

AUDIT REPORT

CITY OF LINTON
Linton, North Dakota

For the Years Ended December 31, 2021 and 2020

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF LINTON
Linton, North Dakota

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CITY OF LINTON
Linton, North Dakota

CITY OFFICIALS

Daniel Imdieke	Mayor
Dennis Morris	President
Shelly Hauge	Vice President
Travis Dockter	Council Member
Wayne Ehley	Council Member
Randall Meidinger	Council Member
Jon Ptacek	Council Member
Sharon Jangula	Auditor/Administrator
Joy Bosch	Deputy Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehrer, CPA
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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Linton
Linton, North Dakota

Report on the Audit of Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

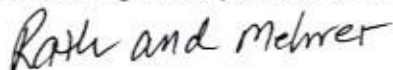
Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2022 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

July 8, 2022

CITY OF LINTON
Linton, North Dakota

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

	Primary Government		Component Units			
	Governmental Activities	Business-Type Activities	Total	Municipal Airport Authority	Public Library	Linton Industrial Dev. Corp.
ASSETS:						
Cash, Cash Equivalents and Investments	1,245,902.60	1,071,368.98	2,317,271.58	27,466.11	22,635.97	731,303.19
Economic Development Notes Receivable						139,005.82
Capital Assets (net of accumulated depreciation):						
Land	10,000.00		10,000.00	81,000.00		
Buildings and Infrastructure	3,659,608.00	7,453,965.00	11,113,573.00	2,425,089.00		
Machinery and Vehicles	155,093.00	379,271.00	534,364.00			
Total Capital Assets	3,824,701.00	7,833,236.00	11,657,937.00	2,506,089.00	-	-
Total Assets	5,070,603.60	8,904,604.98	13,975,208.58	2,533,555.11	22,635.97	870,309.01
LIABILITIES:						
Long-Term Liabilities:						
Due Within One Year:						
Special Assessments Bonds Payable	255,227.61		255,227.61			
Revenue Bonds Payable		103,160.72	103,160.72			
Due After One Year:						
Special Assessments Bonds Payable	1,904,772.39		1,904,772.39			
Revenue Bonds Payable		4,538,113.88	4,538,113.88			
Total Liabilities	2,160,000.00	4,641,274.60	6,801,274.60	-	-	-
NET POSITION:						
Net Investment in Capital Assets	1,664,701.00	3,191,961.40	4,856,662.40	2,506,089.00		
Restricted for:						
Debt Service	538,250.85	133,990.20	672,241.05			
Infrastructure/Capital Improvements		226,729.64	226,729.64			
USDA Sewer Project		4,509.62	4,509.62			
Asset Replacement		104,533.85	104,533.85			
Special Purposes	398,729.64		398,729.64			
Unrestricted	308,922.11	601,605.67	910,527.78	27,466.11	22,635.97	870,309.01
Total Net Position	2,910,603.60	4,263,330.38	7,173,933.98	2,533,555.11	22,635.97	870,309.01

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

CITY OF LINTON
Linton, North Dakota

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

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Municipal Airport Authority	Public Library	Linton Industrial Dev. Corp.
ASSETS:						
Cash, Cash Equivalents and Investments	1,316,483.26	1,000,774.76	2,317,258.02	23,780.41	21,232.96	664,952.02
Economic Development Notes Receivable						211,823.26
Capital Assets (net of accumulated depreciation):						
Land	10,000.00		10,000.00	81,000.00		
Buildings and Infrastructure	2,220,089.00	7,658,725.00	9,878,814.00	2,603,200.00		
Machinery and Vehicles	186,584.00	418,219.00	604,803.00			
Total Capital Assets	2,416,673.00	8,076,944.00	10,493,617.00	2,684,200.00	-	-
Total Assets	3,733,156.26	9,077,718.76	12,810,875.02	2,707,980.41	21,232.96	876,775.28
LIABILITIES:						
Long-Term Liabilities:						
Due Within One Year:						
Special Assessments Bonds Payable	215,000.00		215,000.00			
Revenue Bonds Payable		141,734.97	141,734.97			
Due After One Year:						
Special Assessments Bonds Payable	860,000.00		860,000.00			
Revenue Bonds Payable		4,682,274.60	4,682,274.60			
Total Liabilities	1,075,000.00	4,824,009.57	5,899,009.57	-	-	-
NET POSITION:						
Net Investment in Capital Assets	1,341,673.00	3,252,934.43	4,594,607.43	2,684,200.00		
Restricted for:						
Debt Service	601,976.66	159,722.58	761,699.24			
Infrastructure/Capital Improvements		193,015.92	193,015.92			
USDA Sewer Project		4,504.94	4,504.94			
Asset Replacement		88,366.85	88,366.85			
Special Purposes	481,708.02		481,708.02			
Unrestricted	232,798.58	555,164.47	787,963.05	23,780.41	21,232.96	876,775.28
Total Net Position	2,658,156.26	4,253,709.19	6,911,865.45	2,707,980.41	21,232.96	876,775.28

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

CITY OF LINTON
Linton, North Dakota

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

		Net (Expense) Revenue and Change in Net Position								
		Program Revenues			Primary Government			Component Units		
		Charges for	Operating Grants	Governmental	Business-Type	Total	Municipal	Public	Linton	
		Services	and Contributions	Activities	Activities		Airport	Library	Industrial	
		Expenses					Authority		Dev. Corp.	
Functions/Programs										
Primary Government										
<u>Governmental Activities:</u>										
General Government	162,960.25	18,040.19	51,270.71	(93,649.35)	(93,649.35)					
Public Safety	40,000.00	50.00	12,500.00	(27,450.00)	(27,450.00)					
Streets and Public Works	338,400.39	43,917.94	179,398.00	(115,084.45)	(115,084.45)					
Urban and Economic Development	171,756.68	70,000.00		(101,756.68)	(101,756.68)					
Culture and Recreation	51,910.16			(51,910.16)	(51,910.16)					
Other	18,106.41			(18,106.41)	(18,106.41)					
Interest on Long-Term Debt	27,222.50	178,000.48		150,777.98	150,777.98					
Total governmental activities	810,356.39	62,008.13	491,169.19	(257,179.07)	(257,179.07)					
<u>Business-Type Activities:</u>										
Water	445,192.26	403,117.81	19,020.24	(23,054.21)	(23,054.21)					
Sewer	182,991.03	88,239.45		(94,751.58)	(94,751.58)					
Garbage	200,769.18	190,333.59		(10,435.59)	(10,435.59)					
02-1 Water/Sewer Main	19,107.50			(19,107.50)	(19,107.50)					
Total business-type activities	848,059.97	681,690.85	19,020.24	(147,348.88)	(147,348.88)					
Total primary government	1,658,416.36	743,698.98	510,189.43	(257,179.07)	(257,179.07)					
Component Units:										
Municipal Airport Authority	198,714.75	10,264.00				(188,450.75)		(12,090.48)		
Public Library	31,654.79	18,247.76	1,316.55						(140,403.06)	
Linton Industrial Development Corp.	162,018.06	21,615.00								
Total component units	392,387.60	28,511.76	22,931.55							

General Revenues:

Taxes:

Property taxes; levied for general purposes	157,757.89	157,757.89	13,447.07	10,097.85	6,403.82
Property taxes; levied for special purposes	10,298.37	10,298.37			
Homestead tax credit	13,927.16	13,927.16			
Disabled veterans tax credit	1,419.66	1,419.66			
Telecommunication tax	1,243.61	1,243.61			
Sales tax	345,481.50	345,481.50			120,918.50
Lodging tax	12,117.37	12,117.37			
Cigarette tax	2,488.76	2,488.76			
Intergovernmental revenue not restricted to specific programs	57,122.71	57,122.71		3,351.42	
Earnings on investments and other revenue	63,236.10	64,739.45	578.38	44.22	6,614.47
Transfers	(155,466.72)	-			
Total General Revenues and Transfers	509,626.41	666,596.48	14,025.45	13,493.49	133,936.79
Change in Net Position	252,447.34	262,068.53	(174,425.30)	1,403.01	(6,466.27)
Net Position - January 1	2,658,156.26	6,911,865.45	2,707,980.41	21,232.96	876,775.28
Net Position - December 31	2,910,603.60	7,173,933.98	2,533,555.11	22,635.97	870,309.01

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

CITY OF LINTON
Linton, North Dakota

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

		Net (Expense) Revenue and Change in Net Position							
		Program Revenues			Primary Government			Component Units	
		Charges for	Operating Grants	Governmental	Business-Type	Total	Municipal	Linton	
		Services	and Contributions	Activities	Activities		Authority	Industrial	
		Expenses					Library	Dev. Corp.	
Functions/Programs									
Primary Government									
<u>Governmental Activities:</u>									
General Government	172,990.45	18,124.13	48,630.80	(106,235.52)		(106,235.52)			
Public Safety	40,630.44	90.00	12,500.00	(28,040.44)		(28,040.44)			
Streets and Public Works	328,795.62	43,639.59	97,162.33	(187,993.70)		(187,993.70)			
Urban and Economic Development	104,914.60			(104,914.60)		(104,914.60)			
Culture and Recreation	49,326.48			(49,326.48)		(49,326.48)			
Other	18,137.94			(18,137.94)		(18,137.94)			
Interest on Long-Term Debt	31,172.50		165,140.87	133,968.37		133,968.37			
Total governmental activities	745,968.03	61,853.72	323,434.00	(360,680.31)		(360,680.31)			
<u>Business-Type Activities:</u>									
Water	447,842.56	392,034.22		(55,808.34)		(55,808.34)			
Sewer	109,866.56	89,224.38	115,722.98	95,080.80		95,080.80			
Garbage	180,819.61	180,186.96		(632.65)		(632.65)			
02-1 Water/Sewer Main	20,337.50			(20,337.50)		(20,337.50)			
Total business-type activities	758,866.23	661,445.56	115,722.98	18,302.31		18,302.31			
Total primary government	1,504,834.26	723,299.28	439,156.98	(360,680.31)		(342,378.00)			
Component Units:									
Municipal Airport Authority	238,677.95	14,264.00	491,642.95			267,229.00			
Public Library	30,299.88		12,555.41			(17,744.47)		(14,130.82)	
Linton Industrial Development Corp.	60,730.82		46,600.00					(14,130.82)	
Total component units	329,708.65	14,264.00	550,798.36			267,229.00		(14,130.82)	

General Revenues:

Taxes:

Property taxes; levied for general purposes	160,659.79	160,659.79	10,839.47	10,846.65	6,986.66
Property taxes; levied for special purposes	10,577.20	10,577.20			
Homestead tax credit	15,004.83	15,004.83			
Disabled veterans tax credit	1,495.35	1,495.35			
Telecommunication tax	1,243.61	1,243.61			
Sales tax	299,755.98	299,755.98			104,914.60
Lodging tax	12,246.67	12,246.67			
Cigarette tax	2,889.60	2,889.60			
Intergovernmental revenue not restricted to specific programs	49,450.19	49,450.19	2,996.44	3,007.03	
Earnings on investments and other revenue	35,288.87	7,227.74	887.33	7.72	22,478.10
Transfers	(44,890.22)	44,890.22			
Total General Revenues and Transfers	543,721.87	52,117.96	14,723.24	13,861.40	134,379.36
Change in Net Position	183,041.56	70,420.27	281,952.24	(3,883.07)	120,248.54
Net Position - January 1	2,180,534.95	4,171,932.08	2,426,028.17	25,116.03	756,526.74
Prior Period Adjustment (Note 12)	294,579.75	11,356.84			
Net Position - January 1, as Restated	2,475,114.70	4,183,288.92	2,426,028.17	25,116.03	756,526.74
Net Position - December 31	2,658,156.26	4,253,709.19	2,707,980.41	21,232.96	876,775.28

CITY OF LINTON
Linton, North Dakota

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

Major Funds

	Major Funds						Total
	General	Highway	City Sales Tax	2014-1 Street Improvement	Improvement District 2020-1	Other Governmental Funds	
<u>ASSETS:</u>							
Cash, Cash Equivalents and Investments	308,922.11	124,627.77	88,448.03	538,250.85	4,300.00	181,353.84	1,245,902.60
<u>FUND BALANCES:</u>							
Restricted for:							
Street and Public Works		124,627.77			4,300.00	47,207.71	176,135.48
Urban and Economic Development			88,448.03			30,278.21	118,726.24
American Recovery Plan Act						69,517.97	69,517.97
Emergency						16,512.52	16,512.52
Cemetery						6,069.82	6,069.82
Debt Service				538,250.85			538,250.85
Other Purposes						11,767.61	11,767.61
Unassigned	308,922.11						308,922.11
Total Fund Balances	308,922.11	124,627.77	88,448.03	538,250.85	4,300.00	181,353.84	1,245,902.60

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

CITY OF LINTON
Linton, North Dakota

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

	Major Funds							Total
	City Sales		2014-1 Street		Improvement		Other	
	Highway	Tax	Improvement	District 2020-1	Governmental	Governmental		
General					Funds	Funds		
<u>ASSETS:</u>								
Cash, Cash Equivalents and Investments	232,798.58	96,461.71	75,661.77	601,976.66	188,404.01	121,180.53	1,316,483.26	
<u>FUND BALANCES:</u>								
Restricted for:								
Street and Public Works		96,461.71			188,404.01	28,491.41	313,357.13	
Urban and Economic Development			75,661.77			65,999.02	141,660.79	
Emergency						10,271.45	10,271.45	
Cemetery						4,257.74	4,257.74	
Debt Service				601,976.66			601,976.66	
Other Purposes						12,160.91	12,160.91	
Unassigned	232,798.58						232,798.58	
Total Fund Balances	232,798.58	96,461.71	75,661.77	601,976.66	188,404.01	121,180.53	1,316,483.26	

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

CITY OF LINTON
Linton, North Dakota

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

Total Fund Balances for Governmental Funds		1,245,902.60
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	6,290,849.00	
Less Accumulated Depreciation	<u>(2,466,148.00)</u>	
Net Capital Assets		3,824,701.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2021 are:		
Special Assessment Bonds Payable		<u>(2,160,000.00)</u>
Total Net Position of Governmental Activities		<u>2,910,603.60</u>

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

CITY OF LINTON
Linton, North Dakota

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

Total Fund Balances for Governmental Funds		1,316,483.26
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	4,674,849.00	
Less Accumulated Depreciation	<u>(2,258,176.00)</u>	
Net Capital Assets		2,416,673.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2020 are:		
Special Assessment Bonds Payable		<u>(1,075,000.00)</u>
Total Net Position of Governmental Activities		<u>2,658,156.26</u>

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

CITY OF LINTON
Linton, North Dakota

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

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General	Highway	City Sales Tax	2014-1 Street Improvement	Improvement District 2020-1		
Revenues:							
Taxes	157,757.89		345,481.50			22,415.74	525,655.13
Special Assessments				178,000.48			178,000.48
Licenses, Permits and Fees	18,040.19						18,040.19
Intergovernmental	87,725.99	96,963.16				83,410.75	268,099.90
Charges for Services	8,232.92	2,752.49				32,932.53	43,917.94
Fines and Forfeits	50.00						50.00
Miscellaneous	74,683.40		93.63	496.21	83,508.00	25,725.57	184,506.81
Total Revenues	346,490.39	99,715.65	345,575.13	178,496.69	83,508.00	164,484.59	1,218,270.45
Expenditures:							
Current:							
General Government	158,960.25						158,960.25
Public Safety	40,000.00						40,000.00
Streets and Public Works	65,970.51	71,549.59			975.19	27,133.10	165,628.39
Urban and Economic Development			120,918.50			50,838.18	171,756.68
Culture and Recreation	3,436.10		17,274.06				20,710.16
Other						18,106.41	18,106.41
Capital Outlay					1,616,000.00		1,616,000.00
Debt Service:							
Principal				215,000.00			215,000.00
Interest and Service Charges				27,222.50			27,222.50
Total Expenditures	268,366.86	71,549.59	138,192.56	242,222.50	1,616,975.19	96,077.69	2,433,384.39
Excess (Deficiency) of Revenue Over Expenditures	78,123.53	28,166.06	207,382.57	(63,725.81)	(1,533,467.19)	68,406.90	(1,215,113.94)
Other Financing Sources (Uses):							
Transfers In					49,363.18	13,766.41	63,129.59
Transfers Out	(2,000.00)		(194,596.31)			(22,000.00)	(218,596.31)
Special Assessment Bonds Issued					1,300,000.00		1,300,000.00
Total Other Financing Sources (Uses)	(2,000.00)	-	(194,596.31)	-	1,349,363.18	(8,233.59)	1,144,533.28
Net Change in Fund Balances	76,123.53	28,166.06	12,786.26	(63,725.81)	(184,104.01)	60,173.31	(70,580.66)
Fund Balance - January 1	232,798.58	96,461.71	75,661.77	601,976.66	188,404.01	121,180.53	1,316,483.26
Fund Balance - December 31	308,922.11	124,627.77	88,448.03	538,250.85	4,300.00	181,353.84	1,245,902.60

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

CITY OF LINTON
Linton, North Dakota

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

	Major Funds						Total Governmental Funds
	General	Highway	City Sales	2014-1 Street	Improvement	Other	
			Tax	Improvement	District	Governmental	
				2020-1	Funds		
Revenues:							
Taxes	160,659.79		299,755.98			22,823.87	483,239.64
Special Assessments				165,140.87			165,140.87
Licenses, Permits and Fees	18,124.13						18,124.13
Intergovernmental	81,437.92	97,162.33				1,145.66	179,745.91
Charges for Services	6,956.30	3,183.47				33,499.82	43,639.59
Fines and Forfeits	90.00						90.00
Miscellaneous	71,169.56	3,890.75	862.65	7,571.59		425.12	83,919.67
Total Revenues	338,437.70	104,236.55	300,618.63	172,712.46	-	57,894.47	973,899.81
Expenditures:							
Current:							
General Government	168,990.45						168,990.45
Public Safety	40,630.44						40,630.44
Streets and Public Works	59,270.26	107,818.35			595.99	21,318.02	189,002.62
Urban and Economic Development			104,914.60				104,914.60
Culture and Recreation	3,138.72		14,987.76				18,126.48
Other						18,137.94	18,137.94
Capital Outlay					71,000.00		71,000.00
Debt Service:							
Principal				215,000.00			215,000.00
Interest and Service Charges				31,172.50			31,172.50
Total Expenditures	272,029.87	107,818.35	119,902.36	246,172.50	71,595.99	39,455.96	856,975.03
Excess (Deficiency) of Revenue Over Expenditures	66,407.83	(3,581.80)	180,716.27	(73,460.04)	(71,595.99)	18,438.51	116,924.78
Other Financing Sources (Uses):							
Transfers In		8,234.38			260,000.00	13,206.04	281,440.42
Transfers Out	(75,500.00)		(240,284.31)			(10,546.33)	(326,330.64)
Total Other Financing Sources (Uses)	(75,500.00)	8,234.38	(240,284.31)	-	260,000.00	2,659.71	(44,890.22)
Net Change in Fund Balances	(9,092.17)	4,652.58	(59,568.04)	(73,460.04)	188,404.01	21,098.22	72,034.56
Fund Balance - January 1	241,890.75	91,809.13	135,229.81	675,436.70	-	100,082.31	1,244,448.70
Fund Balance - December 31	232,798.58	96,461.71	75,661.77	601,976.66	188,404.01	121,180.53	1,316,483.26

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

CITY OF LINTON
Linton, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds (70,580.66)

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

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

Current Year Capital Outlay	1,616,000.00	
Current Year Depreciation Expense	<u>(207,972.00)</u>	1,408,028.00

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

Debt Proceeds	(1,300,000.00)	
Repayment of Debt	<u>215,000.00</u>	<u>(1,085,000.00)</u>

Change in Net Position of Governmental Activities 252,447.34

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

CITY OF LINTON
Linton, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds	72,034.56
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	71,000.00	
Current Year Depreciation Expense	<u>(174,993.00)</u>	(103,993.00)

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

Debt Proceeds	-	
Repayment of Debt	<u>215,000.00</u>	<u>215,000.00</u>

Change in Net Position of Governmental Activities	<u><u>183,041.56</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF LINTON
Linton, North Dakota

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

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Garbage		
ASSETS					
Current Assets:					
Cash and Cash Equivalents	550,328.69	291,844.24	229,196.05	-	1,071,368.98
Noncurrent Assets:					
Capital Assets (net of accumulated depreciation):					
Buildings and Infrastructure	4,835,523.00	2,241,829.00	41,613.00	335,000.00	7,453,965.00
Machinery and Vehicles	186,444.00	107,701.00	85,126.00		379,271.00
Total Noncurrent Assets	5,021,967.00	2,349,530.00	126,739.00	335,000.00	7,833,236.00
Total Assets	5,572,295.69	2,641,374.24	355,935.05	335,000.00	8,904,604.98
LIABILITIES					
Current Liabilities:					
Revenue Bonds Payable	67,246.00	35,914.72			103,160.72
Noncurrent Liabilities:					
Revenue Bonds Payable	3,089,578.00	1,448,535.88			4,538,113.88
Total Liabilities	3,156,824.00	1,484,450.60	-	-	4,641,274.60
NET POSITION					
Net Investment in Capital Assets	1,865,143.00	865,079.40	126,739.00	335,000.00	3,191,961.40
Restricted for:					
Debt Service	119,698.00	14,292.20		-	133,990.20
Infrastructure/Capital Improvements	102,617.82	124,111.82			226,729.64
USDA Sewer Project		4,509.62			4,509.62
Asset Replacement	104,533.85				104,533.85
Unrestricted	223,479.02	148,930.60	229,196.05		601,605.67
Total Net Position	2,415,471.69	1,156,923.64	355,935.05	335,000.00	4,263,330.38

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

CITY OF LINTON
Linton, North Dakota

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

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Garbage		
ASSETS					
Current Assets:					
Cash and Cash Equivalents	446,296.45	284,960.00	221,762.84	47,755.47	1,000,774.76
Noncurrent Assets:					
Capital Assets (net of accumulated depreciation):					
Buildings and Infrastructure	4,983,983.00	2,280,312.00	42,680.00	351,750.00	7,658,725.00
Machinery and Vehicles	202,618.00	114,433.00	101,168.00		418,219.00
Total Noncurrent Assets	5,186,601.00	2,394,745.00	143,848.00	351,750.00	8,076,944.00
Total Assets	5,632,897.45	2,679,705.00	365,610.84	399,505.47	9,077,718.76
LIABILITIES					
Current Liabilities:					
Revenue Bonds Payable	65,766.00	34,968.97		41,000.00	141,734.97
Noncurrent Liabilities:					
Revenue Bonds Payable	3,156,824.00	1,484,450.60		41,000.00	4,682,274.60
Total Liabilities	3,222,590.00	1,519,419.57	-	82,000.00	4,824,009.57
NET POSITION					
Net Investment in Capital Assets	1,964,011.00	875,325.43	143,848.00	269,750.00	3,252,934.43
Restricted for:					
Debt Service	105,850.23	6,116.88		47,755.47	159,722.58
Infrastructure/Capital Improvements	69,884.46	123,131.46			193,015.92
USDA Sewer Project		4,504.94			4,504.94
Asset Replacement	88,366.85				88,366.85
Unrestricted	182,194.91	151,206.72	221,762.84		555,164.47
Total Net Position	2,410,307.45	1,160,285.43	365,610.84	317,505.47	4,253,709.19

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

CITY OF LINTON
Linton, North Dakota

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

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Garbage		
Operating Revenues:					
Charges for Sales and Services:					
Water Charges	400,967.81				400,967.81
Sewer Charges		88,239.45			88,239.45
Garbage Charges			186,155.59		186,155.59
Other Fees	2,150.00		4,178.00		6,328.00
Total Operating Revenues	403,117.81	88,239.45	190,333.59	-	681,690.85
Operating Expenses:					
Salaries and Benefits	45,012.34	45,012.34	98,314.88		188,339.56
Group Insurance	15,282.41	15,282.41	16,762.88		47,327.70
Office Supplies	1,898.94	884.49	1,506.08		4,289.51
Utilities	6,708.81	3,655.17			10,363.98
Printing and Postage			582.10		582.10
Gas and Oil			9,488.57		9,488.57
Maintenance and Repairs	7,371.75	12,137.35	17,454.30		36,963.40
Landfill Fees			39,551.37		39,551.37
Water Purchases	116,360.00				116,360.00
Miscellaneous	859.78				859.78
Depreciation	164,634.00	64,215.00	17,109.00	16,750.00	262,708.00
Total Operating Expenses	358,128.03	141,186.76	200,769.18	16,750.00	716,833.97
Operating Income (Loss)	44,989.78	(52,947.31)	(10,435.59)	(16,750.00)	(35,143.12)
Non-Operating Revenues (Expenses):					
USDA Grants		19,020.24			19,020.24
Interest	617.06	126.49	759.80		1,503.35
Other Project Costs		(20.24)			(20.24)
Interest Payments and Service Charges	(87,064.23)	(41,784.03)		(2,357.50)	(131,205.76)
Total Non-Operating Revenues (Expenses)	(86,447.17)	(22,657.54)	759.80	(2,357.50)	(110,702.41)
Income (Loss) Before Transfers	(41,457.39)	(75,604.85)	(9,675.79)	(19,107.50)	(145,845.53)
Transfer In	260,578.36	162,661.68		36,602.03	459,842.07
Transfer Out	(213,956.73)	(90,418.62)			(304,375.35)
Change in Net Position	5,164.24	(3,361.79)	(9,675.79)	17,494.53	9,621.19
Net Position - January 1	2,410,307.45	1,160,285.43	365,610.84	317,505.47	4,253,709.19
Net Position - December 31	2,415,471.69	1,156,923.64	355,935.05	335,000.00	4,263,330.38

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

CITY OF LINTON
Linton, North Dakota

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

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Garbage		
Operating Revenues:					
Charges for Sales and Services:					
Water Charges	390,684.22				390,684.22
Sewer Charges		89,224.38			89,224.38
Garbage Charges			175,850.96		175,850.96
Other Fees	1,350.00		4,336.00		5,686.00
Total Operating Revenues	392,034.22	89,224.38	180,186.96	-	661,445.56
Operating Expenses:					
Salaries and Benefits	47,686.78	42,937.24	69,517.41		160,141.43
Group Insurance	13,402.59	9,084.65	30,082.19		52,569.43
Office Supplies	2,135.35	1,009.20	1,740.35		4,884.90
Utilities	7,154.72	3,945.39			11,100.11
Printing and Postage			430.50		430.50
Gas and Oil			4,869.03		4,869.03
Maintenance and Repairs	21,221.29	3,796.13	16,643.83		41,661.25
Landfill Fees			40,427.30		40,427.30
Water Purchases	102,712.95				102,712.95
Miscellaneous	39.60				39.60
Depreciation	164,634.00	6,732.00	17,109.00	16,750.00	205,225.00
Total Operating Expenses	358,987.28	67,504.61	180,819.61	16,750.00	624,061.50
Operating Income (Loss)	33,046.94	21,719.77	(632.65)	(16,750.00)	37,384.06
Non-Operating Revenues (Expenses):					
USDA Grants		115,722.98			115,722.98
Interest	4,320.26	1,333.25	1,569.49	4.74	7,227.74
Other Project Costs		(189.38)			(189.38)
Interest Payments and Service Charges	(88,855.28)	(42,172.57)		(3,587.50)	(134,615.35)
Total Non-Operating Revenues (Expenses)	(84,535.02)	74,694.28	1,569.49	(3,582.76)	(11,854.01)
Income (Loss) Before Transfers	(51,488.08)	96,414.05	936.84	(20,332.76)	25,530.05
Transfer In	250,639.39	149,814.99		44,587.50	445,041.88
Transfer Out	(291,256.78)	(108,894.88)			(400,151.66)
Change in Net Position	(92,105.47)	137,334.16	936.84	24,254.74	70,420.27
Net Position - January 1	2,494,881.66	1,021,378.09	362,421.60	293,250.73	4,171,932.08
Prior Period Adjustment (Note 12)	7,531.26	1,573.18	2,252.40		11,356.84
Net Position - January 1, as Restated	2,502,412.92	1,022,951.27	364,674.00	293,250.73	4,183,288.92
Net Position - December 31	2,410,307.45	1,160,285.43	365,610.84	317,505.47	4,253,709.19

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

CITY OF LINTON
Linton, North Dakota

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

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Garbage		
<u>Cash flows from operating activities:</u>					
Receipts from customers	403,117.81	88,239.45	190,333.59		681,690.85
Payments to suppliers and employees	(193,494.03)	(76,971.76)	(183,660.18)		(454,125.97)
Net cash provided (used) by operating activities	209,623.78	11,267.69	6,673.41	-	227,564.88
<u>Cash flows from noncapital financing activities:</u>					
Transfers in	260,578.36	162,661.68		36,602.03	459,842.07
Transfers out	(213,956.73)	(90,418.62)			(304,375.35)
Net cash provided (used) by noncapital financing activities	46,621.63	72,243.06	-	36,602.03	155,466.72
<u>Cash flows from capital and related financing activities:</u>					
USDA grants		19,020.24			19,020.24
USDA sewer project		(19,000.00)			(19,000.00)
Other project costs		(20.24)			(20.24)
Principal payments	(65,766.00)	(34,968.97)		(82,000.00)	(182,734.97)
Interest and service charges	(87,064.23)	(41,784.03)		(2,357.50)	(131,205.76)
Net cash provided (used) by capital and related financing activities	(152,830.23)	(76,753.00)	-	(84,357.50)	(313,940.73)
<u>Cash Flows from investing activities:</u>					
Interest income	617.06	126.49	759.80		1,503.35
Net increase in cash and cash equivalents	104,032.24	6,884.24	7,433.21	(47,755.47)	70,594.22
Cash and cash equivalents, January 1	446,296.45	284,960.00	221,762.84	47,755.47	1,000,774.76
Cash and cash equivalents, December 31	550,328.69	291,844.24	229,196.05	-	1,071,368.98
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>					
Operating income (loss)	44,989.78	(52,947.31)	(10,435.59)	(16,750.00)	(35,143.12)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Depreciation expense	164,634.00	64,215.00	17,109.00	16,750.00	262,708.00
Net cash provided (used) by operating activities	209,623.78	11,267.69	6,673.41	-	227,564.88

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

CITY OF LINTON
Linton, North Dakota

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

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Garbage		
<u>Cash flows from operating activities:</u>					
Receipts from customers	392,034.22	89,224.38	180,186.96		661,445.56
Payments to suppliers and employees	(194,353.28)	(60,772.61)	(163,710.61)		(418,836.50)
Net cash provided (used) by operating activities	197,680.94	28,451.77	16,476.35	-	242,609.06
<u>Cash flows from noncapital financing activities:</u>					
Transfers in	250,639.39	149,814.99		44,587.50	445,041.88
Transfers out	(291,256.78)	(108,894.88)			(400,151.66)
Net cash provided (used) by noncapital financing activities	(40,617.39)	40,920.11	-	44,587.50	44,890.22
<u>Cash flows from capital and related financing activities:</u>					
USDA grants		115,722.98			115,722.98
USDA sewer project		(117,000.00)			(117,000.00)
Other project costs		(189.38)			(189.38)
Principal payments	(64,324.00)	(34,580.43)		(41,000.00)	(139,904.43)
Interest and service charges	(88,855.28)	(42,172.57)		(3,587.50)	(134,615.35)
Net cash provided (used) by capital and related financing activities	(153,179.28)	(78,219.40)	-	(44,587.50)	(275,986.18)
<u>Cash Flows from investing activities:</u>					
Interest income	4,320.26	1,333.25	1,569.49	4.74	7,227.74
Net increase in cash and cash equivalents	8,204.53	(7,514.27)	18,045.84	4.74	18,740.84
Cash and cash equivalents, January 1	438,091.92	292,474.27	203,717.00	47,750.73	982,033.92
Cash and cash equivalents, December 31	446,296.45	284,960.00	221,762.84	47,755.47	1,000,774.76
<u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>					
Operating income (loss)	33,046.94	21,719.77	(632.65)	(16,750.00)	37,384.06
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Depreciation expense	164,634.00	6,732.00	17,109.00	16,750.00	205,225.00
Net cash provided (used) by operating activities	197,680.94	28,451.77	16,476.35	-	242,609.06

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

CITY OF LINTON
Linton, North Dakota

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

	<u>Custodial Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>3,673.80</u>
<u>Net Position:</u>	
Restricted For:	
Organizations and Other Governments	<u>3,673.80</u>

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

CITY OF LINTON
Linton, North Dakota

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

	<u>Custodial Funds</u>
<u>Assets:</u>	
Cash and Investments	<u>3,530.49</u>
 <u>Net Position:</u>	
Restricted For:	
Organizations and Other Governments	<u>3,530.49</u>

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

CITY OF LINTON
Linton, North Dakota

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

	<u>Custodial Funds</u>
<u>Additions:</u>	
Property tax collections for other governments	102,120.68
State Aid collections for other governments	31,501.95
Pass-through collections	<u>220,235.04</u>
Total Additions	<u>353,857.67</u>
<u>Deductions:</u>	
Payment of property taxes to other governments	102,120.68
Payment of State Aid to other governments	31,501.95
Payout of pass-through collections	<u>220,091.73</u>
Total Deductions	<u>353,714.36</u>
Change in Net Position	<u>143.31</u>
Net Position - January 1	<u>3,530.49</u>
Net Position - December 31	<u><u>3,673.80</u></u>

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

CITY OF LINTON
Linton, North Dakota

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

	<u>Custodial Funds</u>
<u>Additions:</u>	
Property tax collections for other governments	103,607.92
State Aid collections for other governments	26,381.94
Pass-through collections	<u>197,802.52</u>
Total Additions	<u>327,792.38</u>
<u>Deductions:</u>	
Payment of property taxes to other governments	103,607.92
Payment of State Aid to other governments	26,381.94
Payout of pass-through collections	<u>198,738.86</u>
Total Deductions	<u>328,728.72</u>
Change in Net Position	<u>(936.34)</u>
Net Position - January 1	<u>4,466.83</u>
Net Position - December 31	<u><u>3,530.49</u></u>

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

CITY OF LINTON
Linton, North Dakota

Notes to the Financial Statements
December 31, 2021 and 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

The accompanying financial statements present the activities of the city. The city has considered all potential component units for which the city is financially accountable and other organizations for which the nature and significance of their relationships with the city are such that exclusion would cause the city's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the city to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the city.

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

Discretely presented component units: The component units' columns in the basic financial statements include the financial data of the city's three component units. These units are reported in separate columns to emphasize that they are legally separate from the city.

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

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

Linton Industrial Development Corporation: The Linton industrial development corporation's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the industrial development corporation budget. The industrial development corporation has the authority to issue its own debt.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the City of Linton and its component units. These statements

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

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

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

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

The city reports the following major governmental funds:

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

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

City Sales Tax: This fund accounts for the accumulation of city sales taxes which the city has dedicated to capital improvements, economic development, water and sewer debt service payments on improvement projects and/or to fund future infrastructure and capital improvement projects and a portion set-aside for the city's park district.

2014-1 Street Improvement: This fund accounts for the accumulation of resources to be used for the payment of long-term debt principal and interest related to the Refunding Improvement Bonds, Series 2014.

Improvement District 2020-1: This fund accounts for the proceeds from the Definitive Improvement Warrants, Series 2021 for the improvement of the Eighth Street Addition.

The city reports the following major enterprise funds:

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

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

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

The city reports the following type of fiduciary fund:

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	10 to 20 years

F. Long-Term Obligations

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

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

G. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the city is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the city council through the adoption of a resolution. The city council also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The city reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the city's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the city's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the city has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

H. Interfund Transactions

In the governmental and proprietary fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

I. Use of Estimates

The preparation of financial statements in conformity with the special purpose framework (SPF) used by the city requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the city maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district or any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2021 the city's carrying amount of deposits was \$2,320,945 and the bank balance was \$2,420,785. Of the bank balance, \$389,749 was covered by Federal Depository Insurance. The remaining balance of \$2,031,036 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2020 the city's carrying amount of deposits was \$2,320,789 and the bank balance was \$2,233,677. Of the bank balance, \$417,735 was covered by Federal Depository Insurance. The remaining balance of \$1,815,942 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

At December 31, 2021, the city held certificates of deposit in the amount of \$1,006,530, which are all considered deposits.

At December 31, 2020, the city held certificates of deposit in the amount of \$101,752, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 LOANS TO ECONOMIC DEVELOPMENT

The Linton Industrial Development Corporation has loaned funds to provide moneys for various local economic development projects. These funds are to be repaid per the terms of the loan agreements. At December 31, the following loans were outstanding:

	<u>2021</u>	<u>2020</u>
Delta T Development	15,442.92	14,777.43
Phat Shack, LLC	4,951.00	
Linton Hotel Group		5,532.54
Virgil and Erin Prince	1,851.79	2,953.70
Plains Mobile, Inc.		40,268.86
Shelly Hauge	66,413.38	67,355.63
The Grill, LLC	1,388.40	7,185.59
Tracie Ritz		19,000.00
Emmons County Interagency	<u>48,958.33</u>	<u>54,749.51</u>
Total	<u>139,005.82</u>	<u>211,823.26</u>

Note 5 CAPITAL ASSETS

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

December 31, 2021

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	10,000			10,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	4,101,225	1,616,000		5,717,225
Machinery and Vehicles	563,624			563,624
Total	<u>4,664,849</u>	<u>1,616,000</u>	-	<u>6,280,849</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,881,136	176,481		2,057,617
Machinery and Vehicles	377,040	31,491		408,531
Total	<u>2,258,176</u>	<u>207,972</u>	-	<u>2,466,148</u>
Total capital assets being depreciated, net	<u>2,406,673</u>	<u>1,408,028</u>	-	<u>3,814,701</u>
Governmental Activities Capital Assets, Net	<u>2,416,673</u>	<u>1,408,028</u>	-	<u>3,824,701</u>

December 31, 2020

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land		10,000		10,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	4,040,225	61,000		4,101,225
Machinery and Vehicles	563,624			563,624
Total	<u>4,603,849</u>	<u>61,000</u>	-	<u>4,664,849</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,738,195	142,941		1,881,136
Machinery and Vehicles	344,988	32,052		377,040
Total	<u>2,083,183</u>	<u>174,993</u>	-	<u>2,258,176</u>
Total capital assets being depreciated, net	<u>2,520,666</u>	<u>(113,993)</u>	-	<u>2,406,673</u>
Governmental Activities Capital Assets, Net	<u>2,520,666</u>	<u>(103,993)</u>	-	<u>2,416,673</u>

December 31, 2021

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	8,942,041	19,000		8,961,041
Machinery and Vehicles	<u>750,340</u>			<u>750,340</u>
Total	<u>9,692,381</u>	<u>19,000</u>	<u>-</u>	<u>9,711,381</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,283,316	223,760		1,507,076
Machinery and Vehicles	<u>332,121</u>	<u>38,948</u>		<u>371,069</u>
Total	<u>1,615,437</u>	<u>262,708</u>	<u>-</u>	<u>1,878,145</u>
Business-type Activities Capital Assets, Net	<u>8,076,944</u>	<u>(243,708)</u>	<u>-</u>	<u>7,833,236</u>

December 31, 2020

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	8,825,041	117,000		8,942,041
Machinery and Vehicles	<u>750,340</u>			<u>750,340</u>
Total	<u>9,575,381</u>	<u>117,000</u>	<u>-</u>	<u>9,692,381</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,117,039	166,277		1,283,316
Machinery and Vehicles	<u>293,173</u>	<u>38,948</u>		<u>332,121</u>
Total	<u>1,410,212</u>	<u>205,225</u>	<u>-</u>	<u>1,615,437</u>
Business-type Activities Capital Assets, Net	<u>8,165,169</u>	<u>(88,225)</u>	<u>-</u>	<u>8,076,944</u>

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

	<u>2021</u>	<u>2020</u>
<u>Governmental Activities:</u>		
General Government	4,000	4,000
Streets and Public Works	172,772	139,793
Culture and Recreation	<u>31,200</u>	<u>31,200</u>
Total Depreciation Expense	<u>207,972</u>	<u>174,993</u>
<u>Business-type Activities:</u>		
Water	164,634	164,634
Sewer	64,215	6,732
Garbage	17,109	17,109
02-1 Water/Sewer Main	<u>16,750</u>	<u>16,750</u>
Total Depreciation Expense	<u>262,708</u>	<u>205,225</u>

The following is a schedule of changes in the capital assets for the discretely presented component unit for the years ended December 31:

December 31, 2021

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Municipal Airport:				
<i>Capital assets not being depreciated:</i>				
Land	81,000			81,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	3,407,010			3,407,010
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	803,810	178,111		981,921
Total capital assets being depreciated, net	2,603,200	(178,111)	-	2,425,089
Municipal Airport Capital Assets, Net	<u>2,684,200</u>	<u>(178,111)</u>	<u>-</u>	<u>2,506,089</u>

December 31, 2020

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Municipal Airport:				
<i>Capital assets not being depreciated:</i>				
Land	81,000			81,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,924,510	482,500		3,407,010
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	625,699	178,111		803,810
Total capital assets being depreciated, net	2,298,811	304,389	-	2,603,200
Municipal Airport Capital Assets, Net	<u>2,379,811</u>	<u>304,389</u>	<u>-</u>	<u>2,684,200</u>

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

	<u>2021</u>	<u>2020</u>
<u>Discretely Presented Component Unit:</u>		
Airport Authority	<u>178,111</u>	<u>178,111</u>

Note 6 LONG-TERM DEBT

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

Governmental Activities

	Balance January 1	Increases	2021		Balance December 31	Due Within One Year
			Decreases			
Special Assessment Bonds	<u>1,075,000</u>	<u>1,300,000</u>	<u>215,000</u>		<u>2,160,000</u>	<u>255,228</u>
			2020			
	Balance January 1	Increases	Decreases		Balance December 31	Due Within One Year
Special Assessment Bonds	<u>1,290,000</u>	<u>-</u>	<u>215,000</u>		<u>1,075,000</u>	<u>220,000</u>

Business-type Activities

	Balance January 1	Increases	2021		Balance December 31	Due Within One Year
			Decreases			
Revenue Bonds	<u>4,824,010</u>	<u>-</u>	<u>182,735</u>		<u>4,641,275</u>	<u>103,161</u>
			2020			
	Balance January 1	Increases	Decreases		Balance December 31	Due Within One Year
Revenue Bonds	<u>4,963,914</u>	<u>-</u>	<u>139,904</u>		<u>4,824,010</u>	<u>141,735</u>

Governmental Activities

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

Special Assessment Bond Debt. The city has issued special assessment bonds to provide funds for street improvement projects. Special assessment bonds outstanding at December 31, 2021 are as follows:

\$2,170,000 Refunding Improvement Bonds, Series 2014, due in annual installments of \$215,000 through November 1, 2025; interest is at 2% to 3%.	860,000.00
\$1,300,000 Definitive Improvement Warrant, Series 2021, due in annual installments of \$57,670.30 through March 1, 2051; interest is at 2%.	<u>1,300,000.00</u>
Total Special Assessment Bonds	<u>2,160,000.00</u>

The annual requirements to amortize the outstanding special assessment bonds are as follows:

Year Ending <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	255,227.61	38,835.19
2023	247,474.85	41,051.70
2024	248,124.35	34,220.95
2025	248,786.84	27,108.46
2026	34,462.57	23,207.73
2027-2031	182,931.51	105,419.99
2032-2036	201,971.15	86,380.35
2037-2041	222,992.49	65,359.01
2042-2046	246,201.72	42,149.78
2047-2051	271,826.91	16,524.90
Total	<u>2,160,000.00</u>	<u>480,258.06</u>

Business-type Activities (Proprietary Funds):

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

\$224,800 Water Improvement Revenue Bonds of 2011, due in annual installments of \$11,000 to \$14,000 through September 1, 2031; interest is 2.5%.	128,000.00
\$1,109,000 Water Improvement Revenue Bonds, Series RD 2013-1, due in annual installments of \$19,563 to \$42,830 through April 1, 2054; interest is 2.5%.	984,787.00
\$1,665,000 Water Improvement Revenue Bonds, Series RD 2014-1, due in annual installments of \$27,509 to \$66,330 through March 25, 2055; interest is 2.75%.	1,514,736.00
\$579,010 Water Improvement Revenue Bonds, Series RD 2014-2, due in annual installments of \$9,174 to \$23,998 through March 25, 2055; interest is 3%.	529,301.00
\$1,554,000 Sewer Revenue Bonds, Series 2019 due in annual payments of \$76,753 through May 1, 2049; interest is 2.75%.	<u>1,484,450.60</u>
Total Revenue Bonds Payable	<u>4,641,274.60</u>

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2022	103,160.72	125,431.81
2023	106,669.37	122,627.72
2024	109,246.19	119,729.60
2025	111,892.91	116,760.61
2026	115,613.31	113,718.77
2027-2031	639,814.54	519,824.11
2032-2036	621,263.62	433,964.95
2037-2041	728,116.43	341,646.21
2042-2046	832,892.12	236,010.63
2047-2051	796,124.39	117,845.09
2052-2055	476,481.00	24,799.48
Total	<u>4,641,274.60</u>	<u>2,272,358.98</u>

Note 7 TRANSFERS

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>December 31, 2021</u>		
Cemetery	2,000.00	
General Fund		2,000.00
Improvement District 2020-1	49,363.18	
City Sales Tax		27,363.18
City Lodging Tax		22,000.00
To subsidize expenditures.		
Water: City Sales Tax	77,733.36	
Sewer: City Sales Tax	77,733.36	
City Sales Tax		155,466.72
To transfer share of sales tax.		
Special Assessment CST Debt Capacity	11,766.41	
City Sales Tax		11,766.41
To set-aside funds to pay city's share of special assessments.		

2011 Water Meter	15,169.77	
13-1 Water System Improvement	137,660.23	
Water: USDA Debt Service Reserve	13,848.00	
Asset Replacement Reserve	16,167.00	
Sewer: USDA Debt Service Reserve	500.00	
2018 Sewer Project Debt Service	7,675.32	
USDA Sewer Project	76,753.00	
02-1 Water/Sewer Main	36,602.03	
Water: Operating		168,956.73
Water: City Sales Tax		45,000.00
Sewer: Operating		13,665.62
Sewer: City Sales Tax		76,753.00

To provide funding to make debt service payments and to set-aside funds for required reserves.

December 31, 2020

Highway	8,234.38	
City Sales Tax		8,234.38
Cemetery	500.00	
General Fund		500.00
Improvement District 2020-1	260,000.00	
General Fund		75,000.00
City Sales Tax		85,000.00
Street Light Maintenance		10,000.00
Water Fund		50,000.00
Water: City Sales Tax		20,000.00
Sewer: City Sales Tax		20,000.00

To subsidize expenditures.

Cemetery	546.33	
Emergency		546.33

To correct prior year posting error.

Water: City Sales Tax	67,445.11	
Sewer: City Sales Tax	67,445.11	
City Sales Tax		134,890.22

To transfer share of sales tax.

Special Assessment CST Debt Capacity	12,159.71	
City Sales Tax		12,159.71

To set-aside funds to pay city's share of special assessments.

2011 Water Meter	15,500.00	
13-1 Water System Improvement	137,679.28	
Water: USDA Debt Service Reserve	13,848.00	
Asset Replacement Reserve	16,167.00	
Sewer: USDA Debt Service Reserve	500.00	
2018 Sewer Project Debt Service	5,116.88	
USDA Sewer Project	76,753.00	
02-1 Water/Sewer Main	44,587.50	
Water: Operating		176,256.78
Water: City Sales Tax		45,000.00
Sewer: Operating		12,141.88
Sewer: City Sales Tax		76,753.00

To provide funding to make debt service payments and to set-aside funds for required reserves.

Note 8 RELATED PARTY TRANSACTION

The Linton Industrial Development Corporation, a discretely presented component unity of the City of Linton has entered into an agreement for the purchase of a building with a member of the city's governing board. The Linton Industrial Development Corporation approved an economic development loan for the purchase of this building in the amount of \$92,000. This loan is to be repaid over 16 years with an interest rate of 5%.

Note 9 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$1,083,600 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12-month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$1,397,213 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 10 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. During the years ended December 31, 2021 and 2020 the city contributed \$20,011.22 and \$18,081.10, respectively.

Note 11 TAX ABATEMENTS

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the years ended December 31, 2021 and 2020.

Note 12 PRIOR PERIOD ADJUSTMENTS

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

	<u>Governmental Activities</u>
Net Position as previously reported	2,180,534.95
Adjustments to restate the January 1, 2020 balance:	
Deferred Outflows of Resources - Related to Pensions	(148,760.00)
Net Pension Liability	347,580.00
Deferred Inflows of Resources - Related to Pensions	54,808.00
Compensated Absences	<u>40,951.75</u>
Net Position, January 1, 2020 as restated	<u>2,475,114.70</u>
	<u>Business-Type Activities</u>
Net Position as previously reported	4,171,932.08
Adjustments to restate the January 1, 2020 balance:	
Compensated Absences	<u>11,356.84</u>
Net Position, January 1, 2020 as restated	<u>4,183,288.92</u>
	<u>Enterprise Funds</u>
Net Position as previously reported	4,171,932.08
Adjustments to restate the January 1, 2020 balance:	
Compensated Absences	<u>11,356.84</u>
Net Position, January 1, 2020 as restated	<u>4,183,288.92</u>

CITY OF LINTON
Linton, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	175,750.00	157,757.89	(17,992.11)
Licenses, Permits and Fees	16,750.00	18,040.19	1,290.19
Intergovernmental	40,700.00	87,725.99	47,025.99
Charges for Services	3,150.00	8,232.92	5,082.92
Fines and Forfeits	50.00	50.00	-
Miscellaneous	52,630.00	74,683.40	22,053.40
Total Revenues	289,030.00	346,490.39	57,460.39
<u>Expenditures:</u>			
Current:			
General Government	183,780.00	158,960.25	24,819.75
Public Safety	40,000.00	40,000.00	-
Streets and Public Works	71,487.00	65,970.51	5,516.49
Culture and Recreation	3,500.00	3,436.10	63.90
Total Expenditures	298,767.00	268,366.86	30,400.14
Excess (Deficiency) of Revenue Over Expenditures	(9,737.00)	78,123.53	87,860.53
<u>Other Financing (Uses)</u>			
Transfers Out	(2,000.00)	(2,000.00)	-
Net Change in Fund Balance	(11,737.00)	76,123.53	87,860.53
Fund Balance - January 1	232,798.58	232,798.58	
Fund Balance - December 31	221,061.58	308,922.11	87,860.53

CITY OF LINTON
Linton, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	165,250.00	160,659.79	(4,590.21)
Licenses, Permits and Fees	17,140.00	18,124.13	984.13
Intergovernmental	57,800.00	81,437.92	23,637.92
Charges for Services	8,135.00	6,956.30	(1,178.70)
Fines and Forfeits		90.00	90.00
Miscellaneous	54,600.00	71,169.56	16,569.56
Total Revenues	302,925.00	338,437.70	35,512.70
<u>Expenditures:</u>			
Current:			
General Government	191,280.00	168,990.45	22,289.55
Public Safety	41,000.00	40,630.44	369.56
Streets and Public Works	64,557.00	59,270.26	5,286.74
Culture and Recreation	2,500.00	3,138.72	(638.72)
Total Expenditures	299,337.00	272,029.87	27,307.13
Excess (Deficiency) of Revenue Over Expenditures	3,588.00	66,407.83	62,819.83
<u>Other Financing (Uses)</u>			
Transfers Out	(500.00)	(75,500.00)	(75,000.00)
Net Change in Fund Balance	3,088.00	(9,092.17)	(12,180.17)
Fund Balance - January 1	241,890.75	241,890.75	
Fund Balance - December 31	244,978.75	232,798.58	(12,180.17)

CITY OF LINTON
Linton, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	92,000.00	96,963.16	4,963.16
Charges for Services	2,000.00	2,752.49	752.49
Miscellaneous	275.00		(275.00)
Total Revenues	94,275.00	99,715.65	5,440.65
<u>Expenditures:</u>			
Current:			
Streets and Public Works	98,880.00	71,549.59	27,330.41
Net Change in Fund Balance	(4,605.00)	28,166.06	32,771.06
Fund Balance - January 1	96,461.71	96,461.71	
Fund Balance - December 31	91,856.71	124,627.77	32,771.06

CITY OF LINTON
Linton, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	107,000.00	97,162.33	(9,837.67)
Charges for Services	975.00	3,183.47	2,208.47
Miscellaneous	25,775.00	3,890.75	(21,884.25)
Total Revenues	133,750.00	104,236.55	(29,513.45)
<u>Expenditures:</u>			
Current:			
Streets and Public Works	101,331.00	107,818.35	(6,487.35)
Capital Outlay	24,000.00		24,000.00
Total Expenditures	125,331.00	107,818.35	17,512.65
Excess (Deficiency) of Revenue Over Expenditures	8,419.00	(3,581.80)	(12,000.80)
<u>Other Financing Sources</u>			
Transfers In		8,234.38	8,234.38
Net Change in Fund Balance	8,419.00	4,652.58	(3,766.42)
Fund Balance - January 1	91,809.13	91,809.13	
Fund Balance - December 31	100,228.13	96,461.71	(3,766.42)

CITY OF LINTON
Linton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Taxes	175,000.00	345,481.50	345,481.50	-
Miscellaneous	100.00	93.63	93.63	-
Total Revenues	175,100.00	345,575.13	345,575.13	-
Expenditures:				
Current:				
Urban and Economic Development	61,250.00	120,918.50	120,918.50	-
Culture and Recreation	8,750.00	17,274.06	17,274.06	-
Total Expenditures	70,000.00	138,192.56	138,192.56	-
Excess (Deficiency) of Revenue Over Expenditures	105,100.00	207,382.57	207,382.57	-
Other Financing (Uses):				
Transfers Out	(90,985.00)	(90,985.00)	(194,596.31)	(103,611.31)
Net Change in Fund Balance	14,115.00	116,397.57	12,786.26	(103,611.31)
Fund Balance - January 1	75,661.77	75,661.77	75,661.77	
Fund Balance - December 31	89,776.77	192,059.34	88,448.03	(103,611.31)

CITY OF LINTON
Linton, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	181,000.00	299,755.98	299,755.98	-
Miscellaneous	100.00	862.65	862.65	-
Total Revenues	181,100.00	300,618.63	300,618.63	-
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	63,350.00	104,914.60	104,914.60	-
Culture and Recreation	9,050.00	14,987.76	14,987.76	-
Total Expenditures	72,400.00	119,902.36	119,902.36	-
Excess (Deficiency) of Revenue Over Expenditures	108,700.00	180,716.27	180,716.27	-
<u>Other Financing (Uses):</u>				
Transfers Out	(94,550.00)	(94,550.00)	(240,284.31)	(145,734.31)
Net Change in Fund Balance	14,150.00	86,166.27	(59,568.04)	(145,734.31)
Fund Balance - January 1	135,229.81	135,229.81	135,229.81	
Fund Balance - December 31	149,379.81	221,396.08	75,661.77	(145,734.31)

CITY OF LINTON
Linton, North Dakota

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

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board approved the following amendments to the city's budgets for the years ended December 31, 2021 and 2020:

December 31, 2021

	<u>Original Budget</u>	<u>Estimated Revenues Amendment</u>	<u>Amended Budget</u>
<u>Special Revenue Funds</u>			
City Sales Tax	175,100	170,475	345,575
American Recovery Plan Act Funds		76,777	76,777
<u>Appropriations</u>			
	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
<u>Special Revenue Funds</u>			
City Sales Tax	70,000	68,193	138,193
American Recovery Plan Act Funds		7,259	7,259

December 31, 2020

	<u>Estimated Revenues</u>		
	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
<u>Special Revenue Funds</u>			
City Sales Tax	181,100	119,519	300,619
		<u>Appropriations</u>	
	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
<u>Special Revenue Funds</u>			
City Sales Tax	72,400	47,502	119,902

CITY OF LINTON
Linton, North Dakota

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

	Balance 1-1-2021	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2021
Major Governmental Funds						
General Fund	232,798.58	346,490.39		2,000.00	268,366.86	308,922.11
Highway	96,461.71	99,715.65			71,549.59	124,627.77
City Sales Tax	75,661.77	345,575.13		194,596.31	138,192.56	88,448.03
2014-1 Street Improvement	601,976.66	178,496.69			242,222.50	538,250.85
Improvement District 2020-1	188,404.01	1,383,508.00	49,363.18		1,616,975.19	4,300.00
Total Major Governmental Funds	1,195,302.73	2,353,785.86	49,363.18	196,596.31	2,337,306.70	1,064,548.76
Non-Major Governmental Funds						
Emergency	10,271.45	6,241.07				16,512.52
Cemetery	4,257.74	5,758.78	2,000.00		5,946.70	6,069.82
Public Facilities	1.20					1.20
City Lodging Tax	65,999.02	37,117.37		22,000.00	50,838.18	30,278.21
American Recovery Plan Act Funds		76,777.11			7,259.14	69,517.97
Special Assessment CST Debt Capacity	12,159.71		11,766.41		12,159.71	11,766.41
Street Light Maintenance	28,491.41	38,590.26			19,873.96	47,207.71
Total Nonmajor Governmental Funds	121,180.53	164,484.59	13,766.41	22,000.00	96,077.69	181,353.84
Total Governmental Funds	1,316,483.26	2,518,270.45	63,129.59	218,596.31	2,433,384.39	1,245,902.60
Major Enterprise Funds						
Water:						
Operating	182,194.91	403,734.87		168,956.73	193,494.03	223,479.02
2011 Water Meter	15,050.23		15,169.77		15,170.00	15,050.00
13-1 Water System Improvement			137,660.23		137,660.23	-
USDA Debt Service Reserve	90,800.00		13,848.00			104,648.00
Asset Replacement Reserve	88,366.85		16,167.00			104,533.85
Water - City Sales Tax	69,884.46		77,733.36	45,000.00		102,617.82
Sewer:						
Operating	151,206.72	88,361.26		13,665.62	76,971.76	148,930.60
Sewer - City Sales Tax	123,131.46		77,733.36	76,753.00		124,111.82
USDA Debt Service Reserve	1,000.00		500.00			1,500.00
USDA Sewer Project	4,504.94	19,024.92	76,753.00		95,773.24	4,509.62
2018 Sewer Project Debt Service	5,116.88		7,675.32			12,792.20
Garbage	221,762.84	191,093.39			183,660.18	229,196.05
Total Major Enterprise Funds	953,019.29	702,214.44	423,240.04	304,375.35	702,729.44	1,071,368.98
Non-Major Enterprise Fund						
02-1 Water/Sewer Main	47,755.47		36,602.03		84,357.50	-
Total Enterprise Funds	1,000,774.76	702,214.44	459,842.07	304,375.35	787,086.94	1,071,368.98
Fiduciary Fund						
Custodial Funds						
Job Development Authority		6,403.82			6,403.82	-
Linton Park District		100,322.47			100,322.47	-
Linton Airport Authority		13,447.07			13,447.07	-
Linton Public Library		14,765.82			14,765.82	-
Accrued Tax Payable	3,530.49	218,918.49			218,775.18	3,673.80
Total Custodial Funds	3,530.49	353,857.67	-	-	353,714.36	3,673.80
Total Primary Government	2,320,788.51	3,574,342.56	522,971.66	522,971.66	3,574,185.69	2,320,945.38
Discretely Presented Component Units						
Linton Municipal Airport Authority	23,780.41	24,289.45			20,603.75	27,466.11
Linton Public Library	21,232.96	33,057.80			31,654.79	22,635.97
Linton Industrial Development Corporation	664,952.02	215,785.72			149,434.55	731,303.19
Total Discretely Presented Component Units	709,965.39	273,132.97	-	-	201,693.09	781,405.27
Total Reporting Entity	3,030,753.90	3,847,475.53	522,971.66	522,971.66	3,775,878.78	3,102,350.65

CITY OF LINTON
Linton, North Dakota

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

	Balance 1-1-2020	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2020
Major Governmental Funds						
General Fund	241,890.75	338,437.70		75,500.00	272,029.87	232,798.58
Highway	91,809.13	104,236.55	8,234.38		107,818.35	96,461.71
City Sales Tax	135,229.81	300,618.63		240,284.31	119,902.36	75,661.77
2014-1 Street Improvement Improvement District 2020-1	675,436.70	172,712.46			246,172.50	601,976.66
			260,000.00		71,595.99	188,404.01
Total Major Governmental Funds	1,144,366.39	916,005.34	268,234.38	315,784.31	817,519.07	1,195,302.73
Non-Major Governmental Funds						
Emergency	7,439.95	6,973.45	546.33		4,688.28	10,271.45
Cemetery	4,622.02	5,174.53	500.00	546.33	5,492.48	4,257.74
Public Facilities	1.20					1.20
City Lodging Tax	53,752.35	12,246.67				65,999.02
Special Assessment CST Debt Capacity	12,645.46		12,159.71		12,645.46	12,159.71
Street Light Maintenance	21,621.33	33,499.82		10,000.00	16,629.74	28,491.41
Total Nonmajor Governmental Funds	100,082.31	57,894.47	13,206.04	10,546.33	39,455.96	121,180.53
Total Governmental Funds	1,244,448.70	973,899.81	281,440.42	326,330.64	856,975.03	1,316,483.26
Major Enterprise Funds						
Water:						
Operating	201,191.49	396,354.48		226,256.78	189,094.28	182,194.91
2011 Water Meter	15,050.23		15,500.00		15,500.00	15,050.23
13-1 Water System Improvement			137,679.28		137,679.28	-
USDA Debt Service Reserve	76,952.00		13,848.00			90,800.00
Asset Replacement Reserve	77,458.85		16,167.00		5,259.00	88,366.85
Water - City Sales Tax	67,439.35		67,445.11	65,000.00		69,884.46
Sewer:						
Operating	133,601.45	90,519.76		12,141.88	60,772.61	151,206.72
Sewer - City Sales Tax	152,439.35		67,445.11	96,753.00		123,131.46
USDA Debt Service Reserve	500.00		500.00			1,000.00
USDA Sewer Project	5,933.47	115,760.85	76,753.00		193,942.38	4,504.94
2018 Sewer Project Debt Service			5,116.88			5,116.88
Garbage	203,717.00	181,756.45			163,710.61	221,762.84
Total Major Enterprise Funds	934,283.19	784,391.54	400,454.38	400,151.66	765,958.16	953,019.29
Non-Major Enterprise Fund						
02-1 Water/Sewer Main	47,750.73	4.74	44,587.50		44,587.50	47,755.47
Total Enterprise Funds	982,033.92	784,396.28	445,041.88	400,151.66	810,545.66	1,000,774.76
Fiduciary Fund						
Custodial Funds						
Job Development Authority		6,986.66			6,986.66	-
Linton Park District		95,313.61			95,313.61	-
Linton Airport Authority		13,835.91			13,835.91	-
Linton Public Library		13,853.68			13,853.68	-
Accrued Tax Payable	4,466.83	197,802.52			198,738.86	3,530.49
Total Custodial Funds	4,466.83	327,792.38	-	-	328,728.72	3,530.49
Total Primary Government	2,230,949.45	2,086,088.47	726,482.30	726,482.30	1,996,249.41	2,320,788.51
Discretely Presented Component Units						
Linton Municipal Airport Authority	46,217.17	520,630.19			543,066.95	23,780.41
Linton Public Library	25,116.03	26,416.81			30,299.88	21,232.96
Linton Industrial Development Corporation	525,158.95	206,067.59			66,274.52	664,952.02
Total Discretely Presented Component Units	596,492.15	753,114.59	-	-	639,641.35	709,965.39
Total Reporting Entity	2,827,441.60	2,839,203.06	726,482.30	726,482.30	2,635,890.76	3,030,753.90

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Linton
Linton, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Linton, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated July 8, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

July 8, 2022

CITY OF LINTON
Linton, North Dakota

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

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor’s Report Issued:

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

Internal control over financial reporting:

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

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2021-001 – Segregation of Duties

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

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

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

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

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

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

2. 2021-002- Financial Statement Preparation

Criteria: A good system of internal controls requires the city to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The city's financial statements, including the accompanying note disclosures, are prepared by the city's external auditors.

Cause: The city feels that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

Effect: Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation: We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to external distribution.

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