

**CITY OF GLENBURN  
GLENBURN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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**CITY OF GLENBURN**  
**ROSTER OF CITY OFFICIALS**  
**AS OF DECEMBER 31, 2021**

Names

Office

Eric Folstad

Mayor

David Ashley

Council President

Brian Bennett

Council

Rick Larson

Council

David Hoff

Council

Donna Zeltinger

City Auditor

## INDEPENDENT AUDITOR'S REPORT

Mayor and Aldermen of the  
City Council  
City of Glenburn  
Glenburn, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Glenburn, North Dakota, as of and for the year ended December 31, 2021, 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 financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Glenburn, North Dakota, 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 conformity with the modified cash basis of accounting described in Note 1.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 of Glenburn, North Dakota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *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: 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 the 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 of Glenburn, North Dakota'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 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 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, 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 generally accepted accounting standards and *Government Auditing Standards*, we

- Exercise professional judgment 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 the City of Glenburn, North Dakota'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Glenburn, North Dakota's ability to continue as a going concern for a reasonable period of time.

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

### ***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 opinion is not modified with respect to this matter.

### ***Other Information***

Management is responsible for the other information included. The other information comprises the Roster of City Officials, Budgetary Comparison Schedules, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer's Share of Net OPEB Liability, and Schedule of Employer Contributions but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2023, on our consideration of the City of Glenburn'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 of Glenburn's internal control over financial reporting and compliance.

**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

August 31, 2023

**CITY OF GLENBURN**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2021**

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 896,078	\$ 263,492	\$ 1,159,570
Due from other funds	7,886	-	7,886
Total Current Assets	<u>903,964</u>	<u>263,492</u>	<u>1,167,456</u>
Noncurrent Assets			
Cash restricted by debt covenants	-	39,075	39,075
Capital assets (net of accumulated depreciation)	819,388	2,228,654	3,048,042
Total Noncurrent Assets	<u>819,388</u>	<u>2,267,729</u>	<u>3,087,117</u>
Total Assets	<u>1,723,352</u>	<u>2,531,221</u>	<u>4,254,573</u>
<b>LIABILITIES</b>			
Current Liabilities			
Due to other funds	7,886	-	7,886
Bonds payable-current portion	25,000	35,000	60,000
Total current liabilities	<u>32,886</u>	<u>35,000</u>	<u>67,886</u>
Long-term Liabilities			
Bonds payable-non-current portion	125,000	547,479	672,479
Discount on bonds payable (net of accumulated amortization)	(2,275)	-	(2,275)
Total long-term liabilities	<u>122,725</u>	<u>547,479</u>	<u>670,204</u>
<b>TOTAL LIABILITIES</b>	<u>155,611</u>	<u>582,479</u>	<u>738,090</u>
<b>NET POSITION</b>			
Net investment in capital assets	671,663	1,646,175	2,317,838
Restricted for:			
Debt service	-	39,075	39,075
Unrestricted	<u>896,078</u>	<u>263,492</u>	<u>1,159,570</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,567,741</u>	<u>\$ 1,948,742</u>	<u>\$ 3,516,483</u>

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-Type Activities	Total			
<b>Governmental Activities</b>							
General government	\$ 178,720	\$ 4,648	\$ 35,895	\$ -	\$ (138,177)	\$ -	\$ (138,177)
Public safety	19,800	795	-	-	(19,005)	-	(19,005)
Public works	57,815	-	31,130	21,353	(5,332)	-	(5,332)
Health and welfare	17,636	-	-	-	(17,636)	-	(17,636)
Culture and recreation	6,388	-	-	-	(6,388)	-	(6,388)
Interest	6,850	-	-	-	(6,850)	-	(6,850)
Bank fees	1,020	-	-	-	(1,020)	-	(1,020)
Total Governmental Activities	<u>288,229</u>	<u>5,443</u>	<u>67,025</u>	<u>21,353</u>	<u>(194,408)</u>	<u>-</u>	<u>(194,408)</u>
<b>Business-Type Activities</b>							
Water	153,706	95,383	-	101,309	-	42,986	42,986
Sewer	29,689	51,986	-	-	-	22,297	22,297
Sanitation	34,000	33,229	-	-	-	(771)	(771)
Total Business-Type Activities	<u>\$ 217,395</u>	<u>\$ 180,598</u>	<u>\$ -</u>	<u>\$ 101,309</u>	<u>-</u>	<u>64,512</u>	<u>64,512</u>
General Revenues:							
Property taxes levied for general purposes					126,647	-	126,647
Property taxes levied for other purposes					2,600	-	2,600
City sales tax					50,913	-	50,913
Oil and gas tax					57,485	-	57,485
Other taxes					899	-	899
Unrestricted State aid					38,864	-	38,864
Interest and dividend income					3,218	-	3,218
Miscellaneous revenues					9,614	-	9,614
Transfers					(37,578)	37,578	-
Total General Receipts and Transfers					<u>252,662</u>	<u>37,578</u>	<u>290,240</u>
Changes in Net Position					<u>58,254</u>	<u>102,090</u>	<u>160,344</u>
Net Position, January 1					<u>1,509,487</u>	<u>1,846,652</u>	<u>3,356,139</u>
Net Position, December 31					<u>\$ 1,567,741</u>	<u>\$ 1,948,742</u>	<u>\$ 3,516,483</u>

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**BALANCE SHEET**  
**MODIFIED CASH BASIS – GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2021**

	<u>Major Funds</u>				<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Highway Fund</u>	<u>Cemetery Fund</u>	
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 896,078	\$ -	\$ -	\$ -	\$ 896,078
Due from other funds	<u>7,886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,886</u>
<b>TOTAL ASSETS</b>	<u>\$ 903,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 903,964</u>
<b>LIABILITIES</b>					
Due to other funds	<u>\$ -</u>	<u>\$ 7,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,886</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>7,886</u>	<u>-</u>	<u>-</u>	<u>7,886</u>
<b>FUND BALANCE</b>					
Committed	7,894	-	-	-	7,894
Unassigned	<u>896,070</u>	<u>(7,886)</u>	<u>-</u>	<u>-</u>	<u>888,184</u>
<b>TOTAL FUND BALANCE</b>	<u>903,964</u>	<u>(7,886)</u>	<u>-</u>	<u>-</u>	<u>896,078</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 903,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 903,964</u>

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS – GOVERNMENTAL FUNDS**  
**TO STATEMENT OF NET POSITION – MODIFIED CASH BASIS - GOVERNMENTAL ACTIVITIES**  
**DECEMBER 31, 2021**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance-governmental funds	\$	896,078
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$	1,080,908
Accumulated Depreciation		<u>(261,520)</u>
Net		819,388
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported in the governmental funds:		
Bonds Payable		(150,000)
Discounts on bonds payable are treated as other financing uses in government funds, but are deferred to future periods in the Statement of Net Position (amortized over the life of the bonds)		
		<u>2,275</u>
Total net position-governmental activities	\$	<u>1,567,741</u>

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**MODIFIED CASH BASIS – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Major Funds</b>				<b>Total</b>
	<b>General</b>	<b>Debt Service</b>	<b>Highway Fund</b>	<b>Cemetery Funds</b>	
<b>Revenues:</b>					
Property taxes	\$ 126,647	\$ -	\$ -	\$ 2,600	\$ 129,247
Other taxes	109,297	-	31,130	-	140,427
Special assessments	-	21,353	-	-	21,353
Licenses, permits and fees	4,648	-	-	-	4,648
State aid	38,864	-	-	-	38,864
Intergovernmental	35,895	-	-	-	35,895
Fines and forfeits	795	-	-	-	795
Miscellaneous revenues	9,614	-	-	-	9,614
Interest and dividends	3,218	-	-	-	3,218
<b>Total revenues</b>	<b>328,978</b>	<b>21,353</b>	<b>31,130</b>	<b>2,600</b>	<b>384,061</b>
<b>Expenditures:</b>					
Current:					
General government	176,120	-	-	2,600	178,720
Public safety	19,800	-	-	-	19,800
Public works	5,504	-	31,609	-	37,113
Health and welfare	17,636	-	-	-	17,636
Culture and recreation	6,388	-	-	-	6,388
Debt service:					
Principal retirement	-	25,000	-	-	25,000
Interest	-	6,500	-	-	6,500
Bank fees	-	1,020	-	-	1,020
<b>Total expenditures</b>	<b>225,448</b>	<b>32,520</b>	<b>31,609</b>	<b>2,600</b>	<b>292,177</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	479	-	479
Operating transfers out	(38,057)	-	-	-	(38,057)
<b>Total other financing sources (uses)</b>	<b>(38,057)</b>	<b>-</b>	<b>479</b>	<b>-</b>	<b>(37,578)</b>
Net Change in Fund Balances	65,473	(11,167)	-	-	54,306
Fund Balance (Deficit), January 1	838,491	3,281	-	-	841,772
Fund Balance (Deficit), December 31	\$ 903,964	\$ (7,886)	\$ -	\$ -	\$ 896,078

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS**  
**TO STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**GOVERNMENTAL ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance- total governmental funds	\$	54,306
<p>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 as          depreciation expense. In the current period, these amounts are:</p>		
Depreciation expense	\$ (20,702)	(20,702)
<p>Repayment of noncurrent liabilities is an expenditure in the governmental funds, but the          repayment reduces noncurrent liabilities in the Statement of Net Position. Additionally,          premiums or discounts related to the debt are included on the Statement of Net Position and          amortized to interest expense over the life of the debt in the Statement of Activities.</p>		
Amortization of Bond Discount		(350)
Principal Payments of Bonds Payable		<u>25,000</u>
Net change in net position of governmental activities	\$	<u>58,254</u>

**CITY OF GLENBURN**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2021**

	<b>Major Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 34,143	\$ 215,919	\$ 13,430	\$ 263,492
Noncurrent Assets				
Cash restricted by debt covenants	11,350	27,725	-	39,075
Capital assets (net of accumulated depreciation)	1,626,156	602,498	-	2,228,654
Total Noncurrent Assets	1,637,506	630,223	-	2,267,729
<b>TOTAL ASSETS</b>	<b>1,671,649</b>	<b>846,142</b>	<b>13,430</b>	<b>2,531,221</b>
<b>LIABILITIES</b>				
Current Liabilities				
Current portion of long - term Debt	15,000	20,000	-	35,000
Total Current Liabilities	15,000	20,000	-	35,000
Noncurrent Liabilities				
Long-term debt, net of current portion	377,479	170,000	-	547,479
<b>TOTAL LIABILITIES</b>	<b>392,479</b>	<b>190,000</b>	<b>-</b>	<b>582,479</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,233,677	412,498	-	1,646,175
Restricted for debt service	11,350	27,725	-	39,075
Unrestricted	34,143	215,919	13,430	263,492
<b>TOTAL NET POSITION</b>	<b>\$ 1,279,170</b>	<b>\$ 656,142</b>	<b>\$ 13,430</b>	<b>\$ 1,948,742</b>

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –**  
**MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Major Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Garbage</b>	
<b>Operating Revenues</b>				
Charges for services	\$ 95,383	\$ 51,986	\$ 33,229	\$ 180,598
<b>Operating Expenses</b>				
Water	112,806	-	-	112,806
Sewer	-	8,602	-	8,602
Garbage	-	-	34,000	34,000
Interest	5,619	5,250	-	10,869
Bank fees	1,873	1,050	-	2,923
Depreciation	<u>33,408</u>	<u>14,787</u>	<u>-</u>	<u>48,195</u>
Total operating expenses	<u>153,706</u>	<u>29,689</u>	<u>34,000</u>	<u>217,395</u>
Income (loss) before capital contributions	(58,323)	22,297	(771)	(36,797)
Transfers in	37,578	-	-	37,578
Capital contributions	<u>101,309</u>	<u>-</u>	<u>-</u>	<u>101,309</u>
Change in net position	80,564	22,297	(771)	102,090
Net Position, January 1	<u>1,198,606</u>	<u>633,845</u>	<u>14,201</u>	<u>1,846,652</u>
Net Position, December 31	<u>\$ 1,279,170</u>	<u>\$ 656,142</u>	<u>\$ 13,430</u>	<u>\$ 1,948,742</u>

See Notes to the Financial Statements

**CITY OF GLENBURN**  
**STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Major Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	
<b>CASH FLOWS FROM (TO) OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 95,383	\$ 51,986	\$ 33,229	\$ 180,598
Cash payments to suppliers	(120,298)	(14,902)	(34,000)	(169,200)
Net cash flow from operating activities	<u>(24,915)</u>	<u>37,084</u>	<u>(771)</u>	<u>11,398</u>
<b>CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfer from other funds	37,578	-	-	37,578
Capital contributions	101,309	-	-	101,309
Purchases of property and equipment	(135,078)	-	-	(135,078)
Long term borrowing	33,770	-	-	33,770
Payment on long-term borrowing	(15,000)	(20,000)	-	(35,000)
Net cash flow from capital and related financing activities	<u>22,579</u>	<u>(20,000)</u>	<u>-</u>	<u>2,579</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,336)	17,084	(771)	13,977
CASH AND CASH EQUIVALENTS, JANUARY 1, 2021	<u>47,829</u>	<u>226,560</u>	<u>14,201</u>	<u>288,590</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2021	<u>\$ 45,493</u>	<u>\$ 243,644</u>	<u>\$ 13,430</u>	<u>\$ 302,567</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income	\$ (58,323)	\$ 22,297	\$ (771)	\$ (36,797)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	33,408	14,787	-	48,195
Net cash provided (used) by operating activities	<u>\$ (24,915)</u>	<u>\$ 37,084</u>	<u>\$ (771)</u>	<u>\$ 11,398</u>

See Notes to the Financial Statements

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Glenburn, North Dakota (the City) provides general public services to property owners within the City, including but not limited to roads, water, sewer and garbage collection services.

The more significant of the government's accounting policies are described below.

**Reporting Entity**

The accompanying financial statements present the activities of the City of Glenburn. 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 Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria includes appointing a voting majority of an organizations governing body or an organization being fiscally dependent and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

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

**Basis of Presentation**

The City's accounting policy is to maintain the accounting records and present its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

*Government-Wide Financial Statements*

The Statement of Net Position and Statement of Activities display information about the reporting government taken as a whole. They include all funds of the reporting entity except any custodial funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange receipts. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

*Fund Financial Statements*

Fund financial statements of the City 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 expenditures. Funds are typically organized into three categories: governmental, proprietary, and fiduciary.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of an individual fund are at least 10 percent of the corresponding total for all funds of that type, AND
2. Total assets, liabilities, revenues or expenditures/expenses of the individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds combined.

Major funds of the City's financial reporting entity are described below.

*Governmental Funds*

General Fund

The general fund is the primary operating fund of the City and is 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.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt, principal and interest.

Highway Fund

This special revenue fund accounts for revenues legally required to be used for roads, and the related costs of repairing or construction of the roads.

*Proprietary Funds*

The City's proprietary funds consist of three enterprise funds. Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activities focuses on net income measurement similar to the private sector.

The City's enterprise funds are as follows:

Water Fund

This fund accounts for the activity of the water department. The department operates the water distribution system of the City of Glenburn.

Sewer Fund

This fund accounts for the activities of the sewer department. This department operates the sewage treatment plant, sewage pumping stations and collection systems in the City of Glenburn.

Sanitation Fund

This fund accounts for the activities of the garbage collection system within the City of Glenburn.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

**Measurement Focus and Basis of Accounting**

*Measurement Focus*

Measurement focus is a term used to describe “how” transactions are recorded within various financial statements.

Government-wide financial statements: In the government-wide Statement of Net Position and the Statement of Activities, the government-type activities and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

Fund financial statements: 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 within the limitations of the modified cash basis of accounting. 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 within the limitations of the modified cash basis of accounting. 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.

Proprietary funds distinguish *operating* revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City of Glenburn’s enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Basis of Accounting*

The basis of accounting determines “when” transactions are recorded regardless of the measurement focus applied.

The government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type 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 capital assets and related depreciation and long-term debt in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

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.

### **Budgets and Budgetary Accounting**

The governing board adopts an annual budget on a basis consistent with the modified cash basis of accounting for each of its major governmental funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements.

- On or before September 10<sup>th</sup> of the preceding fiscal year, the city prepares a preliminary budget for the next succeeding year beginning January 1<sup>st</sup>. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After budget hearing and on or before October 7<sup>th</sup>, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10<sup>th</sup>.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue 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 proceedings of the board.
- All annual appropriations lapse at year-end.

### **Cash and Equivalents**

Deposits must be either deposited in the Bank of North Dakota or in another financial institution situated and doing business within this state. Deposits, other than those with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

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.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

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 Obligations of the state.
4. Obligations of the state.

At December 31, 2021, the City of Glenburn's cash and cash equivalents included \$112,500 of certificates of deposits stated at cost.

### **Property Taxes**

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

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

### **Capital Assets**

Capital assets include infrastructure, buildings and equipment. 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 acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the 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:

Building	50 years
Infrastructure	50 years
Equipment	7 to 10 years
Vehicles	7 to 10 years

### **Long-Term Debt**

In the government-wide statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities and proprietary fund financial statements.

In the governmental fund financial statements, long-term debt is not recognized as a liability. Instead, proceeds from the issuance of debt and repayment of debt principal are recognized as "Other Financing Sources" and "Expenditures", respectively, in the fund financial statements.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

**Compensated Absences**

Each continuous full-time employee is granted paid time off from 96 hours to 192 hours per year based on years of service. The maximum number of paid time off hours that can be accrued is a total of 480 hours.

**Net Position**

In the government-wide financial statements, equity is classified as “net position” and displayed in three components:

1. Net Investment in Capital Assets – Consists of the remaining undepreciated cost of the assets less the outstanding debt associated with the purchase or construction of the related asset.
2. Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

**Fund Balance**

The difference between assets, deferred inflows/outflows and liabilities is “Net Position” on the government wide financial statements and “Fund Balance” on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Non-spendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, which is the Board, through a resolution.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Board.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The first priority is to utilize the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used like assigned or unassigned.

### **Minimum Fund Balance Policy**

The Council has not formally adopted a fund balance policy for the General Fund.

### **Estimates**

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Significant Group Concentrations of Credit Risk**

For deposits and investments, the custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover any collateral securities that are not in the possession of an outside party. As discussed in Note 1, state statutes require that market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

### **Inter-fund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the City's governmental activities and its business-type activities, are eliminated in the statement of activities.

**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

At December 31, 2021, the deposits of the City were entirely covered by federal depository insurance or by the collateral held by the City's custodial bank in the City's name.

**Interest Rate Risk**

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**NOTE 3 - CASH RESTRICTED BY DEBT COVENANTS**

Cash restricted by debt covenants consists of amounts required to be deposited into a reserve account under the terms of the bonds payable, as discussed in Note 5. Beginning September 1, 2010, \$5,545 must be deposited in the reserve account each September 1 through 2014, resulting in a final reserve balance of \$27,725 for the SRF Revenue Bond. Beginning September 1, 2020, \$5,675 must be deposited in the reserve account each September 1 through 2024, resulting in a final reserve balance of \$28,375 for the Water Treatment Revenue Bond. As of December 31, 2021, the balance of the reserves were \$39,075 and \$27,725, respectively.

**NOTE 4 - CAPITAL ASSETS**

Changes in capital assets for the governmental activities for the year ended December 31, 2021 are as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Non Depreciable					
Land	\$ 4,500	\$ -	\$ -	\$ -	\$ 4,500
Depreciable					
Buildings	261,273	-	-	-	261,273
Infrastructure	706,539	-	-	-	706,539
Equipment	96,396	-	-	-	96,396
Vehicles	12,200	-	-	-	12,200
Total Gov't Activities Capital Assets	<u>1,080,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,080,908</u>
Accumulated Depreciation					
Buildings	41,171	5,543	-	-	46,714
Infrastructure	93,872	14,130	-	-	108,002
Equipment	93,575	1,029	-	-	94,604
Vehicles	12,200	-	-	-	12,200
Total Accumulated Depreciation	<u>240,818</u>	<u>20,702</u>	<u>-</u>	<u>-</u>	<u>261,520</u>
Net Capital Assets - Gov't Activities	<u>\$ 840,090</u>	<u>\$ (20,702)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 819,388</u>

**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Changes in capital assets for the business-type activities for the year ended December 31, 2021 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>					
<b>Non Depreciable</b>					
Land	\$ 31,575	\$ -	\$ -	\$ -	\$ 31,575
Construction in process	1,485,977	135,078	-	(1,621,055)	-
<b>Depreciable</b>					
Infrastructure	788,703	-	-	1,621,055	2,409,758
Equipment	109,220	-	-	-	109,220
<b>Total Capital Assets</b>	<u>2,415,475</u>	<u>135,078</u>	<u>-</u>	<u>-</u>	<u>2,550,553</u>
<b>Accumulated Depreciation</b>					
Buildings and improvements	164,484	48,195	-	-	212,679
Equipment and vehicles	109,220	-	-	-	109,220
<b>Total Accumulated Depreciation</b>	<u>273,704</u>	<u>48,195</u>	<u>-</u>	<u>-</u>	<u>321,899</u>
<b>Net Capital Assets</b>	<u>\$ 2,141,771</u>	<u>\$ 86,883</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,228,654</u>

Depreciation expenses charged to the various functions in the Statement of Activities are as follows:

<b>Governmental Activities</b>	
Public Works	<u>\$ 20,702</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<u>\$ 20,702</u>
<b>Business-Type Activities</b>	
Water	\$ 33,408
Sewer	<u>14,787</u>
<b>Total Depreciation Expense - Business-Type Activities</b>	<u>\$ 48,195</u>

**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 5 - CHANGES IN LONG-TERM DEBT**

The following is a summary of changes in the governmental and business-type activities long-term debt by individual issue for the year ended December 31, 2021:

<b>Governmental Activities</b>					
Debt Issuance	Balance 12-31-20	New Issues	Retired	Balance 12-31-21	Due within One Year
Refunding Improvement Bond of 2013	\$ 175,000	\$ -	\$ 25,000	\$ 150,000	\$ 25,000
Bond Discount	(2,625)	-	(350)	(2,275)	-
	<u>\$ 172,375</u>	<u>\$ -</u>	<u>\$ 24,650</u>	<u>\$ 147,725</u>	<u>\$ 25,000</u>
<b>Business-Type Activities</b>					
Issue	Balance 12-31-20	New Issues	Retired	Balance 12-31-21	Due within One Year
SRF Revenue Bond	\$ 210,000	\$ -	\$ 20,000	\$ 190,000	\$ 20,000
Water Treatment Revenue Bond Series	373,709	33,770	15,000	392,479	15,000
	<u>\$ 583,709</u>	<u>\$ 33,770</u>	<u>\$ 35,000</u>	<u>\$ 582,479</u>	<u>\$ 35,000</u>

**Loans and Bonds Payable**

SRF Loan

On June 26, 2009, the City of Glenburn was granted a loan in the amount of \$824,900 under the Clean Water State Revolving Fund Program, which is considered a federal award. The loan is primarily being used to expand Glenburn's lagoon and improve the City's lift station.

Upon closing, \$412,450 of the loan was forgiven, with the remaining \$412,450 being granted in the form of a revenue bond. Cash from both the bond and the grant was received upon submission of requests for payment for bills due stemming from the lagoon and lift station improvements, as well as dredging the lagoon and purchasing a tractor.

The bond is dated July 1, 2009 and matures on September 1, 2029. Payments began in 2010 and are made semi-annually. The average annual payment, including principal and interest, is \$26,546. The bond's interest rate is 2.5 percent. The bond payable is secured by the operating income, excluding depreciation and interest expense, of the Sewer Fund.

**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Debt service requirements are as follows:

Year	Principal	Interest	Total
2022	\$ 20,000	\$ 5,250	\$ 25,250
2023	20,000	4,250	24,250
2024	24,000	3,750	27,750
2025	24,000	3,150	27,150
2026	25,000	2,550	27,550
2027-2031	77,000	3,850	80,850
Totals	<u>\$ 190,000</u>	<u>\$ 22,800</u>	<u>\$ 212,800</u>

During, 2019, the City of Glenburn was granted another loan under the Clean Water State Revolving Fund Program in the amount of \$600,000, which is considered a federal award. The loan is primarily being used for installation of a water main and construction of a water tower.

The bond was issued April 8, 2019 and matures on September 1, 2049. Semi-annual Interest payments began in 2019 and annual principal payments began in 2020. The bond's interest rate is 1.5 percent. The bond payable is secured by the operating income, excluding depreciation and interest expense, of the Water Fund and a portion of the City's one percent sales and use tax.

Debt service requirements are as follows:

Year	Principal	Interest	Total
2022	\$ 15,000	\$ 5,887	\$ 20,887
2023	15,000	5,662	20,662
2024	15,000	5,437	20,437
2025	15,000	5,212	20,212
2026	15,000	4,987	19,987
2027-2031	90,000	21,336	111,336
2032-2036	100,000	14,061	114,061
2037-2041	105,000	6,561	111,561
2042-2046	22,479	337	22,816
Totals	<u>\$ 392,479</u>	<u>\$ 69,480</u>	<u>\$ 461,959</u>

Refunding Improvement Bonds

On July 15, 2013, the City of Glenburn authorized the issuance of the Refunding Improvement Bonds of 2015 in the amount of \$350,000 to pave Chelsey Street. The bonds are dated July 15, 2013, with annual principal payments ranging from \$20,000 to \$25,000 and semi-annual interest payments ranging from 2.75% to 4%. Payments end on May 1, 2028. The bond is paid for by the Debt Service Fund and is payable from special assessment real estate taxes.

The discount of \$5,250 was capitalized and will be amortized to interest expense on a straight-line basis (as the difference between the straight-line and effective interest methods were immaterial). The amount amortized in the current year was \$350.

**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Debt service requirements for bonds payable are as follows:

Year	Principal	Interest	Total
2022	\$ 25,000	\$ 5,500	\$ 30,500
2023	25,000	4,500	29,500
2024	20,000	3,600	23,600
2025	20,000	2,800	22,800
2026	20,000	2,000	22,000
2027-2031	40,000	1,600	41,600
Totals	<u>\$ 150,000</u>	<u>\$ 20,000</u>	<u>\$ 170,000</u>

**NOTE 6 - PENSION PLAN**

**North Dakota Public Employees' Retirement System (Main System)**

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**Pension Benefits**

Benefits are set by statute. NDPERS has no provisions 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 was 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.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

**Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

**Refunds of Member Account Balance**

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

**Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. The City's contributions to the pension plan were \$4,598 for the year ended December 31, 2021.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

**Information about the City's Proportionate Share of Pension Obligation**

*Commitment Related to Proportionate Share of Net Pension Liability*

At December 31, 2021, NDPERS, as a whole, reported a total net pension liability of \$1,042,300,508 of which the City's proportionate share amounted to \$60,380. Because of the use of a modified cash basis of accounting framework in the preparation of these financial statements, this proportionate share of the NDPERS net pension liability is not reported in the City's financial statements as a liability, and is instead disclosed herein as a commitment. In accordance with the modified cash basis of accounting, pension expense or expenditures are only reported when contributions are paid by the City to NDPERS.

The NDPERS net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's covered payroll relative to the covered payroll of all participating local governments, actuarially determined. At December 31, 2021, the City's proportion was 0.005793 percent, which was a decrease of 0.000072 from its proportion measured as of December 31, 2020.

*Actuarial assumptions*

Actuarial assumptions used in the determination of net pension liability, including mortality rates and life expectancies, long-term expected rate of return, discount rate and sensitivity of the net pension liability to changes in discount rate are available in the separately issued NDPERS financial report that can be obtained at <https://ndpers.nd.gov/>.

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. The City's contributions to the OPEB plan were \$736 for the year ended December 31, 2021.

Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**Information about the City's Proportionate Share of OPEB Obligation**

*Commitment Related to Proportionate Share of Net OPEB Liability*

At December 31, 2021, NDPERS, as a whole, reported a total net OPEB liability of \$55,617,283 of which the City's proportionate share amounted to \$3,346. Because of the use of a modified cash basis of accounting framework in the preparation of these financial statements, this proportionate share of the net OPEB liability is not reported in the City's financial statements as a liability, and is instead disclosed herein as a commitment. In accordance with the modified cash basis of accounting, pension expense or expenditures are only reported when contributions are paid by the City to NDPERS.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's covered payroll relative to the covered payroll of all participating local governments, actuarially determined. At December 31, 2021, the City's proportion was 0.006017 percent, which was an increase of 0.000342 from its proportion measured as of December 31, 2020.

*Actuarial assumptions*

Actuarial assumptions used in the determination of net OPEB liability, including mortality rates and life expectancies, long-term expected rate of return, discount rate and sensitivity of the net OPEB liability to changes in discount rate are available in the separately issued NDPERS financial report that can be obtained at <https://ndpers.nd.gov/>.

**NOTE 8 - RISK MANAGEMENT**

The City of Glenburn 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 of Glenburn pays an annual premium to NDRIF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile insurance and \$261,934 for inland marine coverage.

The City of Glenburn 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 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 two million dollars 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 \$325,321 for its employees. The State Bonding does not currently charge any premium for this coverage.

The City of Glenburn has insurance with North Dakota Workforce Safety and Insurance. The City provides a wage benefit paid directly to the full-time city manager for the purchase of health insurance. The benefit is prorated for the part-time city auditor.

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

**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE 9 - FUND BALANCE**

At December 31, 2021, a summary of the governmental fund balance classifications are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Highway Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
<b>Committed</b>					
Advertising	\$ 1,563	\$ -	\$ -	\$ -	\$ 1,563
Emergency	6,331	-	-	-	6,331
<b>Unassigned</b>	<u>896,070</u>	<u>(7,886)</u>	<u>-</u>	<u>-</u>	<u>888,184</u>
<b>Total Fund Balance</b>	<u>\$ 903,964</u>	<u>\$ (7,886)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 896,078</u>

The deficit in the debt service fund is expected to be eliminated through future revenue or a transfer from the general fund.

**NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of December 31, 2021 is as follows:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 7,886	Cash Deficit

**NOTE 11 - TRANSFERS**

The composition of interfund transfers for the year ending December 31, 2021 is as follows.

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Highway Fund	\$ 479	Cash Deficit
General Fund	Water Fund	37,758	Infrastructure Costs

**NOTE 12 - NEW PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

**CITY OF GLENBURN**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2021

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of

**CITY OF GLENBURN**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the City's financial statements.

**NOTE 13 - SUBSEQUENT EVENTS**

No significant events have occurred subsequent to the City's year end. Subsequent events have been evaluated through August 31, 2023, which is the date these financial statements were available to be issued.

**CITY OF GLENBURN**  
**BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:			
Property taxes	\$ 174,024	\$ 126,647	\$ (47,377)
Other taxes	55,100	109,297	54,197
Licenses, permits and fees	2,800	4,648	1,848
State aid	25,000	38,864	13,864
Intergovernmental	-	35,895	35,895
Charges for services	300	-	(300)
Fines and forfeits	300	795	495
Miscellaneous revenues	8,795	9,614	819
Interest and dividends	4,500	3,218	(1,282)
	<u>270,819</u>	<u>328,978</u>	<u>58,159</u>
Expenditures:			
Current:			
General government	164,519	176,120	(11,601)
Public safety	23,400	19,800	3,600
Public works	-	5,504	(5,504)
Highways and streets	66,200	-	66,200
Health and welfare	16,700	17,636	(936)
Culture and recreation	-	6,388	(6,388)
	<u>270,819</u>	<u>225,448</u>	<u>45,371</u>
Other Financing Sources (Uses):			
Operating transfers out	-	(38,057)	(38,057)
	<u>-</u>	<u>(38,057)</u>	<u>(38,057)</u>
Total other financing sources (uses)			
	<u>-</u>	<u>(38,057)</u>	<u>(38,057)</u>
Net Change in Fund Balance	-	65,473	65,473
Fund Balance (Deficit), Beginning of Year	<u>838,491</u>	<u>838,491</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ 838,491</u>	<u>\$ 903,964</u>	<u>\$ 65,473</u>

See Notes to the Other Information

**CITY OF GLENBURN**  
**BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS**  
**HIGHWAY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:			
Intergovernmental revenues	\$ -	\$ 31,130	\$ 31,130
Total revenues	<u>-</u>	<u>31,130</u>	<u>31,130</u>
Expenditures:			
Current:			
Public works	<u>63,500</u>	<u>31,609</u>	<u>31,891</u>
Total expenditures	<u>63,500</u>	<u>31,609</u>	<u>31,891</u>
Other Financing Sources (Uses):			
Operating transfers in	<u>-</u>	<u>479</u>	<u>479</u>
Total other financing sources (uses)	<u>-</u>	<u>479</u>	<u>479</u>
Net Change in Fund Balance	(63,500)	-	63,500
Fund Balance (Deficit), Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ (63,500)</u>	<u>\$ -</u>	<u>\$ 63,500</u>

See Notes to the Other Information

**CITY OF GLENBURN**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**LAST TEN YEARS (PRESENTED PROSPECTIVELY)**

For the Fiscal Year Ended June 30	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.005790%	\$ 60,380	\$ 65,602	92.04%	78.26%
2020	0.005870%	184,514	64,695	285.21%	48.91%
2019	0.006010%	70,453	62,527	112.68%	71.66%
2018	0.005897%	99,518	60,585	164.26%	62.80%
2017	0.005805%	93,305	59,261	157.45%	61.98%
2016	0.005634%	54,909	56,773	96.72%	70.46%
2015	0.006103%	41,499	54,371	76.33%	77.15%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous year.

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

**CITY OF GLENBURN**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET OPEB LIABILITY**  
**LAST TEN YEARS (PRESENTED PROSPECTIVELY)**

For the Fiscal Year Ended June 30	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2021	0.006017%	\$ 3,346	\$ 65,602	5.10%	76.63%
2020	0.005675%	4,774	64,695	7.38%	63.38%
2019	0.005603%	4,500	62,527	7.20%	63.13%
2018	0.005537%	4,361	60,585	7.20%	61.89%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net OPEB liability which is June 30 of the previous fiscal year.

Complete data for this schedule is not available prior to 2017.

**CITY OF GLENBURN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**ND PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**DECEMBER 31, 2021**

**Pension**

Year Ended Dec 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered-Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 5,834	\$ (4,598)	\$ 1,236	\$ 81,932	7.12%
2020	4,643	(4,643)	-	65,207	7.12%
2019	4,536	(4,536)	-	63,711	7.12%
2018	4,381	(4,381)	-	61,537	7.12%
2017	4,252	(4,252)	-	59,719	7.12%
2016	4,042	(4,042)	-	56,773	7.12%

**OPEB**

Year Ended Dec 31	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2021	\$ 736	\$ 934	\$ 198	\$ 81,932	1.14%
2020	743	743	-	65,207	1.14%
2019	726	726	-	63,711	1.14%

The amounts presented for each fiscal year were determined as of the City's year end which is December 31.

**CITY OF GLENBURN**  
NOTES TO THE OTHER INFORMATION  
DECEMBER 31, 2021

**NOTE 1 - BUDGETARY COMPARISON**

**Basis of Accounting**

Based upon available financial information, the city auditor prepares the city's budget. The budget is prepared on the modified cash basis of accounting. The budget includes the proposed expenditures and the means of financing them.

**Relevant Dates**

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- On or before September 10<sup>th</sup> of the preceding fiscal year, the city prepares a preliminary budget for the next succeeding year beginning January 1<sup>st</sup>. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After budget hearing and on or before October 7<sup>th</sup>, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10<sup>th</sup>.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue 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 proceedings of the board.
- All annual appropriations lapse at year-end.

**CITY OF GLENBURN**  
NOTES TO THE OTHER INFORMATION - CONTINUED  
DECEMBER 31, 2021

**NOTE 2 - CHANGES OF BENEFIT TERMS AND ASSUMPTIONS**

**NDPERS**

**Changes of benefit terms.**

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

**Changes of assumptions.**

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

**OPEB**

**Changes of benefit terms.**

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

**Changes of assumptions.**

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

**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**

Governing Board  
City of Glenburn  
Glenburn, North Dakota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the remaining fund information of the City of Glenburn, North Dakota, as of and for the year ended December 31, 2021, 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 31, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Glenburn's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Glenburn's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Glenburn'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 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 the 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 have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001, 2021-002 and 2021-003 that we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Glenburn, North Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 2021-003.

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

Government Auditing Standards requires the auditor to perform limited procedures on the City of Glenburn's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Glenburn's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 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.

**BRADY, MARTZ & ASSOCIATES, P.C.**  
**GRAND FORKS, NORTH DAKOTA**

August 31, 2023

**CITY OF GLENBURN**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2021**

**Control Deficiency 2021-001 – Material Weakness**

**Criteria**

Generally, a system of internal control has the proper separation of duties between the authorization, custody, record keeping and reconciliation functions.

**Condition**

The City's internal control structure does not provide for the proper segregation of duties and reconciliation.

**Cause**

The number of personnel within the accounting department is limited.

**Effect**

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Recommendation**

The above functions should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the Council.

**Views of Responsible Officials and Planned Corrective Actions**

The City Council will continue to review financial information as a compensating control.

**CITY OF GLENBURN**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
DECEMBER 31, 2021

**Control Deficiency 2021-002 – Material Weakness**

**Criteria**

An appropriate system of internal control requires the City to prepare financial statements in compliance with accounting principles generally accepted in the United States of America, as applied under the modified cash basis of accounting.

**Condition**

The City's auditor prepares periodic financial information for internal use that meets the needs of the Council. However, the City currently does not prepare financial statements, including accompanying note disclosures, as required by the modified cash basis of accounting. The City has elected to have the auditors 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**

We recommend the City consider the additional risk of having the auditors assist in the preparation of the 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.

**Views of Responsible Officials and Planned Corrective Actions**

Due to financial, efficiency and time constraints, it has been determined by the City's management that it is in the best interest of the City to have the financial statements and accompanying note disclosures prepared by the auditing firm at the time of the audit.

**CITY OF GLENBURN**  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
DECEMBER 31, 2021

**Control Deficiency 2021-003 – Material Weakness**

**Criteria**

An appropriate system of internal control requires the City to make retirement and OPEB contributions based on covered payroll.

**Condition**

The City's contributions for 2021 and previous years were insufficient.

**Cause**

The City used an incorrect payroll base when calculating required contributions.

**Effect**

The City was assessed interest and penalties on the contribution deficit in 2022.

**Recommendation**

We recommend the City review its covered payroll going forward to ensure contribution requirements are being met.

**Views of Responsible Officials and Planned Corrective Actions**

I, Donna Zeltinger, City Auditor, was told by an insurance agent back in 2009 that I could subtract the monies paid for health insurance from my gross wages and did not need to take withholding from this money. She had me fill out a form for the tax department and that was sent in. The withholdings were included on the W2 forms when filing with the federal and state yearly tax forms. When Donna went on Medicare in 2022 she no longer subtracted any medical insurance so NDPERS asked why the earnings were much higher than previous years. NDPERS stated that there should have been withholdings from the gross wages so they went back and totaled up all of the back wages and amounts for retirement. They worked out a schedule for repayment and all of that has been completed with Donna and the City. The council was made aware of all of these doings and approved to pay the back penalties.