingberg	Alderman
Jeff Johnson	Alderman
Keith Middleman	Alderman
Brian Schimelfenig	Alderman
Jason Skiftun	Alderman
Paula Tweton	Auditor

# Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA  
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Todd Goehring, CPA

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Fessenden  
Fessenden, North Dakota

### **Report on the Audit of Financial Statements**

#### **Opinions**

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

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

#### **Basis for Opinions**

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

#### **Emphasis of Matter – Basis of Accounting**

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



## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the city's ability to continue as a going concern for a reasonable period of time.

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

### **Supplementary Information**

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2022 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

August 26, 2022



CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Fessenden Airport Authority
<b>ASSETS:</b>				
Cash, Cash Equivalents and Investments	327,945.74	514,445.49	842,391.23	39,275.95
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	222,003.00	5,076,933.00	5,298,936.00	
Machinery and Vehicles	180,662.00		180,662.00	
	<hr/>			
Total Capital Assets	402,665.00	5,076,933.00	5,479,598.00	-
	<hr/>			
Total Assets	730,610.74	5,591,378.49	6,321,989.23	39,275.95
	<hr/>			
<b>LIABILITIES:</b>				
Long-Term Liabilities:				
Due Within One Year:				
Lease Payable	14,423.06		14,423.06	
Revenue Bonds Payable	9,644.79	127,569.99	137,214.78	
Due After One Year:				
Lease Payable	80,555.05		80,555.05	
Revenue Bonds Payable	101,866.10	3,145,000.00	3,246,866.10	
	<hr/>			
Total Liabilities	206,489.00	3,272,569.99	3,479,058.99	-
	<hr/>			
<b>NET POSITION:</b>				
Net Investment in Capital Assets	196,176.00	1,804,363.01	2,000,539.01	-
Restricted for:				
Debt Service		173,199.42	173,199.42	
Special Purposes	137,745.10		137,745.10	
Unrestricted	190,200.64	341,246.07	531,446.71	39,275.95
	<hr/>			
Total Net Position	524,121.74	2,318,808.50	2,842,930.24	39,275.95
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The accompanying notes are an integral part of these financial statements.

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Fessenden Airport Authority
<b>ASSETS:</b>				
Cash, Cash Equivalents and Investments	447,645.80	468,732.98	916,378.78	39,745.75
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	256,269.00	5,227,689.00	5,483,958.00	
Machinery and Vehicles	195,358.00		195,358.00	
Total Capital Assets	451,627.00	5,227,689.00	5,679,316.00	-
Total Assets	899,272.80	5,696,421.98	6,595,694.78	39,745.75
<b>LIABILITIES:</b>				
Long-Term Liabilities:				
Due Within One Year:				
Lease Payable	13,906.89		13,906.89	
Revenue Bonds Payable	9,454.74	105,685.00	115,139.74	
Due After One Year:				
Lease Payable	94,978.11		94,978.11	
Revenue Bonds Payable	111,510.89	3,189,777.99	3,301,288.88	
Total Liabilities	229,850.63	3,295,462.99	3,525,313.62	-
<b>NET POSITION:</b>				
Net Investment in Capital Assets	221,776.37	1,932,226.01	2,154,002.38	-
Restricted for:				
Debt Service		161,157.09	161,157.09	
Special Purposes	75,345.24		75,345.24	
Unrestricted	372,300.56	307,575.89	679,876.45	39,745.75
Total Net Position	669,422.17	2,400,958.99	3,070,381.16	39,745.75

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



CITY OF FESSENDEN  
Fessenden, North Dakota

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

Functions/Programs	Net (Expense) Revenue and Change in Net Position						Component Unit Fessenden Airport Authority
	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	95,405.31	9,173.28	2,850.00	(83,382.03)		(83,382.03)	
Public Safety	37,102.00	90.00	9,000.00	(28,012.00)		(28,012.00)	
Streets and Public Works	318,989.49		71,317.10	(247,672.39)		(247,672.39)	
Culture and Recreation	14,103.26		7,474.16	(6,629.10)		(6,629.10)	
Other	2,631.20			(2,631.20)		(2,631.20)	
Interest on Long-Term Debt	6,413.74			(6,413.74)		(6,413.74)	
Total Governmental Activities	474,645.00	9,263.28	90,641.26	(374,740.46)		(374,740.46)	
<u>Business-Type Activities:</u>							
Water	489,127.30	198,312.60	150,719.96		(140,094.74)	(140,094.74)	
Sewer	28,828.81	46,942.04			18,113.23	18,113.23	
Garbage	73,152.67	81,076.87			7,924.20	7,924.20	
Total Business-Type Activities	591,108.78	326,331.51	150,719.96		(114,057.31)	(114,057.31)	
Total Primary Government	1,065,753.78	335,594.79	241,361.22	(374,740.46)	(114,057.31)	(488,797.77)	
<b>Component Unit:</b>							
Fessenden Airport Authority	9,038.72		3,336.00				(5,702.72)
<u>General Revenues:</u>							
Taxes:							
Property taxes; levied for general purposes				106,683.34		106,683.34	4,371.42
Property taxes; levied for special purposes				2,901.73		2,901.73	
City sales taxes				99,164.03		99,164.03	
Cigarette taxes				1,080.36		1,080.36	
Intergovernmental revenue not restricted to specific programs				38,994.77		38,994.77	
Earnings on investments and other revenue				9,724.02	2,798.60	12,522.62	861.50
Transfers				(29,108.22)	29,108.22	-	
Total General Revenues and Transfers				229,440.03	31,906.82	261,346.85	5,232.92
Change in Net Position				(145,300.43)	(82,150.49)	(227,450.92)	(469.80)
Net Position - January 1				669,422.17	2,400,958.99	3,070,381.16	39,745.75
Net Position - December 31				524,121.74	2,318,808.50	2,842,930.24	39,275.95

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

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Net (Expense) Revenue and Change in Net Position					Component Unit Fessenden Airport Authority	
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities		Total
<b>Functions/Programs</b>							
<b>Primary Government</b>							
<u>Governmental Activities:</u>							
General Government	134,295.61	12,660.58		(121,635.03)	(121,635.03)		
Public Safety	11,724.59	30.00		(11,694.59)	(11,694.59)		
Streets and Public Works	109,356.08		36,648.26	(72,707.82)	(72,707.82)		
Culture and Recreation	14,673.17		7,420.80	(7,252.37)	(7,252.37)		
Interest on Long-Term Debt	2,372.28			(2,372.28)	(2,372.28)		
Total Governmental Activities	272,421.73	12,690.58	44,069.06	(215,662.09)	(215,662.09)		
<u>Business-Type Activities:</u>							
Water	382,682.15	189,735.21	142,959.90		(49,987.04)	(49,987.04)	
Sewer	23,273.60	46,799.76			23,526.16	23,526.16	
Garbage	70,731.23	80,447.82			9,716.59	9,716.59	
Total Business-Type Activities	476,686.98	316,982.79	142,959.90		(16,744.29)	(16,744.29)	
Total Primary Government	749,108.71	329,673.37	187,028.96	(215,662.09)	(16,744.29)	(232,406.38)	
<b>Component Unit:</b>							
Fessenden Airport Authority	3,994.39					(3,994.39)	
<u>General Revenues:</u>							
Taxes:							
Property taxes; levied for general purposes				110,541.49	110,541.49	4,377.55	
Property taxes; levied for special purposes				2,241.77	726.43	2,968.20	
City sales taxes				90,020.21		90,020.21	
Cigarette taxes				1,261.73		1,261.73	
Intergovernmental revenue not restricted to specific programs				33,837.67		33,837.67	
Earnings on investments and other revenue				14,419.26	475.35	14,894.61	
Gain on trade-in of capital assets				44,435.00		44,435.00	
Transfers				(34,962.23)	34,962.23	-	
Total General Revenues and Transfers				261,794.90	36,164.01	297,958.91	
Change in Net Position				46,132.81	19,419.72	65,552.53	
Net Position - January 1				574,673.36	2,381,539.27	2,956,212.63	
Prior Period Adjustment (Note 11)				48,616.00		48,616.00	
Net Position - January 1, as Restated				623,289.36	2,381,539.27	3,004,828.63	
Net Position - December 31				669,422.17	2,400,958.99	3,070,381.16	

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

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Major Funds				Total Governmental Funds
	General	Street	City Sales Tax	Other Governmental Funds	
	<b>ASSETS:</b>				
Cash, Cash Equivalents and Investments	156,197.12	18,346.85	85,405.23	67,996.54	327,945.74
<b>Fund Balances:</b>					
Restricted for:					
Street and Public Works		18,346.85		33,993.02	52,339.87
Infrastructure Improvements			85,405.23		85,405.23
Assigned to:					
George & Ruth Litke Gift	59,124.14				59,124.14
Equipment	19,461.34				19,461.34
City Hall Maintenance				34,003.52	34,003.52
Unassigned	77,611.64				77,611.64
<b>Total Fund Balances</b>	<b>156,197.12</b>	<b>18,346.85</b>	<b>85,405.23</b>	<b>67,996.54</b>	<b>327,945.74</b>

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



CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Street	City Sales Tax		
	<b>ASSETS:</b>				
Cash, Cash Equivalents and Investments	341,331.70	15,462.09	59,883.15	30,968.86	447,645.80
<b>Fund Balances:</b>					
Restricted for:					
Street and Public Works		15,462.09			15,462.09
Infrastructure Improvements			59,883.15		59,883.15
Assigned to:					
George & Ruth Litke Gift	245,765.43				245,765.43
Paving	23,827.63				23,827.63
Equipment	20,180.81				20,180.81
City Hall Maintenance				30,968.86	30,968.86
Unassigned	51,557.83				51,557.83
<b>Total Fund Balances</b>	<b>341,331.70</b>	<b>15,462.09</b>	<b>59,883.15</b>	<b>30,968.86</b>	<b>447,645.80</b>

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

CITY OF FESSENDEN  
Fessenden, 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		327,945.74
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	1,278,065.00	
Less Accumulated Depreciation	<u>(875,400.00)</u>	
Net Capital Assets		402,665.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2021 are:		
Lease Payable	(94,978.11)	
Revenue Bonds Payable	<u>(111,510.89)</u>	
Total Long-Term Liabilities		<u>(206,489.00)</u>
Total Net Position of Governmental Activities		<u>524,121.74</u>

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

CITY OF FESSENDEN  
Fessenden, 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		447,645.80
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	1,278,065.00	
Less Accumulated Depreciation	<u>(826,438.00)</u>	
Net Capital Assets		451,627.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2020 are:		
Lease Payable	(108,885.00)	
Revenue Bonds Payable	<u>(120,965.63)</u>	
Total Long-Term Liabilities		<u>(229,850.63)</u>
Total Net Position of Governmental Activities		<u>669,422.17</u>

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



CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Street	City Sales Tax		
<b>Revenues:</b>					
Taxes	109,585.07		99,164.03		208,749.10
Licenses, Permits and Fees	9,173.28				9,173.28
Intergovernmental	49,075.13	37,324.78		33,992.32	120,392.23
Fines and Forfeitures	90.00				90.00
Miscellaneous	19,456.32	591.16		0.70	20,048.18
<b>Total Revenues</b>	<b>187,379.80</b>	<b>37,915.94</b>	<b>99,164.03</b>	<b>33,993.02</b>	<b>358,452.79</b>
<b>Expenditures:</b>					
Current:					
General Government	89,333.97			2,005.34	91,339.31
Public Safety	37,102.00				37,102.00
Streets and Public Works	156,867.10	117,226.39			274,093.49
Culture and Recreation	14,103.26				14,103.26
Other	2,631.20				2,631.20
Debt Service:					
Principal	13,906.89	9,454.74			23,361.63
Interest and Service Charges	4,041.46	2,372.28			6,413.74
<b>Total Expenditures</b>	<b>317,985.88</b>	<b>129,053.41</b>	<b>-</b>	<b>2,005.34</b>	<b>449,044.63</b>
Excess (Deficiency) of Revenue Over Expenditures	(130,606.08)	(91,137.47)	99,164.03	31,987.68	(90,591.84)
<b>Other Financing Sources (Uses):</b>					
Transfers In	17,190.87	94,022.23		5,040.00	116,253.10
Transfers Out	(71,719.37)		(73,641.95)		(145,361.32)
<b>Total Other Financing Sources (Uses)</b>	<b>(54,528.50)</b>	<b>94,022.23</b>	<b>(73,641.95)</b>	<b>5,040.00</b>	<b>(29,108.22)</b>
<b>Net Changes in Fund Balances</b>	<b>(185,134.58)</b>	<b>2,884.76</b>	<b>25,522.08</b>	<b>37,027.68</b>	<b>(119,700.06)</b>
Fund Balance - January 1	341,331.70	15,462.09	59,883.15	30,968.86	447,645.80
Fund Balance - December 31	156,197.12	18,346.85	85,405.23	67,996.54	327,945.74

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

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Major Funds			Other Governmental Fund	Total Governmental Funds
	General	Street	City Sales Tax		
<b>Revenues:</b>					
Taxes	112,783.26		90,020.21		202,803.47
Licenses, Permits and Fees	10,610.58				10,610.58
Intergovernmental	35,099.40	36,648.26			71,747.66
Fines and Forfeitures	30.00				30.00
Miscellaneous	23,443.08	446.98			23,890.06
<b>Total Revenues</b>	<b>181,966.32</b>	<b>37,095.24</b>	<b>90,020.21</b>	<b>-</b>	<b>309,081.77</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government	130,229.61				130,229.61
Public Safety	11,724.59				11,724.59
Streets and Public Works		60,210.08			60,210.08
Culture and Recreation	14,673.17				14,673.17
Capital Outlay	108,885.00				108,885.00
<b>Debt Service:</b>					
Principal		9,268.44			9,268.44
Interest and Service Charges		2,372.28			2,372.28
<b>Total Expenditures</b>	<b>265,512.37</b>	<b>71,850.80</b>	<b>-</b>	<b>-</b>	<b>337,363.17</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>(83,546.05)</b>	<b>(34,755.56)</b>	<b>90,020.21</b>	<b>-</b>	<b>(28,281.40)</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In	6,400.00	27,180.00	7,151.25	5,040.00	45,771.25
Transfers Out	(22,151.25)		(58,582.23)		(80,733.48)
Proceeds from Lease	108,885.00				108,885.00
<b>Total Other Financing Sources (Uses)</b>	<b>93,133.75</b>	<b>27,180.00</b>	<b>(51,430.98)</b>	<b>5,040.00</b>	<b>73,922.77</b>
<b>Net Changes in Fund Balances</b>	<b>9,587.70</b>	<b>(7,575.56)</b>	<b>38,589.23</b>	<b>5,040.00</b>	<b>45,641.37</b>
<b>Fund Balance - January 1</b>	<b>331,744.00</b>	<b>23,037.65</b>	<b>21,293.92</b>	<b>25,928.86</b>	<b>402,004.43</b>
<b>Fund Balance - December 31</b>	<b>341,331.70</b>	<b>15,462.09</b>	<b>59,883.15</b>	<b>30,968.86</b>	<b>447,645.80</b>

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

CITY OF FESSENDEN  
Fessenden, 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 (119,700.06)

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>(48,962.00)</u>	(48,962.00)

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>23,361.63</u>	<u>23,361.63</u>

Change in Net Position of Governmental Activities (145,300.43)

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



CITY OF FESSENDEN  
Fessenden, 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 45,641.37

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	108,885.00	
Current Year Depreciation Expense	<u>(53,212.00)</u>	55,673.00

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	(108,885.00)	
Repayment of Debt	<u>9,268.44</u>	(99,616.56)

In the statement of activities, only the gain from the trade-in of capital assets is reported, whereas in the governmental funds, this transaction has no effect on financial resources. Thus, the net effect of the trade-in of capital assets is to increase net position.

44,435.00

Change in Net Position of Governmental Activities

46,132.81

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

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	<u>Major Enterprise Fund</u>
	<u>Utility</u>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	514,445.49
 <u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depreciation):	
Buildings and Infrastructure	5,076,933.00
Total Assets	5,591,378.49
 <u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Revenue Bonds Payable	127,569.99
 <u>Noncurrent Liabilities:</u>	
Revenue Bonds Payable	3,145,000.00
Total Liabilities	3,272,569.99
 <u>NET POSITION</u>	
Net Investment in Capital Assets	1,804,363.01
Restricted for:	
Debt Service	173,199.42
Unrestricted	341,246.07
Total Net Position	2,318,808.50

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

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Major Enterprise Fund
	<u>Utility</u>
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	<u>468,732.98</u>
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depreciation):	
Buildings and Infrastructure	<u>5,227,689.00</u>
Total Assets	<u>5,696,421.98</u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Revenue Bonds Payable	<u>105,685.00</u>
<u>Noncurrent Liabilities:</u>	
Revenue Bonds Payable	<u>3,189,777.99</u>
Total Liabilities	<u>3,295,462.99</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	1,932,226.01
Restricted for:	
Debt Service	161,157.09
Unrestricted	<u>307,575.89</u>
Total Net Position	<u><u>2,400,958.99</u></u>

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



CITY OF FESSENDEN  
Fessenden, 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 Fund
	Utility
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Water Charges	172,811.99
Sewer Charges	46,942.04
Garbage Charges	81,076.87
Surcharges	17,769.07
Miscellaneous Charges and Services	7,731.54
Total Operating Revenues	326,331.51
<u>Operating Expenses:</u>	
Water	79,147.95
Rural Water Costs	86,970.87
Sewer	2,154.02
Garbage	73,152.67
Repairs and Maintenance	26,674.79
Depreciation	150,756.00
Total Operating Expenses	418,856.30
Operating Income (Loss)	(92,524.79)
<u>Non-Operating Revenues (Expenses):</u>	
Predisaster Mitigation Program Grant	14,494.50
Special Assessments	136,225.46
Interest Income	495.55
Miscellaneous Revenue	2,303.05
Premium on Bonds Issued	38,845.40
Discount on Bonds Issued	(40,722.60)
Bond Issue Expenses	(63,140.10)
Other Project Costs	(5,550.82)
Interest and Service Charges	(101,684.36)
Total Non-Operating Revenues (Expenses)	(18,733.92)
Income (Loss) Before Transfers	(111,258.71)
Transfers In	56,475.95
Transfers Out	(27,367.73)
Total Transfers	29,108.22
Changes in Net Position	(82,150.49)
Net Position - January 1	2,400,958.99
Net Position - December 31	2,318,808.50

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

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Major Enterprise Fund
	Utility
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Water Charges	166,028.93
Sewer Charges	46,799.76
Garbage Charges	80,447.82
Surcharges	17,571.57
Miscellaneous Charges and Services	6,134.71
Total Operating Revenues	316,982.79
<u>Operating Expenses:</u>	
Water	75,431.97
Rural Water Costs	70,604.19
Sewer	4,855.55
Garbage	70,731.23
Repairs and Maintenance	18,418.05
Depreciation	150,756.00
Total Operating Expenses	390,796.99
Operating Income (Loss)	(73,814.20)
<u>Non-Operating Revenues (Expenses):</u>	
Property Taxes	726.43
Special Assessments	142,959.90
Interest Income	475.35
Other Project Costs	(526.73)
Special Assessments Paid to County	(2,575.38)
Interest and Service Charges	(82,787.88)
Total Non-Operating Revenues (Expenses)	58,271.69
Income (Loss) Before Transfers	(15,542.51)
Transfers In	61,776.19
Transfers Out	(26,813.96)
Total Transfers	34,962.23
Changes in Net Position	19,419.72
Net Position - January 1	2,381,539.27
Net Position - December 31	2,400,958.99

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

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Major Enterprise Fund
	Utility
<u>Cash flows from operating activities:</u>	
Receipts from customers	326,331.51
Payments to employees and suppliers	(268,100.30)
Net cash provided (used) by operating activities	58,231.21
<u>Cash flows from noncapital financing activities:</u>	
Predisaster mitigation program grant	14,494.50
Miscellaneous receipts	2,303.05
Transfers in	56,475.95
Transfers out	(27,367.73)
Net cash provided (used) by noncapital financing activities	45,905.77
<u>Cash flows from capital and related financing activities:</u>	
Special assessments	136,225.46
Revenue bonds issued	2,470,000.00
Premium on bonds issued	38,845.40
Discount on bonds issued	(40,722.60)
Bond issue expense	(63,140.10)
Other project costs	(5,550.82)
Principal payments	(2,492,893.00)
Interest payments and service charges	(101,684.36)
Net cash provided (used) by capital and related financing activities	(58,920.02)
<u>Cash flows from investing activities:</u>	
Interest income	495.55
Net increase in cash and cash equivalents	45,712.51
Cash and cash equivalents, January 1	468,732.98
Cash and cash equivalents, December 31	514,445.49
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>	
Operating income (loss)	(92,524.79)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>	
Depreciation expense	150,756.00
Net cash provided (used) by operating activities	58,231.21

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

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Major Enterprise Fund
	Utility
<u>Cash flows from operating activities:</u>	
Receipts from customers	316,982.79
Payments to employees and suppliers	(240,040.99)
Net cash provided (used) by operating activities	76,941.80
<u>Cash flows from noncapital financing activities:</u>	
Property taxes	726.43
Special assessments paid to county	(2,575.38)
Transfers in	61,776.19
Transfers out	(26,813.96)
Net cash provided (used) by noncapital financing activities	33,113.28
<u>Cash flows from capital and related financing activities:</u>	
Special assessments	142,959.90
DWSRF bonds issued	269,327.00
Water tower project	(248,000.00)
Other project costs	(526.73)
Principal payments	(109,478.01)
Interest payments and service charges	(82,787.88)
Net cash provided (used) by capital and related financing activities	(28,505.72)
<u>Cash flows from investing activities:</u>	
Interest income	475.35
Net increase in cash and cash equivalents	82,024.71
Cash and cash equivalents, January 1	386,708.27
Cash and cash equivalents, December 31	468,732.98
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>	
Operating income (loss)	(73,814.20)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>	
Depreciation expense	150,756.00
Net cash provided (used) by operating activities	76,941.80

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



CITY OF FESSENDEN  
Fessenden, North Dakota

Notes to the Financial Statements  
December 31, 2021 and 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fessenden 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, the component unit discussed below is included within the city's reporting entity because of the significance of their operational or financial relationship with the city.

**Discretely presented component unit:** The component unit's column in the basic financial statements include the financial data of the city's component unit. This unit is reported in a separate column to emphasize that it is legally separate from the city.

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

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 Fessenden and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental and business-type* activities of the city. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The city reports the following major governmental funds:

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

*Street.* This fund accounts for the accumulation of the highway distribution tax to be used for street repairs and maintenance.

*City Sales Tax:* This fund accounts for the accumulation of city sales taxes which the city has dedicated to general infrastructure improvements.

The city reports the following major enterprise fund:

*Utility.* This fund accounts for the activities of the city's water distribution system, sewage collection system and garbage collection system.

### C. Measurement Focus and Basis of Accounting

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

#### Measurement Focus

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

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

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



### Basis of Accounting

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

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

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

### D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

### E. Capital Assets

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

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	5 to 20 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 \$842,391 and the bank balance was \$851,015. Of the bank balance, \$303,465 was covered by Federal Depository Insurance. The remaining balance of \$547,550 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 \$916,379 and the bank balance was \$921,492. Of the bank balance, \$305,203 was covered by Federal Depository Insurance. The remaining balance of \$616,289 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk

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

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

(4) Obligations of the State.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on 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 CAPITAL ASSETS

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

December 31, 2021

	Balance January 1	Increases	Decreases	Balance December 31
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,029,900			1,029,900
Machinery and Vehicles	248,165			248,165
Total	<u>1,278,065</u>	-	-	<u>1,278,065</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	773,631	34,266		807,897
Machinery and Vehicles	52,807	14,696		67,503
Total	<u>826,438</u>	<u>48,962</u>	-	<u>875,400</u>
Governmental Activities Capital Assets, Net	<u>451,627</u>	<u>(48,962)</u>	-	<u>402,665</u>



<u>December 31, 2020</u>				
	<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	1,029,900			1,029,900
Machinery and Vehicles	179,845	153,320	85,000	248,165
<b>Total</b>	<u>1,209,745</u>	<u>153,320</u>	<u>85,000</u>	<u>1,278,065</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	739,365	34,266		773,631
Machinery and Vehicles	118,861	18,946	85,000	52,807
<b>Total</b>	<u>858,226</u>	<u>53,212</u>	<u>85,000</u>	<u>826,438</u>
Governmental Activities Capital Assets, Net	<u>351,519</u>	<u>100,108</u>	<u>-</u>	<u>451,627</u>
 <u>December 31, 2021</u>				
	<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	6,024,225			6,024,225
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	796,536	150,756		947,292
Business-type Activities Capital Assets, Net	<u>5,227,689</u>	<u>(150,756)</u>	<u>-</u>	<u>5,076,933</u>
 <u>December 31, 2020</u>				
	<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	5,776,225	248,000		6,024,225
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	645,780	150,756		796,536
Business-type Activities Capital Assets, Net	<u>6,422,005</u>	<u>97,244</u>	<u>-</u>	<u>5,227,689</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	4,066	4,066
Streets and Public Works	44,896	49,146
Total Depreciation Expense	<u>48,962</u>	<u>53,212</u>
<u>Business-type Activities:</u>		
Utility	<u>150,756</u>	<u>150,756</u>

Note 5 LEASE PAYABLE

The city has entered into the following lease agreement:

\$108,885 lease-purchase of a John Deere 524L Wheel Loader due in annual installments of \$17,948.35 through November 16, 2027; payments include interest at 3.65%	<u>94,978.11</u>
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This lease agreement qualifies as a lease for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under this capital lease, and the net present value of the minimum lease payments at December 31, 2021:

<u>Year Ending December 31</u>	<u>Principal</u>
2022	17,948.35
2023	17,948.35
2024	17,948.35
2025	17,948.35
2026	17,948.35
2027	<u>17,949.40</u>
Total minimum lease payments	107,691.15
Less: amount representing interest	<u>(12,713.04)</u>
Present value of future minimum lease payments	<u>94,978.11</u>

Note 6 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>	
Lease Payable	108,885		13,907	14,423
Revenue Bonds Payable	120,966		9,455	9,645
Total	<u>229,851</u>	<u>-</u>	<u>23,362</u>	<u>24,068</u>



	Balance January 1	2020		Balance December 31	Due Within One Year
		Increases	Decreases		
Lease Payable		108,885		108,885	13,907
Revenue Bonds Payable	130,234		9,268	120,966	9,455
<b>Total</b>	<b>130,234</b>	<b>108,885</b>	<b>9,268</b>	<b>229,851</b>	<b>23,362</b>

Business-type Activities (Proprietary Funds):

	Balance January 1	2021		Balance December 31	Due Within One Year
		Increases	Decreases		
Revenue Bonds Payable	3,295,463	2,470,000	2,492,893	3,272,570	127,570

	Balance January 1	2020		Balance December 31	Due Within One Year
		Increases	Decreases		
Revenue Bonds Payable	3,135,614	269,327	109,478	3,295,463	105,685

Governmental Activities:

Outstanding debt at December 31, 2021 consists of the following:

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

\$148,433.51 Sewer Revenue Bond, Series 2018, due in annual payments of \$11,827.02 through May 1, 2032; payments include interest at 2%.	<u>111,510.89</u>
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The annual requirements to amortize the outstanding revenue bonds payable are as follows:

Year Ending December 31	Principal	Interest
2022	9,644.79	2,182.23
2023	9,838.65	1,988.37
2024	10,036.41	1,790.61
2025	10,238.14	1,588.88
2026	10,443.92	1,383.10
2027-2031	55,454.11	3,680.99
2032	5,854.87	58.64
<b>Total</b>	<b>111,510.89</b>	<b>12,672.82</b>

Business-type Activities (Proprietary Funds):

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

\$1,037,555 Water Revenue Bonds, Series 2018, due in annual installments of \$25,000 to \$45,000 through September 1, 2048; interest is at 1.5%.	902,569.99
\$2,470,000 Refunding Improvement Bonds, Series 2021, due in annual installments of \$65,000 to \$130,000 through January 1, 2044; interest is at 1.1% to 2%.	<u>2,370,000.00</u>
Total Revenue Bonds Payable	<u><u>3,272,569.99</u></u>

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	127,569.99	34,651.04
2023	125,000.00	53,350.00
2024	125,000.00	50,975.00
2025	125,000.00	48,600.00
2026	130,000.00	46,225.00
2027-2031	665,000.00	196,505.00
2032-2036	720,000.00	147,170.00
2037-2041	775,000.00	84,750.00
2042-2046	395,000.00	20,575.00
2047-2048	<u>85,000.00</u>	<u>1,950.00</u>
Total	<u><u>3,272,569.99</u></u>	<u><u>684,751.04</u></u>

Note 7 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>Transfers In</u>	<u>Transfers Out</u>
<u>December 31, 2021</u>		
General Fund: Equipment	6,000.00	
City Hall Maintenance	5,040.00	
Utility: Water System Reserve	12,834.00	
Utility: Operations		23,874.00
To set-aside funds for reserves.		

General Fund: Equipment	11,190.87	
General Fund: Primary Share		7,877.14
Utility: Water		3,313.73
Utility: Operations	43,641.95	
City Sales Tax		43,641.95
To subsidize debt service payments.		
Street	94,022.23	
General Fund: Operating		10,000.00
General Fund: George & Ruth Litke Gift		30,000.00
General Fund: Paving		23,842.23
City Sales Tax		30,000.00
Utility: Water and Sewer Project		180.00
To subsidize expenditures.		
<u>December 31, 2020</u>		
General Fund: Equipment	6,000.00	
City Hall Maintenance	5,040.00	
Utility: Water System Reserve	13,674.00	
Utility: Operations		24,714.00
To set-aside funds for reserves.		
General Fund: Operating	400.00	
Street	180.00	
Utility: Water Fund	1,519.96	
Utility: Water and Sewer Project		2,099.96
Street	27,000.00	
Utility: Operations	6,600.00	
General Fund: Operating		15,000.00
City Sales Tax		18,600.00
To subsidize expenditures.		
Utility: Operations	39,982.23	
City Sales Tax		39,982.23
To subsidize debt service payments.		
City Sales Tax	7,151.25	
General Fund: Operating		7,151.25
To transfer sales tax funds to correct account.		



Note 8 RISK MANAGEMENT

The City of Fessenden 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 \$343,482 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 \$490,481 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 9 PENSION PLANS

1. 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, 2020, the city contributed \$659.89.

### 2. Defined Contribution Plan with Jackson Services

The city provides benefits for its one full-time employee through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city contributes 15.26% of the employee's gross salary for the year. During the years ended December 31, 2021 and 2020, the city contributed \$7,300.41 and \$6,665.62, respectively.

## **Note 10 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 11 PRIOR PERIOD ADJUSTMENTS

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

	<u>Governmental Activities</u>
Net Position as previously reported	574,673.36
Adjustments to restate the January 1, 2020 balance:	
Deferred Outflows of Resources - Related to Pensions	(34,054.00)
Net Pension Liability	73,327.00
Deferred Inflows of Resources - Related to Pensions	<u>9,343.00</u>
Net Position, January 1, 2020 as restated	<u><u>623,289.36</u></u>

CITY OF FESSENDEN  
Fessenden, 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	111,848.55	109,585.07	(2,263.48)
Licenses, Permits and Fees	6,380.00	9,173.28	2,793.28
Intergovernmental	29,930.00	49,075.13	19,145.13
Fines and Forfeitures		90.00	90.00
Miscellaneous	10,400.00	19,456.32	9,056.32
<b>Total Revenues</b>	<b>158,558.55</b>	<b>187,379.80</b>	<b>28,821.25</b>
<u>Expenditures:</u>			
Current:			
General Government	93,710.00	89,333.97	4,376.03
Public Safety	36,000.00	37,102.00	(1,102.00)
Streets and Public Works		156,867.10	(156,867.10)
Culture and Recreation	11,500.00	14,103.26	(2,603.26)
Other		2,631.20	(2,631.20)
Debt Service:			
Principal		13,906.89	(13,906.89)
Interest and Service Charges		4,041.46	(4,041.46)
<b>Total Expenditures</b>	<b>141,210.00</b>	<b>317,985.88</b>	<b>(176,775.88)</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>17,348.55</b>	<b>(130,606.08)</b>	<b>(147,954.63)</b>
<u>Other Financing Sources (Uses):</u>			
Transfers In		17,190.87	17,190.87
Transfers Out		(71,719.37)	(71,719.37)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(54,528.50)</b>	<b>(54,528.50)</b>
<b>Net Change in Fund Balances</b>	<b>17,348.55</b>	<b>(185,134.58)</b>	<b>(202,483.13)</b>
<b>Fund Balance - January 1</b>	<b>341,331.70</b>	<b>341,331.70</b>	
<b>Fund Balance - December 31</b>	<b>358,680.25</b>	<b>156,197.12</b>	<b>(202,483.13)</b>



CITY OF FESSENDEN  
Fessenden, 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	113,290.43	112,783.26	(507.17)
Licenses, Permits and Fees	11,765.00	10,610.58	(1,154.42)
Intergovernmental	39,400.00	35,099.40	(4,300.60)
Fines and Forfeitures	50.00	30.00	(20.00)
Miscellaneous	4,880.00	23,443.08	18,563.08
<b>Total Revenues</b>	<b>169,385.43</b>	<b>181,966.32</b>	<b>12,580.89</b>
<u>Expenditures:</u>			
Current:			
General Government	124,265.00	130,229.61	(5,964.61)
Public Safety	66,634.00	11,724.59	54,909.41
Culture and Recreation	6,000.00	14,673.17	(8,673.17)
Capital Outlay		108,885.00	(108,885.00)
<b>Total Expenditures</b>	<b>196,899.00</b>	<b>265,512.37</b>	<b>(68,613.37)</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>(27,513.57)</b>	<b>(83,546.05)</b>	<b>(56,032.48)</b>
<u>Other Financing Sources (Uses):</u>			
Transfers In		6,400.00	6,400.00
Transfers Out		(22,151.25)	(22,151.25)
Proceeds from Capital Lease		108,885.00	108,885.00
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>93,133.75</b>	<b>93,133.75</b>
<b>Net Change in Fund Balances</b>	<b>(27,513.57)</b>	<b>9,587.70</b>	<b>37,101.27</b>
<b>Fund Balance - January 1</b>	<b>331,744.00</b>	<b>331,744.00</b>	
<b>Fund Balance - December 31</b>	<b>304,230.43</b>	<b>341,331.70</b>	<b>37,101.27</b>



CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	30,206.00	37,324.78	7,118.78
Miscellaneous	20.00	591.16	571.16
<b>Total Revenues</b>	<b>30,226.00</b>	<b>37,915.94</b>	<b>7,689.94</b>
<u>Expenditures:</u>			
Current:			
Street and Public Works	145,521.00	117,226.39	28,294.61
Debt Service:			
Principal	9,454.74	9,454.74	-
Interest and Service Charges	2,545.26	2,372.28	172.98
<b>Total Expenditures</b>	<b>157,521.00</b>	<b>129,053.41</b>	<b>28,467.59</b>
Excess (Deficiency) of Revenue Over Expenditures	(127,295.00)	(91,137.47)	36,157.53
<u>Other Financing Sources:</u>			
Transfers In		94,022.23	94,022.23
<b>Net Change in Fund Balances</b>	<b>(127,295.00)</b>	<b>2,884.76</b>	<b>130,179.76</b>
Fund Balance - January 1	15,462.09	15,462.09	
<b>Fund Balance - December 31</b>	<b>(111,832.91)</b>	<b>18,346.85</b>	<b>130,179.76</b>

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	41,000.00	36,648.26	(4,351.74)
Miscellaneous	40.00	446.98	406.98
<b>Total Revenues</b>	<b>41,040.00</b>	<b>37,095.24</b>	<b>(3,944.76)</b>
<u>Expenditures:</u>			
Current:			
Street and Public Works	60,500.00	60,210.08	289.92
Debt Service:			
Principal	9,268.44	9,268.44	-
Interest and Service Charges	2,558.58	2,372.28	186.30
<b>Total Expenditures</b>	<b>72,327.02</b>	<b>71,850.80</b>	<b>476.22</b>
Excess (Deficiency) of Revenue Over Expenditures	(31,287.02)	(34,755.56)	(3,468.54)
<u>Other Financing Sources:</u>			
Transfers In		27,180.00	27,180.00
<b>Net Change in Fund Balances</b>	<b>(31,287.02)</b>	<b>(7,575.56)</b>	<b>23,711.46</b>
Fund Balance - January 1	23,037.65	23,037.65	
<b>Fund Balance - December 31</b>	<b>(8,249.37)</b>	<b>15,462.09</b>	<b>23,711.46</b>

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	50,000.00	99,164.03	49,164.03
<u>Expenditures:</u>			
Current:			
Urban and Economic Development		-	-
Excess (Deficiency) of Revenue Over Expenditures	50,000.00	99,164.03	49,164.03
<u>Other Financing (Uses):</u>			
Transfers Out	(70,000.00)	(73,641.95)	(3,641.95)
Net Change in Fund Balances	(20,000.00)	25,522.08	45,522.08
Fund Balance - January 1	59,883.15	59,883.15	
Fund Balance - December 31	39,883.15	85,405.23	45,522.08

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	50,000.00	90,020.21	40,020.21
<u>Expenditures:</u>			
Current:			
Urban and Economic Development		-	-
Excess (Deficiency) of Revenue Over Expenditures	50,000.00	90,020.21	40,020.21
<u>Other Financing Sources (Uses):</u>			
Transfers In		7,151.25	7,151.25
Transfers Out		(58,582.23)	(58,582.23)
Total Other Financing Sources (Uses)	-	(51,430.98)	(51,430.98)
Net Change in Fund Balances	50,000.00	38,589.23	(11,410.77)
Fund Balance - January 1	21,293.92	21,293.92	
Fund Balance - December 31	71,293.92	59,883.15	(11,410.77)



CITY OF FESSENDEN  
Fessenden, 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	176,775.88	68,613.37
<u>Special Revenue Fund</u>		
* City Hall Maintenance	2,005.34	

\* A budget was not prepared for this fund.

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Balance 1-1-2021	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2021
<u>Major Governmental Funds</u>						
General Fund:						
Operating	43,669.78	187,101.38		10,000.00	143,170.43	77,600.73
George & Ruth Litke Gift	245,765.43	225.81		30,000.00	156,867.10	59,124.14
Paving	23,827.63	14.60		23,842.23		-
Equipment	20,180.81	38.01	17,190.87		17,948.35	19,461.34
Primary Share	7,888.05			7,877.14		10.91
<b>Total General Fund</b>	<b>341,331.70</b>	<b>187,379.80</b>	<b>17,190.87</b>	<b>71,719.37</b>	<b>317,985.88</b>	<b>156,197.12</b>
Street	15,462.09	37,915.94	94,022.23		129,053.41	18,346.85
City Sales Tax	59,883.15	99,164.03		73,641.95		85,405.23
<b>Total Major Governmental Funds</b>	<b>416,676.94</b>	<b>324,459.77</b>	<b>111,213.10</b>	<b>145,361.32</b>	<b>447,039.29</b>	<b>259,949.20</b>
<u>Non-major Governmental Funds</u>						
City Hall Maintenance	30,968.86		5,040.00		2,005.34	34,003.52
American Recovery Plan Act		33,993.02				33,993.02
<b>Total Non-major Governmental Funds</b>	<b>30,968.86</b>	<b>33,993.02</b>	<b>5,040.00</b>	<b>-</b>	<b>2,005.34</b>	<b>67,996.54</b>
<b>Total Governmental Funds</b>	<b>447,645.80</b>	<b>358,452.79</b>	<b>116,253.10</b>	<b>145,361.32</b>	<b>449,044.63</b>	<b>327,945.74</b>
<u>Major Enterprise Fund</u>						
Utility Fund:						
Operations	304,264.19	343,456.18	43,641.95	23,874.00	326,242.25	341,246.07
Water	3,311.70	2.03		3,313.73		-
Water and Sewer Project	88,469.95	2,541,337.85		180.00	2,541,986.23	87,641.57
Water System Reserve	72,687.14	36.71	12,834.00			85,557.85
<b>Total Major Enterprise Fund</b>	<b>468,732.98</b>	<b>2,884,832.77</b>	<b>56,475.95</b>	<b>27,367.73</b>	<b>2,868,228.48</b>	<b>514,445.49</b>
<b>Total Primary Government</b>	<b>916,378.78</b>	<b>3,243,285.56</b>	<b>172,729.05</b>	<b>172,729.05</b>	<b>3,317,273.11</b>	<b>842,391.23</b>
<u>Discretely Presented Component Unit</u>						
Fessenden Airport Authority	39,745.75	8,568.92			9,038.72	39,275.95
<b>Total Reporting Entity</b>	<b>956,124.53</b>	<b>3,251,854.48</b>	<b>172,729.05</b>	<b>172,729.05</b>	<b>3,326,311.83</b>	<b>881,667.18</b>

CITY OF FESSENDEN  
Fessenden, North Dakota

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

	Balance 1-1-2020	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2020
<b>Major Governmental Funds</b>						
General Fund:						
Operating	40,442.73	181,605.67	400.00	22,151.25	156,627.37	43,669.78
George & Ruth Litke Gift	245,519.15	246.28				245,765.43
Paving	23,769.03	58.60				23,827.63
Equipment	14,141.73	108,924.08	6,000.00		108,885.00	20,180.81
Primary Share	7,871.36	16.69				7,888.05
<b>Total General Fund</b>	<b>331,744.00</b>	<b>290,851.32</b>	<b>6,400.00</b>	<b>22,151.25</b>	<b>265,512.37</b>	<b>341,331.70</b>
Street	23,037.65	37,095.24	27,180.00		71,850.80	15,462.09
City Sales Tax	21,293.92	90,020.21	7,151.25	58,582.23		59,883.15
<b>Total Major Governmental Funds</b>	<b>376,075.57</b>	<b>417,966.77</b>	<b>40,731.25</b>	<b>80,733.48</b>	<b>337,363.17</b>	<b>416,676.94</b>
<b>Non-major Governmental Fund</b>						
City Hall Maintenance	25,928.86		5,040.00			30,968.86
<b>Total Governmental Funds</b>	<b>402,004.43</b>	<b>417,966.77</b>	<b>45,771.25</b>	<b>80,733.48</b>	<b>337,363.17</b>	<b>447,645.80</b>
<b>Major Enterprise Fund</b>						
Utility Fund:						
Operations	242,155.95	586,602.04	48,102.19	24,714.00	547,881.99	304,264.19
Water	3,303.56	8.14				3,311.70
Water and Sewer Project	82,292.29	143,804.62		2,099.96	135,527.00	88,469.95
Water System Reserve	58,956.47	56.67	13,674.00			72,687.14
<b>Total Major Enterprise Fund</b>	<b>386,708.27</b>	<b>730,471.47</b>	<b>61,776.19</b>	<b>26,813.96</b>	<b>683,408.99</b>	<b>468,732.98</b>
<b>Total Primary Government</b>	<b>788,712.70</b>	<b>1,148,438.24</b>	<b>107,547.44</b>	<b>107,547.44</b>	<b>1,020,772.16</b>	<b>916,378.78</b>
<b>Discretely Presented Component Unit</b>						
Fessenden Airport Authority	38,537.27	5,202.87			3,994.39	39,745.75
<b>Total Reporting Entity</b>	<b>827,249.97</b>	<b>1,153,641.11</b>	<b>107,547.44</b>	<b>107,547.44</b>	<b>1,024,766.55</b>	<b>956,124.53</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 Fessenden  
Fessenden, North Dakota

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

#### **Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002, that we consider to be significant deficiencies.

## **Report on Compliance and Other Matters**

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

## **City's Response to Findings**

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

## **Purpose of this Report**

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

August 26, 2022



CITY OF FESSENDEN  
Fessenden, North Dakota

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

**SECTION I – SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of Auditor's Report Issued:	
Governmental Activities	Unmodified-Modified Cash Basis
Business-Type Activities	Unmodified-Modified Cash Basis
Discretely Presented Component Unit	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.