

CITY OF BOTTINEAU

**FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

WITH INDEPENDENT AUDITOR'S REPORT

CITY OF BOTTINEAU
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FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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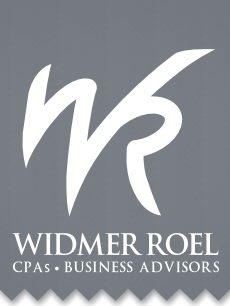
CITY OF BOTTINEAU
CITY OFFICIALS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

December 31, 2021

| <u>Official</u> | <u>Position</u> |
|------------------------|------------------------|
| Perry Schoenborn | Mayor |
| Andy Freeman | Council Member |
| Harlen Getzlaff | Council Member |
| Greg Stewart | Council Member |
| Jeremy Ketterling | Council Member |
| Douglas Marsden | Council Member |
| Gary Mortensen | Council Member |
| Matthew Seykora | Council Member |
| Myron Langehaug | Council Member |
| Dave Agnes | Municipal Judge |
| Penny Nostdahl | City Auditor |

December 31, 2020

| <u>Official</u> | <u>Position</u> |
|------------------------|------------------------|
| Perry Schoenborn | Mayor |
| Andy Freeman | Council Member |
| Harlen Getzlaff | Council Member |
| Greg Stewart | Council Member |
| Jeremy Ketterling | Council Member |
| Douglas Marsden | Council Member |
| Gary Mortensen | Council Member |
| Matthew Seykora | Council Member |
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INDEPENDENT AUDITOR’S REPORT

City Council
City of Bottineau
Bottineau, North Dakota

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 **City of Bottineau** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statement, 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.

Emphasis of Matter - Correction of an Error

As discussed in Note 11 to the financial statements, **City of Bottineau** restated fund balance on the statement of revenues, expenditures and changes in fund balance to correct an error in the previously issued financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting 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.

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 GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- 1) Exercise professional judgment and maintain professional skepticism throughout the audit.
- 2) 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.
- 3) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **City of Bottineau's** internal control. Accordingly, no such opinion is expressed.
- 4) 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.
- 5) Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **City of Bottineau's** ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **City of Bottineau's** basic financial statements. The schedules of fund activity arising from cash transactions on pages 40-43 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of fund activity arising from cash transactions are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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.

The listing of city officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2023 on our consideration of **City of Bottineau'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 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 **City of Bottineau's** internal control over financial reporting and compliance.



Fargo, North Dakota
May 5, 2023

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

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 10,501,303 | \$ 2,023,978 | \$ 12,525,281 |
| Loans receivable | 371,698 | - | 371,698 |
| Restricted cash | - | 47,850 | 47,850 |
| Capital assets, net of accumulated depreciation | <u>11,059,676</u> | <u>7,322,305</u> | <u>18,381,981</u> |
| Total assets | <u>21,932,677</u> | <u>9,394,133</u> | <u>31,326,810</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Unamortized deferred loss on bond refunding | <u>16,834</u> | <u>-</u> | <u>16,834</u> |
| Total assets and deferred outflow of resources | <u>\$ 21,949,511</u> | <u>\$ 9,394,133</u> | <u>\$ 31,343,644</u> |
| LIABILITIES | | | |
| Due within one year: bonds | <u>\$ 290,000</u> | <u>\$ 43,000</u> | <u>\$ 333,000</u> |
| Due in more than one year: bonds | <u>624,938</u> | <u>135,000</u> | <u>759,938</u> |
| Total liabilities | <u>914,938</u> | <u>178,000</u> | <u>1,092,938</u> |
| NET POSITION | | | |
| Net investment in capital assets | 10,144,738 | 7,144,305 | 17,289,043 |
| Restricted for: | | | |
| Capital projects | 497,284 | - | 497,284 |
| Debt service | - | 47,850 | 47,850 |
| Special purposes | 721,244 | - | 721,244 |
| Unrestricted | <u>9,671,307</u> | <u>2,023,978</u> | <u>11,695,285</u> |
| Total net position | <u>21,034,573</u> | <u>9,216,133</u> | <u>30,250,706</u> |
| Total liabilities and net position | <u>\$ 21,949,511</u> | <u>\$ 9,394,133</u> | <u>\$ 31,343,644</u> |

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

| | <u>Program Revenues</u> | | | <u>Net Revenues (Expenses) and Changes in Net Position</u> | | | |
|---------------------------------------|-------------------------|---------------------------------|---|--|------------------------------------|-------------------------------------|----------------------|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Capital Grants and Contributions</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| PRIMARY GOVERNMENT | | | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| General government | \$ 87,335 | \$ 42,016 | \$ - | \$ 35,840 | \$ (9,479) | \$ - | \$ (9,479) |
| Public safety | 626,590 | 12,370 | - | - | (614,220) | - | (614,220) |
| Public works | 1,551,380 | 49,917 | - | 359,066 | (1,142,397) | - | (1,142,397) |
| Culture and recreation | 98,806 | - | - | - | (98,806) | - | (98,806) |
| Economic development | 58,586 | - | - | - | (58,586) | - | (58,586) |
| Other | 132,738 | - | - | - | (132,738) | - | (132,738) |
| Interest and service charges | 18,161 | - | - | - | (18,161) | - | (18,161) |
| | <u>2,573,596</u> | <u>104,303</u> | <u>-</u> | <u>394,906</u> | <u>(2,074,387)</u> | <u>-</u> | <u>(2,074,387)</u> |
| Total governmental activities | | | | | | | |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Water | 523,126 | 515,624 | - | - | - | (7,502) | (7,502) |
| Sewer | 197,892 | 172,046 | - | - | - | (25,846) | (25,846) |
| Garbage | 398,738 | 402,578 | - | - | - | 3,840 | 3,840 |
| | <u>1,119,756</u> | <u>1,090,248</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(29,508)</u> | <u>(29,508)</u> |
| Total business-type activities | | | | | | | |
| Total primary government | \$ <u>3,693,352</u> | \$ <u>1,194,551</u> | \$ <u>-</u> | \$ <u>394,906</u> | <u>(2,074,387)</u> | <u>(29,508)</u> | <u>(2,103,895)</u> |
| GENERAL REVENUES | | | | | | | |
| Property taxes | | | | | 809,896 | - | 809,896 |
| Unrestricted grants and contributions | | | | | 196,043 | - | 196,043 |
| City sales tax | | | | | 1,348,914 | - | 1,348,914 |
| Oil and Gas | | | | | 368,816 | - | 368,816 |
| Interest Income | | | | | 139 | - | 139 |
| Miscellaneous revenue | | | | | 579,253 | - | 579,253 |
| Transfers | | | | | 33,662 | (33,662) | - |
| | | | | | <u>3,336,723</u> | <u>(33,662)</u> | <u>3,303,061</u> |
| Total general revenues | | | | | | | |
| Change in net position | | | | | <u>1,262,336</u> | <u>(63,170)</u> | <u>1,199,166</u> |
| Net position - January 1 | | | | | <u>19,772,237</u> | <u>9,279,303</u> | <u>29,051,540</u> |
| Net position - December 31 | | | | | \$ <u>21,034,573</u> | \$ <u>9,216,133</u> | \$ <u>30,250,706</u> |

See Notes to Financial Statements

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

| | <u>General Fund</u> | <u>Fire Department</u> | <u>Paving Reserve</u> | <u>Streets</u> | <u>Sales Tax 40%</u> | <u>2020 Streets</u> | <u>Other Government Funds</u> | <u>Total</u> |
|---------------------------|-------------------------|----------------------------|---------------------------|-------------------|--------------------------|-------------------------|---------------------------------------|----------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 4,160,120 | \$ 301,639 | \$ 2,353,381 | \$ 497,284 | \$ 1,132,771 | \$ - | \$ 2,056,108 | \$ 10,501,303 |
| Loans receivable | - | - | - | - | 371,698 | - | - | 371,698 |
| Total assets | <u>\$ 4,160,120</u> | <u>\$ 301,639</u> | <u>\$ 2,353,381</u> | <u>\$ 497,284</u> | <u>\$ 1,504,469</u> | <u>\$ -</u> | <u>\$ 2,056,108</u> | <u>\$ 10,873,001</u> |
| FUND BALANCES | | | | | | | | |
| Restricted fund balance | | | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 721,244 | \$ 721,244 |
| Public safety | - | 301,639 | - | - | - | - | 356,523 | 658,162 |
| Public works | - | - | 2,353,381 | 497,284 | - | - | 432,128 | 3,282,793 |
| Culture and recreation | - | - | - | - | - | - | 183,223 | 183,223 |
| Economic development | - | - | - | - | 1,132,771 | - | 155,990 | 1,288,761 |
| Debt service | - | - | - | - | - | - | 207,000 | 207,000 |
| Unassigned fund balance | 4,160,120 | - | - | - | - | - | - | 4,160,120 |
| Nonspendable fund balance | - | - | - | - | 371,698 | - | - | 371,698 |
| Total fund balances | <u>\$ 4,160,120</u> | <u>\$ 301,639</u> | <u>\$ 2,353,381</u> | <u>\$ 497,284</u> | <u>\$ 1,504,469</u> | <u>\$ -</u> | <u>\$ 2,056,108</u> | <u>\$ 10,873,001</u> |

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

Total Fund Balances for Governmental Funds \$ 10,873,001

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 | 18,728,867 | |
| Less accumulated depreciation | <u>(7,669,191)</u> | |
| Net capital assets | | 11,059,676 |

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. All liabilities, both current and long-term, are reported in the Statement of Net Position - Modified Cash Basis.

| | | |
|---|------------------|------------------|
| Unamortized deferred loss on bond refunding | 16,834 | |
| Discount on bonds payable | 15,062 | |
| Bonds payable | <u>(930,000)</u> | |
| Net long-term liabilities | | <u>(898,104)</u> |

Total Net Position of Governmental Activities \$ 21,034,573

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

| | <u>General Fund</u> | <u>Fire Department</u> | <u>Paving Reserve</u> | <u>Streets</u> | <u>Sales Tax 40%</u> | <u>2020 Streets</u> | <u>Other Government Funds</u> | <u>Totals</u> |
|--|-------------------------|----------------------------|---------------------------|-------------------|--------------------------|-------------------------|---------------------------------------|----------------------|
| REVENUES | | | | | | | | |
| Taxes, other | \$ 507,988 | \$ - | \$ 833,939 | \$ 189,968 | \$ 119,134 | \$ 100,443 | \$ 535,811 | \$ 2,287,283 |
| Licenses, permits and fees | 42,762 | - | 2,054 | - | - | - | - | 44,816 |
| Intergovernmental | 499,114 | 47,403 | - | - | - | - | 73,276 | 619,793 |
| Charges for services | 4,800 | - | - | 49,917 | - | - | - | 54,717 |
| Fines and forfeits | 7,570 | - | - | - | - | - | - | 7,570 |
| Interest income | - | 128 | 10 | - | - | - | - | 138 |
| Grants | 169,098 | 46,113 | - | - | - | - | 14,597 | 229,808 |
| Miscellaneous | 14,240 | 37,964 | 8,631 | 6,350 | 54,567 | - | 436,393 | 558,145 |
| Total revenues | <u>1,245,572</u> | <u>131,608</u> | <u>844,634</u> | <u>246,235</u> | <u>173,701</u> | <u>100,443</u> | <u>1,060,077</u> | <u>3,802,270</u> |
| EXPENDITURES | | | | | | | | |
| Current | | | | | | | | |
| General government | 182,529 | - | - | - | 88,500 | - | 401,243 | 672,272 |
| Public safety | 495,422 | 131,168 | - | - | - | - | - | 626,590 |
| Public works | 2,128 | - | 21,339 | 286,106 | - | 704,115 | 213,152 | 1,226,840 |
| Culture and recreation | - | - | - | - | - | - | 500 | 500 |
| Economic development | - | - | - | - | - | - | 68,586 | 68,586 |
| Other | 143,822 | - | - | - | 101,412 | - | 99,813 | 345,047 |
| Debt service | | | | | | | | |
| Principal and interest | - | - | 209,885 | - | - | - | 113,276 | 323,161 |
| Total expenditures | <u>823,901</u> | <u>131,168</u> | <u>231,224</u> | <u>286,106</u> | <u>189,912</u> | <u>704,115</u> | <u>896,570</u> | <u>3,262,996</u> |
| Excess (deficiency) of revenues over expenditures | <u>421,671</u> | <u>440</u> | <u>613,410</u> | <u>(39,871)</u> | <u>(16,211)</u> | <u>(603,672)</u> | <u>163,507</u> | <u>539,274</u> |
| OTHER FINANCING SOURCES (USES), INCLUDING TRANSFERS | | | | | | | | |
| Transfers in | 307,005 | - | - | 77,664 | - | 603,672 | 68,939 | 1,057,280 |
| Transfers out | (291,903) | - | (603,672) | (8,379) | - | - | (119,664) | (1,023,618) |
| Total other financing sources (uses) | <u>15,102</u> | <u>-</u> | <u>(603,672)</u> | <u>69,285</u> | <u>-</u> | <u>603,672</u> | <u>(50,725)</u> | <u>33,662</u> |
| Net change in fund balances | <u>436,773</u> | <u>440</u> | <u>9,738</u> | <u>29,414</u> | <u>(16,211)</u> | <u>-</u> | <u>112,782</u> | <u>572,936</u> |
| Fund balances - January 1 | <u>3,723,347</u> | <u>301,199</u> | <u>2,343,643</u> | <u>467,870</u> | <u>1,520,680</u> | <u>-</u> | <u>1,943,326</u> | <u>10,300,065</u> |
| Fund balances - December 31 | <u>\$ 4,160,120</u> | <u>\$ 301,639</u> | <u>\$ 2,353,381</u> | <u>\$ 497,284</u> | <u>\$ 1,504,469</u> | <u>-</u> | <u>\$ 2,056,108</u> | <u>\$ 10,873,001</u> |

See Notes to Financial Statements

CITY OF BOTTINEAU

**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 \$ 572,936

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 - Modified Cash Basis, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and disposal of assets exceeded capital outlays in the current year.

| | | |
|-----------------------------------|----------------|---------|
| Current year capital outlay | 918,234 | |
| Current year depreciation expense | (527,455) | |
| Net amount | <u>390,779</u> | 390,779 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position - Modified Cash Basis.

| | | |
|--|----------------|----------------|
| Amortization of discount on bonds payable | (3,012) | |
| Amortization of loss on refinancing of bonds payable | (3,367) | |
| Principal payments for bonds payable | 305,000 | |
| Net amount | <u>298,621</u> | <u>298,621</u> |

Change in Net Position of Governmental Activities \$ 1,262,336

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

| | <u>Water</u> | <u>Sewer</u> | <u>Garbage</u> | <u>Total</u> |
|--|---------------------|---------------------|-------------------|---------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | \$ <u>1,379,866</u> | \$ <u>410,373</u> | \$ <u>233,739</u> | \$ <u>2,023,978</u> |
| Noncurrent Assets | | | | |
| Restricted cash | 47,850 | - | - | 47,850 |
| Capital assets, net of accumulated depreciation | <u>3,575,415</u> | <u>3,204,871</u> | <u>542,019</u> | <u>7,322,305</u> |
| Total assets | <u>\$ 5,003,131</u> | <u>\$ 3,615,244</u> | <u>\$ 775,758</u> | <u>\$ 9,394,133</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Water revenue bonds payable, current portion | \$ <u>43,000</u> | \$ - | \$ - | \$ <u>43,000</u> |
| Noncurrent liabilities | | | | |
| Water revenue bonds payable, net of current portion | <u>135,000</u> | - | - | <u>135,000</u> |
| Total liabilities | <u>178,000</u> | - | - | <u>178,000</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 3,397,415 | 3,204,871 | 542,019 | 7,144,305 |
| Unrestricted | <u>1,427,716</u> | <u>410,373</u> | <u>233,739</u> | <u>2,071,828</u> |
| Total net position | <u>4,825,131</u> | <u>3,615,244</u> | <u>775,758</u> | <u>9,216,133</u> |
| Total liabilities and net position | <u>\$ 5,003,131</u> | <u>\$ 3,615,244</u> | <u>\$ 775,758</u> | <u>\$ 9,394,133</u> |

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

| | <u>Water</u> | <u>Sewer</u> | <u>Garbage</u> | <u>Total</u> |
|--|---------------------|---------------------|-------------------|---------------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 515,624 | \$ 172,046 | \$ 402,578 | \$ 1,090,248 |
| OPERATING EXPENSES | | | | |
| System repair and maintenance | 77,330 | 33,693 | 41,933 | 152,956 |
| Chemicals | 42,534 | - | - | 42,534 |
| Engineering fees | 7,708 | - | - | 7,708 |
| Salaries | 248,100 | 66,505 | 111,888 | 426,493 |
| Utilities | 23,178 | 6,610 | 1,771 | 31,559 |
| Work force safety and insurance | 913 | 18,994 | 46,749 | 66,656 |
| Fuel | 3,776 | 1,030 | 28,975 | 33,781 |
| Garbage operation | - | - | 86,354 | 86,354 |
| Depreciation | 105,104 | 71,060 | 81,068 | 257,232 |
| Total operating expenses | <u>508,643</u> | <u>197,892</u> | <u>398,738</u> | <u>1,105,273</u> |
| Operating income (loss) | <u>6,981</u> | <u>(25,846)</u> | <u>3,840</u> | <u>(15,025)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest expense | (6,495) | - | - | (6,495) |
| Miscellaneous expense | <u>(7,988)</u> | <u>-</u> | <u>-</u> | <u>(7,988)</u> |
| Total non-operating revenues (expenses) | <u>(14,483)</u> | <u>-</u> | <u>-</u> | <u>(14,483)</u> |
| Income (loss) before transfers | <u>(7,502)</u> | <u>(25,846)</u> | <u>3,840</u> | <u>(29,508)</u> |
| TRANSFERS | | | | |
| Transfers in | 45,409 | - | - | 45,409 |
| Transfers out | <u>(24,600)</u> | <u>(25,818)</u> | <u>(28,653)</u> | <u>(79,071)</u> |
| Net transfers in (out) | <u>20,809</u> | <u>(25,818)</u> | <u>(28,653)</u> | <u>(33,662)</u> |
| Change in net position | <u>13,307</u> | <u>(51,664)</u> | <u>(24,813)</u> | <u>(63,170)</u> |
| Net position - January 1 | <u>4,811,824</u> | <u>3,666,908</u> | <u>800,571</u> | <u>9,279,303</u> |
| Net position - December 31 | <u>\$ 4,825,131</u> | <u>\$ 3,615,244</u> | <u>\$ 775,758</u> | <u>\$ 9,216,133</u> |

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

| | <u>Water</u> | <u>Sewer</u> | <u>Garbage</u> | <u>Total</u> |
|--|---------------------|-------------------|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 515,624 | \$ 172,046 | \$ 402,578 | \$ 1,090,248 |
| Payments to suppliers | (154,526) | (41,333) | (205,782) | (401,641) |
| Payments to employees | <u>(249,013)</u> | <u>(85,499)</u> | <u>(111,888)</u> | <u>(446,400)</u> |
| Net cash provided by operating activities | <u>112,085</u> | <u>45,214</u> | <u>84,908</u> | <u>242,207</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | | | |
| Bond principal payments | (42,000) | - | - | (42,000) |
| Bond interest payments | <u>(6,495)</u> | <u>-</u> | <u>-</u> | <u>(6,495)</u> |
| Net cash used in capital financing activities | <u>(48,495)</u> | <u>-</u> | <u>-</u> | <u>(48,495)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Miscellaneous expense | (7,988) | - | - | (7,988) |
| Transfers in | 45,409 | - | - | 45,409 |
| Transfers out | <u>(24,600)</u> | <u>(25,818)</u> | <u>(28,653)</u> | <u>(79,071)</u> |
| Net cash provided by (used in) noncapital financing activities | <u>12,821</u> | <u>(25,818)</u> | <u>(28,653)</u> | <u>(41,650)</u> |
| Net increase in cash and cash equivalents | <u>76,411</u> | <u>19,396</u> | <u>56,255</u> | <u>152,062</u> |
| Cash and cash equivalents - January 1 | <u>1,351,305</u> | <u>390,977</u> | <u>177,484</u> | <u>1,919,766</u> |
| Cash and cash equivalents - December 31 | <u>\$ 1,427,716</u> | <u>\$ 410,373</u> | <u>\$ 233,739</u> | <u>\$ 2,071,828</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | |
| Operating income (loss) | \$ 6,981 | \$ (25,846) | \$ 3,840 | \$ (15,025) |
| Adjustment to reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | |
| Depreciation | <u>105,104</u> | <u>71,060</u> | <u>81,068</u> | <u>257,232</u> |
| Net cash provided by operating activities | <u>\$ 112,085</u> | <u>\$ 45,214</u> | <u>\$ 84,908</u> | <u>\$ 242,207</u> |

CITY OF BOTTINEAU
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2020

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and investments | \$ 9,783,871 | \$ 1,871,916 | \$ 11,655,787 |
| Loans receivable | 309,194 | - | 309,194 |
| Restricted cash | 207,000 | 47,850 | 254,850 |
| Capital assets, net of accumulated depreciation | <u>10,668,897</u> | <u>7,579,537</u> | <u>18,248,434</u> |
| Total assets | <u>20,968,962</u> | <u>9,499,303</u> | <u>30,468,265</u> |
| DIFFERED OUTFLOW OF RESOURCES | | | |
| Unamortized deferred loss on bond refunding | <u>20,201</u> | <u>-</u> | <u>20,201</u> |
| Total assets and deferred outflow of resources | <u>\$ 20,989,163</u> | <u>\$ 9,499,303</u> | <u>\$ 30,488,466</u> |
| LIABILITIES | | | |
| Due within one year: bonds | <u>\$ 305,000</u> | <u>\$ 42,000</u> | <u>\$ 347,000</u> |
| Due in more than one year: bonds | <u>911,926</u> | <u>178,000</u> | <u>1,089,926</u> |
| Total liabilities | <u>1,216,926</u> | <u>220,000</u> | <u>1,436,926</u> |
| NET POSITION | | | |
| Net investment in capital assets | 9,451,971 | 7,359,537 | 16,811,508 |
| Restricted for: | | | |
| Capital projects | 467,870 | - | 467,870 |
| Debt service | 207,000 | 47,850 | 254,850 |
| Special purposes | 476,975 | - | 476,975 |
| Unrestricted | <u>9,168,421</u> | <u>1,871,916</u> | <u>11,040,337</u> |
| Total net position | <u>19,772,237</u> | <u>9,279,303</u> | <u>29,051,540</u> |
| Total liabilities and net position | <u>\$ 20,989,163</u> | <u>\$ 9,499,303</u> | <u>\$ 30,488,466</u> |

CITY OF BOTTINEAU
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net Revenues (Expenses) and Changes in Net Position</u> | | |
|---|---------------------|-----------------------------|---|---|--|---------------------------------|----------------------|
| | | <u>Charges for Services</u> | <u>Capital Grants and Contributions</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
| PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES | | | | | | | |
| General government | \$ 1,098,514 | \$ 38,432 | \$ - | \$ 533,774 | \$ (526,308) | \$ - | \$ (526,308) |
| Public safety | 601,129 | 12,430 | - | - | (588,699) | - | (588,699) |
| Public works | 649,745 | 48,834 | - | 185,641 | (415,270) | - | (415,270) |
| Culture and recreation | 84,931 | - | - | - | (84,931) | - | (84,931) |
| Economic development | 15,076 | - | - | - | (15,076) | - | (15,076) |
| Other | 109,872 | - | - | - | (109,872) | - | (109,872) |
| Interest and service charges | 28,634 | - | - | - | (28,634) | - | (28,634) |
| Total governmental activities | <u>2,587,901</u> | <u>99,696</u> | <u>-</u> | <u>719,415</u> | <u>(1,768,790)</u> | <u>-</u> | <u>(1,768,790)</u> |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Water | 611,978 | 514,740 | - | - | - | (97,238) | (97,238) |
| Sewer | 179,822 | 167,557 | - | - | - | (12,265) | (12,265) |
| Garbage | 409,780 | 401,804 | - | - | - | (7,976) | (7,976) |
| Total business-type activities | <u>1,201,580</u> | <u>1,084,101</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(117,479)</u> | <u>(117,479)</u> |
| Total primary government | <u>\$ 3,789,481</u> | <u>\$ 1,183,797</u> | <u>\$ -</u> | <u>\$ 719,415</u> | <u>(1,768,790)</u> | <u>(117,479)</u> | <u>(1,886,269)</u> |
| GENERAL REVENUES | | | | | | | |
| Property taxes | | | | | 799,016 | - | 799,016 |
| Unrestricted grants and contributions | | | | | 167,543 | - | 167,543 |
| City sales tax | | | | | 1,243,505 | - | 1,243,505 |
| Oil and gas | | | | | 214,641 | - | 214,641 |
| Interest income | | | | | 211 | - | 211 |
| Miscellaneous revenue | | | | | 560,836 | - | 560,836 |
| Transfers | | | | | 33,240 | (33,240) | - |
| Total general revenues | | | | | <u>3,018,992</u> | <u>(33,240)</u> | <u>2,985,752</u> |
| Change in net position | | | | | <u>1,250,202</u> | <u>(150,719)</u> | <u>1,099,483</u> |
| Net position - January 1 | | | | | <u>18,522,035</u> | <u>9,430,022</u> | <u>27,952,057</u> |
| Net position - December 31 | | | | | <u>\$ 19,772,237</u> | <u>\$ 9,279,303</u> | <u>\$ 29,051,540</u> |

CITY OF BOTTINEAU
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

| | <u>General Fund</u> | <u>Fire Department</u> | <u>Paving Reserve</u> | <u>Streets</u> | <u>Sales Tax 40%</u> | <u>2020 Streets</u> | <u>Other Government Funds</u> | <u>Total</u> |
|---------------------------|-------------------------|----------------------------|---------------------------|-------------------|--------------------------|-------------------------|---------------------------------------|----------------------|
| ASSETS | | | | | | | | |
| Cash and investments | \$ 3,723,347 | \$ 301,199 | \$ 2,343,643 | \$ 467,870 | \$ 1,211,486 | \$ - | \$ 1,736,326 | \$ 9,783,871 |
| Restricted cash | - | - | - | - | - | - | 207,000 | 207,000 |
| Loans receivable | - | - | - | - | 309,194 | - | - | 309,194 |
| Total assets | <u>\$ 3,723,347</u> | <u>\$ 301,199</u> | <u>\$ 2,343,643</u> | <u>\$ 467,870</u> | <u>\$ 1,520,680</u> | <u>\$ -</u> | <u>\$ 1,943,326</u> | <u>\$ 10,300,065</u> |
| FUND BALANCES | | | | | | | | |
| Restricted fund balance | | | | | | | | |
| General government | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 683,975 | 683,975 |
| Public safety | - | 301,199 | - | - | - | - | 334,280 | 635,479 |
| Public works | - | - | 2,343,643 | 467,870 | - | - | 443,095 | 3,254,608 |
| Culture and recreation | - | - | - | - | - | - | 164,595 | 164,595 |
| Economic development | - | - | - | - | 1,211,486 | - | 110,381 | 1,321,867 |
| Debt service | - | - | - | - | - | - | 207,000 | 207,000 |
| Unassigned fund balance | 3,723,347 | - | - | - | - | - | - | 3,723,347 |
| Nonspendable fund balance | - | - | - | - | 309,194 | - | - | 309,194 |
| Total fund balances | <u>\$ 3,723,347</u> | <u>\$ 301,199</u> | <u>\$ 2,343,643</u> | <u>\$ 467,870</u> | <u>\$ 1,520,680</u> | <u>\$ -</u> | <u>\$ 1,943,326</u> | <u>\$ 10,300,065</u> |

CITY OF BOTTINEAU
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2020

Total Fund Balances for Governmental Funds \$ 10,300,065

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 | 17,810,633 | |
| Less accumulated depreciation | <u>(7,141,736)</u> | |
| Net capital assets | | 10,668,897 |

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. All liabilities, both current and long-term, are reported in the Statement of Net Position - Modified Cash Basis.

Balances at December 31 are:

| | | |
|---|--------------------|--------------------|
| Unamortized deferred loss on bond refunding | 20,201 | |
| Discount on bonds payable | 18,074 | |
| Bonds payable | <u>(1,235,000)</u> | |
| Net long-term liabilities | | <u>(1,196,725)</u> |

Total Net Position of Governmental Activities \$ 19,772,237

CITY OF BOTTINEAU
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>General Fund</u> | <u>Fire Department</u> | <u>Paving Reserve</u> | <u>Streets</u> | <u>Sales Tax 40%</u> | <u>2020 Streets</u> | <u>Other Government Funds</u> | <u>Totals</u> |
|--|-------------------------|----------------------------|---------------------------|-------------------|--------------------------|-------------------------|---------------------------------------|----------------------|
| REVENUES | | | | | | | | |
| Taxes, other | \$ 528,220 | \$ - | \$ 761,365 | \$ 185,641 | \$ 108,766 | \$ - | \$ 583,081 | \$ 2,167,073 |
| Licenses, permits and fees | 40,511 | - | 6,532 | - | - | - | - | 47,043 |
| Intergovernmental | 324,183 | 27,650 | - | - | - | - | 60,590 | 412,423 |
| Charges for services | 4,800 | - | - | 48,834 | - | - | - | 53,634 |
| Fines and forfeits | 7,630 | - | - | - | - | - | - | 7,630 |
| Interest income | - | 179 | 32 | - | - | - | - | 211 |
| Grants | 500,000 | 64,907 | - | - | - | - | - | 564,907 |
| Miscellaneous | 9,411 | 37,564 | 8,844 | 3,792 | 50,246 | - | 442,085 | 551,942 |
| | <u>1,414,755</u> | <u>130,300</u> | <u>776,773</u> | <u>238,267</u> | <u>159,012</u> | <u>-</u> | <u>1,085,756</u> | <u>3,804,863</u> |
| Total revenues | | | | | | | | |
| EXPENDITURES | | | | | | | | |
| Current | | | | | | | | |
| General government | 179,401 | - | - | - | 73,500 | - | 415,151 | 668,052 |
| Public safety | 493,226 | 107,903 | - | - | - | - | - | 601,129 |
| Public works | 49,780 | - | 23,789 | 266,708 | - | 541,140 | 189,688 | 1,071,105 |
| Culture and recreation | 1,035 | - | - | - | - | - | 500 | 1,535 |
| Economic development | - | - | - | - | - | - | 20,076 | 20,076 |
| Other | 319,362 | - | - | - | 93,963 | - | 77,963 | 491,288 |
| Debt service | | | | | | | | |
| Principal and interest | - | - | 213,520 | - | - | - | 130,114 | 343,634 |
| | <u>1,042,804</u> | <u>107,903</u> | <u>237,309</u> | <u>266,708</u> | <u>167,463</u> | <u>541,140</u> | <u>833,492</u> | <u>3,196,819</u> |
| Total expenditures | | | | | | | | |
| Excess (deficiency) of revenues over expenditures | <u>371,951</u> | <u>22,397</u> | <u>539,464</u> | <u>(28,441)</u> | <u>(8,451)</u> | <u>(541,140)</u> | <u>252,264</u> | <u>608,044</u> |
| OTHER FINANCING SOURCES (USES), INCLUDING TRANSFERS | | | | | | | | |
| Transfers in | 108,986 | - | - | 103,737 | - | 541,140 | 53,300 | 807,163 |
| Transfers out | (21,605) | - | (541,140) | (8,442) | - | - | (202,736) | (773,923) |
| Total other financing sources (uses) | <u>87,381</u> | <u>-</u> | <u>(541,140)</u> | <u>95,295</u> | <u>-</u> | <u>541,140</u> | <u>(149,436)</u> | <u>33,240</u> |
| Net change in fund balances | <u>459,332</u> | <u>22,397</u> | <u>(1,676)</u> | <u>66,854</u> | <u>(8,451)</u> | <u>-</u> | <u>102,828</u> | <u>641,284</u> |
| Fund balances - January 1 | 3,264,015 | 278,802 | 2,345,319 | 401,016 | 1,237,504 | - | 1,840,498 | 9,367,154 |
| Prior period adjustment | - | - | - | - | 291,627 | - | - | 291,627 |
| Fund balance - January 1 as restated | <u>3,264,015</u> | <u>278,802</u> | <u>2,345,319</u> | <u>401,016</u> | <u>1,529,131</u> | <u>-</u> | <u>1,840,498</u> | <u>9,658,781</u> |
| Fund balances - December 31 | <u>\$ 3,723,347</u> | <u>\$ 301,199</u> | <u>\$ 2,343,643</u> | <u>\$ 467,870</u> | <u>\$ 1,520,680</u> | <u>-</u> | <u>\$ 1,943,326</u> | <u>\$ 10,300,065</u> |

See Notes to Financial Statements

CITY OF BOTTINEAU

**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 \$ 641,284

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 - Modified Cash Basis, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and disposal of assets exceeded capital outlays in the current year.

| | | |
|-----------------------------------|-----------|---------|
| Current year capital outlay | 804,176 | |
| Current year depreciation expense | (503,880) | |
| Net amount | | 300,296 |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position - Modified Cash Basis.

| | | |
|--|---------|---------|
| Amortization of discount on bonds payable | (3,012) | |
| Amortization of loss on refinancing of bonds payable | (3,366) | |
| Principal payments for bonds payable | 315,000 | |
| Net amount | | 308,622 |

Change in Net Position of Governmental Activities \$ 1,250,202

CITY OF BOTTINEAU
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2020

| | <u>Water</u> | <u>Sewer</u> | <u>Garbage</u> | <u>Total</u> |
|--|---------------------|---------------------|-------------------|---------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and investments | \$ <u>1,303,455</u> | \$ <u>390,977</u> | \$ <u>177,484</u> | \$ <u>1,871,916</u> |
| Noncurrent Assets | | | | |
| Restricted cash | 47,850 | - | - | 47,850 |
| Capital assets, net of accumulated depreciation | <u>3,680,519</u> | <u>3,275,931</u> | <u>623,087</u> | <u>7,579,537</u> |
| Total assets | <u>\$ 5,031,824</u> | <u>\$ 3,666,908</u> | <u>\$ 800,571</u> | <u>\$ 9,499,303</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Water revenue bonds payable, current portion | \$ <u>42,000</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>42,000</u> |
| Noncurrent liabilities | | | | |
| Water revenue bonds payable, net of current portion | <u>178,000</u> | <u>-</u> | <u>-</u> | <u>178,000</u> |
| Total liabilities | <u>220,000</u> | <u>-</u> | <u>-</u> | <u>220,000</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 3,460,519 | 3,275,931 | 623,087 | 7,359,537 |
| Unrestricted | <u>1,351,305</u> | <u>390,977</u> | <u>177,484</u> | <u>1,919,766</u> |
| Total net position | <u>4,811,824</u> | <u>3,666,908</u> | <u>800,571</u> | <u>9,279,303</u> |
| Total liabilities and net position | <u>\$ 5,031,824</u> | <u>\$ 3,666,908</u> | <u>\$ 800,571</u> | <u>\$ 9,499,303</u> |

CITY OF BOTTINEAU
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION– MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Water</u> | <u>Sewer</u> | <u>Garbage</u> | <u>Total</u> |
|--|---------------------|---------------------|-------------------|---------------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 514,740 | \$ 167,557 | \$ 401,804 | \$ 1,084,101 |
| OPERATING EXPENSES | | | | |
| System repair and maintenance | 37,780 | 18,179 | 75,029 | 130,988 |
| Chemicals | 59,468 | - | - | 59,468 |
| Water line project | 32,766 | - | - | 32,766 |
| Engineering fees | 121,570 | - | - | 121,570 |
| Salaries | 198,835 | 62,578 | 111,202 | 372,615 |
| Utilities | 23,192 | 8,029 | 2,065 | 33,286 |
| Work force safety and insurance | 1,991 | 18,148 | 37,743 | 57,882 |
| Fuel | 3,564 | 1,828 | 21,352 | 26,744 |
| Garbage operation | - | - | 88,578 | 88,578 |
| Depreciation | 108,704 | 71,060 | 73,811 | 253,575 |
| Total operating expenses | <u>587,870</u> | <u>179,822</u> | <u>409,780</u> | <u>1,177,472</u> |
| Operating income (loss) | <u>(73,130)</u> | <u>(12,265)</u> | <u>(7,976)</u> | <u>(93,371)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest expense | (7,727) | - | - | (7,727) |
| Miscellaneous expense | <u>(16,381)</u> | <u>-</u> | <u>-</u> | <u>(16,381)</u> |
| Total non-operating revenues (expenses) | <u>(24,108)</u> | <u>-</u> | <u>-</u> | <u>(24,108)</u> |
| Income (loss) before transfers | <u>(97,238)</u> | <u>(12,265)</u> | <u>(7,976)</u> | <u>(117,479)</u> |
| TRANSFERS | | | | |
| Transfers in | 44,735 | - | - | 44,735 |
| Transfers out | <u>(24,600)</u> | <u>(25,427)</u> | <u>(27,948)</u> | <u>(77,975)</u> |
| Net transfers in (out) | <u>20,135</u> | <u>(25,427)</u> | <u>(27,948)</u> | <u>(33,240)</u> |
| Change in net position | <u>(77,103)</u> | <u>(37,692)</u> | <u>(35,924)</u> | <u>(150,719)</u> |
| Net position - January 1 | <u>4,888,927</u> | <u>3,704,600</u> | <u>836,495</u> | <u>9,430,022</u> |
| Net position - December 31 | <u>\$ 4,811,824</u> | <u>\$ 3,666,908</u> | <u>\$ 800,571</u> | <u>\$ 9,279,303</u> |

CITY OF BOTTINEAU
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Business-Type Activities-Enterprise Funds | | | |
|--|--|-------------------|-------------------|---------------------|
| | Major Funds | | | Total |
| | Water | Sewer | Garbage | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 514,740 | \$ 167,557 | \$ 401,804 | \$ 1,084,101 |
| Payments to suppliers | (278,340) | (28,036) | (187,024) | (493,400) |
| Payments to employees | (200,826) | (80,726) | (148,945) | (430,497) |
| Net cash provided by (used in) operating activities | <u>35,574</u> | <u>58,795</u> | <u>65,835</u> | <u>160,204</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | | | |
| Capital outlay purchases | (700,000) | - | (185,590) | (885,590) |
| Bond principal payments | (41,000) | - | - | (41,000) |
| Bond interest payments | (7,727) | - | - | (7,727) |
| Net cash provided by (used in) by capital financing activities | <u>(748,727)</u> | <u>-</u> | <u>(185,590)</u> | <u>(934,317)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Miscellaneous expense | (16,381) | - | - | (16,381) |
| Transfers in | 44,735 | - | - | 44,735 |
| Transfers out | (24,600) | (25,427) | (27,948) | (77,975) |
| Net cash provided by (used in) noncapital financing activities | <u>3,754</u> | <u>(25,427)</u> | <u>(27,948)</u> | <u>(49,621)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(709,399)</u> | <u>33,368</u> | <u>(147,703)</u> | <u>(823,734)</u> |
| Cash and cash equivalents - January 1 | <u>2,060,704</u> | <u>357,609</u> | <u>325,187</u> | <u>2,743,500</u> |
| Cash and cash equivalents - December 31 | <u>\$ 1,351,305</u> | <u>\$ 390,977</u> | <u>\$ 177,484</u> | <u>\$ 1,919,766</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) by operating activities | | | | |
| Operating income (loss) | \$ (73,130) | \$ (12,265) | \$ (7,976) | \$ (93,371) |
| Adjustment to reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | |
| Depreciation | <u>108,704</u> | <u>71,060</u> | <u>73,811</u> | <u>253,575</u> |
| Net cash provided by operating activities | <u>\$ 35,574</u> | <u>\$ 58,795</u> | <u>\$ 65,835</u> | <u>\$ 160,204</u> |

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The accounting policy of the City of Bottineau, North Dakota, is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

The accompanying financial statements present the activities of the City of Bottineau (“City”). The City has considered all potential component units and blended 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 GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization’s governing body and (1) the ability of the City of Bottineau 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 of Bottineau.

Based on these criteria, the component units discussed below are included with in the City’s reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Unit

The City of Bottineau Fire Department, accounts for activity and transactions related to the fire department operations. The activity of the fire department is being reported as a blended component unit within the activities of the primary government. There are no separately issued statements for this component unit.

The City of Bottineau Recreation Community Swimming Pool, accounts for activity related to operations and maintenance of the city pool. The activity of the recreation community swimming pool is being reported as a blended component unit within the activities of the primary government. There are no separately issued statements for this component unit.

Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government of the City of Bottineau. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category *governmental* and *proprietary* are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as non-major 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange 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.

Fire Department Fund – This special revenue fund accounts for the activities for the operation of the City's fire department. The major sources of its revenue are related to fundraising activities, grants and donations.

Paving Reserve Funds – This special revenue fund accounts for the excess funds accumulated by the City for future street paving projects, as well as effects of the advanced refunding of Sales Tax Revenue Bond of 2007 and the related payments of principal, interest and fees for the Sales Tax Revenue Refunding Bonds of 2016. This fund's primary revenue source is restricted City sales tax.

Streets Funds – This special revenue fund accounts for revenue and expenditures related to streets, including payroll-related costs. This fund's primary revenue source is from the state highway tax.

Sales Tax 40% Fund – This special revenue fund accounts for the City sales tax funds that are used for economic development projects within the City. This fund's primary revenue sources are restricted city sales tax and local grants.

2020 Streets Fund – This capital projects fund accounts for the City's 2020 street improvement project. The fund's revenue source is primarily transfers from other funds.

The City reports the following major proprietary, enterprise funds:

Water Fund – This fund accounts for the activity of the water department. The department operates the water distribution system of the City of Bottineau.

Sewer Fund – This fund accounts for the activities of the sewer department. This department operated the sewage treatment plant, sewage pumping stations and collection systems in the City of Bottineau.

Garbage Fund – This fund accounts for the activities of the garbage collection system within the City of Bottineau.

Measurement Focus and Basis of Accounting

In the government-wide statement of net position and the statement of activities, both governmental and business-type 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.

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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

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.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consist of highly liquid investments with an original maturity of three months or less. Deposits must be either deposited in the Bank of North Dakota or in another financial institution situated and doing business within this state. Deposits, other than those with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the city to invest in:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
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 or the state.

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

4. Obligations of the state.

At December 31, 2021 and 2020, the City of Bottineau's cash included demand deposit accounts and certificates of deposits which are stated at cost.

Cash and Cash Equivalents – Statement of Cash Flows

Cash and cash equivalents in the statement of cash flows to the proprietary funds, represents all cash and investments as described previously and also includes restricted cash balances.

Capital Assets

Capital assets include property, plant, and equipment. Assets are reported in the applicable governmental or business-type activities column in the government-wide financial 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. General infrastructure assets acquired prior to July 1, 1980, are reported at historical cost using deflated replacement cost. 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 the assets life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-----------------------------------|----------------|
| Building and improvements | 50 years |
| Improvements other than buildings | 20 to 50 years |
| Machinery and equipment | 5 to 20 years |

Fund Balances – Governmental Funds

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, the fund balance represents the difference between current assets and current liabilities. In the fund financial statements, the governmental funds report fund classification 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 are spent. Fund balances are classified as follows:

Nonspendable – Fund balances that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – Constraints are placed on the use of fund balances which are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances can only be used for specific purposes pursuant to constraints imposed by a board motion of the government’s highest level of decision-making authority, the governing board. A board motion is required to rescind a fund balance commitment.

Assigned – Assigned fund balances are amounts that are constrained by the government’s intent to be used for specific purposes but are under the direction of the board and the city’s management.

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Unassigned – Unassigned fund balances are those that have not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance.

At December 31, 2021 and 2020, the City had restricted, committed and unassigned fund balances. Restricted fund balances were constrained by state laws related to specific tax levies and highway tax distributions, as well as provisions of debt covenants.

Net Position – Net position represents the difference between assets and liabilities. Net positions are classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

As of December 31, 2021 and 2020, the City had \$1,184,262 and \$1,165,815, respectively, in restricted net position, which are restricted by state laws regarding use of tax levies and state revenues.

Flow Assumptions – When both restricted and unrestricted amounts of fund balances 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 first use restricted, then committed, then assigned, and then unassigned resources as they are needed.

Interfund Transactions

In the governmental fund statement, transactions that constitutes 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.

Use of Estimates

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

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 – DEPOSITS

In accordance with North Dakota Statutes, the City of Bottineau maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System. Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the 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 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 any other state of the United States, or such other securities approved by the banking board.

As of December 31, 2021 and 2020, restricted cash includes amounts required to be held in a reserve fund under the Sales Tax Revenue Refunding Bonds of 2011, Sales Tax Revenue Refunding Bonds of 2012 and Drinking Water State Revolving Fund Program.

As of December 31, 2021 and 2020, the City held certificates of deposit in the amount of \$6,042,608 and \$6,041,588 which are all considered deposits.

As of December 31, 2021 and 2020, the City's carrying amount of deposits were \$12,573,131 and \$11,910,638 respectively and the bank balances were \$12,243,740 and \$11,573,944 respectively. Of the bank balances \$1,000,000 was covered by Federal Deposit Insurance Corporation in 2021 and 2020. The remaining balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Beyond what is stated in the North Dakota Century Code, the City does not have a formal policy to further limit exposure to custodial credit risk for deposits and investments. As noted above, the City's deposits were all either fully insured or collateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. North Dakota Century Code limits investing funds primarily in short- and intermediate-term liquid securities of high credit quality to ensure adequate liquidity and to minimize the impact of changes in interest rates. Portfolios are structured so that securities mature concurrent with cash needs to meet anticipated demands.

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 3 – INTERFUND TRANSFER

For the years ended December 31, 2021 and 2020, the City had the following transfers:

| | <u>2021</u> | <u>2020</u> |
|--------------------------|---------------------|-------------------|
| Transfer in | | |
| General fund | \$ 307,005 | \$ 108,986 |
| Streets fund | 77,664 | 103,737 |
| Other governmental funds | 672,611 | 594,439 |
| Water fund | <u>45,409</u> | <u>44,735</u> |
| Total | <u>\$ 1,102,689</u> | <u>\$ 851,897</u> |
| Transfer out | | |
| General fund | \$ 291,903 | \$ 21,605 |
| Streets fund | 8,379 | 8,442 |
| Other governmental funds | 723,336 | 743,875 |
| Water fund | 24,600 | 24,600 |
| Sewer fund | 25,818 | 25,427 |
| Garbage fund | <u>28,653</u> | <u>27,948</u> |
| Total | <u>\$ 1,102,689</u> | <u>\$ 851,897</u> |

The purpose of the transfers in both 2021 and 2020 was to transfer excess revenues received from oil and gas as well as allocating property tax revenues and special assessments that are collected to pay off outstanding bonds.

NOTE 4 – LOAN RECEIVABLE

Loan receivable represent amounts lent to local businesses through the Gateway Fund program. The Gateway Fund is intended to provide financing incentives to businesses that desire to expand or locate in the greater Bottineau trade area. This fund is included in the Sales Tax 40% Fund. Gateway funds are used to expand the financial base of the community and to develop private enterprise. Interest is recognized monthly using the effective interest method. As of December 31, 2021 and 2020 no significant loans receivable were considered past due according to the City's policy.

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2021 and 2020.

| | <u>Balance 1/1/21</u> | <u>Additions</u> | <u>Transfers</u> | <u>Dispositions</u> | <u>Balance 12/31/21</u> |
|--|---------------------------|---------------------|---------------------|---------------------|-----------------------------|
| Governmental Activities: | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 819,378 | \$ - | \$ - | \$ - | \$ 819,378 |
| Construction in progress | <u>500,000</u> | <u>-</u> | <u>500,000</u> | <u>-</u> | <u>-</u> |
| Total capital assets, not being depreciated | <u>\$ 1,319,378</u> | <u>\$ -</u> | <u>\$ 500,000</u> | <u>\$ -</u> | <u>\$ 819,378</u> |
| Capital assets, being depreciated | | | | | |
| Machinery and equipment | \$ 1,942,349 | \$ 5,908 | \$ - | \$ - | \$ 1,948,257 |
| Buildings and improvements | 1,169,408 | - | - | - | 1,169,408 |
| Improvements other than buildings | <u>13,379,498</u> | <u>912,326</u> | <u>500,000</u> | <u>-</u> | <u>14,791,824</u> |
| Total capital assets, being depreciated | <u>16,491,255</u> | <u>918,234</u> | <u>500,000</u> | <u>-</u> | <u>17,909,489</u> |
| Less accumulated depreciation for | | | | | |
| Buildings and improvements | 1,128,532 | 104,311 | - | - | 1,232,843 |
| Improvements other than buildings | 761,058 | 20,755 | - | - | 781,813 |
| Machinery and equipment | <u>5,252,146</u> | <u>402,389</u> | <u>-</u> | <u>-</u> | <u>5,654,535</u> |
| Total accumulated depreciation | <u>7,141,736</u> | <u>527,455</u> | <u>-</u> | <u>-</u> | <u>7,669,191</u> |
| Total capital assets, being depreciated, net | <u>\$ 9,349,519</u> | <u>\$ 390,779</u> | <u>\$ 500,000</u> | <u>\$ -</u> | <u>\$ 10,240,298</u> |
| | <u>Balance 1/1/21</u> | <u>Additions</u> | <u>Transfers</u> | <u>Dispositions</u> | <u>Balance 12/31/21</u> |
| Business-Type Activities: | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 231,525 | \$ - | \$ - | \$ - | \$ 231,525 |
| Construction in progress | <u>700,000</u> | <u>-</u> | <u>(700,000)</u> | <u>-</u> | <u>-</u> |
| Total capital assets, not being depreciated | <u>\$ 931,525</u> | <u>\$ -</u> | <u>\$ (700,000)</u> | <u>\$ -</u> | <u>\$ 231,525</u> |
| Capital assets, being depreciated | | | | | |
| Machinery and equipment | \$ 1,290,267 | \$ - | \$ - | \$ - | \$ 1,290,267 |
| Buildings and improvements | 4,020,301 | - | - | - | 4,020,301 |
| Improvements other than buildings | <u>6,995,538</u> | <u>-</u> | <u>700,000</u> | <u>-</u> | <u>7,695,538</u> |
| Total capital assets, being depreciated | <u>12,306,106</u> | <u>-</u> | <u>700,000</u> | <u>-</u> | <u>13,006,106</u> |
| Less accumulated depreciation for | | | | | |
| Machinery and equipment | 779,223 | 84,213 | - | - | 863,436 |
| Buildings and improvements | 2,007,817 | 91,616 | - | - | 2,099,433 |
| Improvements other than buildings | <u>2,871,054</u> | <u>81,403</u> | <u>-</u> | <u>-</u> | <u>2,952,457</u> |
| Total accumulated depreciation | <u>5,658,094</u> | <u>257,232</u> | <u>-</u> | <u>-</u> | <u>5,915,326</u> |
| Total capital assets, being depreciated, net | <u>\$ 6,648,012</u> | <u>\$ (257,232)</u> | <u>\$ 700,000</u> | <u>\$ -</u> | <u>\$ 7,090,780</u> |

(Continued)

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Depreciation has been charged to the governmental activities and business-type activities functions as follows:

Governmental Activities

Public works \$ 527,455

Business-type Activities

Water \$ 105,104
Sewer 71,060
Garbage 81,068

Total depreciation expense - business-type activities \$ 257,232

| | Balance 1/1/20 | Additions | Dispositions | Balance 12/31/20 |
|--|---------------------------|---------------------|---------------------|-----------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 819,378 | \$ - | \$ - | \$ 819,378 |
| Construction in progress | <u>-</u> | <u>500,000</u> | <u>-</u> | <u>500,000</u> |
| Total capital assets, not being depreciated | <u>\$ 819,378</u> | <u>\$ 500,000</u> | <u>\$ -</u> | <u>\$ 1,319,378</u> |
| Capital assets, being depreciated | | | | |
| Machinery and equipment | \$ 1,799,576 | \$ 142,773 | \$ - | \$ 1,942,349 |
| Buildings and improvements | 1,008,005 | 161,403 | - | 1,169,408 |
| Improvements other than buildings | <u>13,379,498</u> | <u>-</u> | <u>-</u> | <u>13,379,498</u> |
| Total capital assets, being depreciated | <u>16,187,079</u> | <u>304,176</u> | <u>-</u> | <u>16,491,255</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | 1,024,719 | 103,813 | - | 1,128,532 |
| Improvements other than buildings | 743,262 | 17,796 | - | 761,058 |
| Machinery and equipment | <u>4,869,875</u> | <u>382,271</u> | <u>-</u> | <u>5,252,146</u> |
| Total accumulated depreciation | <u>6,637,856</u> | <u>503,880</u> | <u>-</u> | <u>7,141,736</u> |
| Total capital assets, being depreciated, net | <u>\$ 9,549,223</u> | <u>\$ (199,704)</u> | <u>\$ -</u> | <u>\$ 9,349,519</u> |

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

| | Balance 1/1/20 | Additions | Dispositions | Balance 12/31/20 |
|--|---------------------------|--------------------|---------------------|-----------------------------|
| Business-Type Activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 231,525 | \$ - | \$ - | \$ 231,525 |
| Construction in progress | <u>-</u> | <u>700,000</u> | <u>-</u> | <u>700,000</u> |
| Total capital assets, not being depreciated | <u>\$ 231,525</u> | <u>\$ 700,000</u> | <u>\$ -</u> | <u>\$ 931,525</u> |
| Capital assets, being depreciated | | | | |
| Machinery and equipment | \$ 1,104,677 | \$ 185,590 | \$ - | \$ 1,290,267 |
| Buildings and improvements | 4,020,301 | - | - | 4,020,301 |
| Improvements other than buildings | <u>6,995,538</u> | <u>-</u> | <u>-</u> | <u>6,995,538</u> |
| Total capital assets, being depreciated | <u>12,120,516</u> | <u>185,590</u> | <u>-</u> | <u>12,306,106</u> |
| Less accumulated depreciation for | | | | |
| Machinery and equipment | 702,267 | 76,956 | - | 779,223 |
| Buildings and improvements | 1,916,201 | 91,616 | - | 2,007,817 |
| Improvements other than buildings | <u>2,786,051</u> | <u>85,003</u> | <u>-</u> | <u>2,871,054</u> |
| Total accumulated depreciation | <u>5,404,519</u> | <u>253,575</u> | <u>-</u> | <u>5,658,094</u> |
| Total capital assets, being depreciated, net | <u>\$ 6,715,997</u> | <u>\$ (67,985)</u> | <u>\$ -</u> | <u>\$ 6,648,012</u> |

Depreciation has been charged to the governmental activities and business-type activities functions as follows:

Governmental Activities

| | |
|--------------|-------------------|
| Public works | \$ <u>503,880</u> |
|--------------|-------------------|

Business-type Activities

| | |
|---|-------------------|
| Water distribution utility fund | \$ 108,704 |
| Wastewater fund | 71,060 |
| Solid waste utility fund | <u>73,811</u> |
| Total depreciation expense - business-type activities | <u>\$ 253,575</u> |

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 6 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Government Activities

During the years ended December 31, 2021 and 2020, the following changes occurred in the long-term liabilities for governmental activities:

| | <u>Balance 1/1/2021</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 12/31/2021</u> | <u>Due Within One Year</u> |
|---------------------------------|-----------------------------|------------------|-------------------|-------------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Special assessment bonds | \$ 435,000 | \$ - | \$ 110,000 | \$ 325,000 | \$ 105,000 |
| Revenue bonds | 800,000 | - | 195,000 | 605,000 | 185,000 |
| Discount on bonds | <u>(18,074)</u> | <u>-</u> | <u>(3,012)</u> | <u>(15,062)</u> | <u>-</u> |
| Total governmental debt | <u>\$ 1,216,926</u> | <u>\$ -</u> | <u>\$ 301,988</u> | <u>\$ 914,938</u> | <u>\$ 290,000</u> |
| | | | | | |
| | <u>Balance 1/1/2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 12/31/2020</u> | <u>Due Within One Year</u> |
| Governmental Activities: | | | | | |
| Special assessment bonds | \$ 555,000 | \$ - | \$ 120,000 | \$ 435,000 | \$ 110,000 |
| Revenue bonds | 995,000 | - | 195,000 | 800,000 | 195,000 |
| Discount on bonds | <u>(21,086)</u> | <u>-</u> | <u>(3,012)</u> | <u>(18,074)</u> | <u>-</u> |
| Total governmental debt | <u>\$ 1,528,914</u> | <u>\$ -</u> | <u>\$ 311,988</u> | <u>\$ 1,216,926</u> | <u>\$ 305,000</u> |

Revenue Bonds

Revenue bonds payable outstanding in the City’s governmental activities at December 31 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| \$945,000 sales tax revenue refunding bonds of 2014 due in annual installments of \$90,000 to \$100,000 through May 1, 2022; interest of 0.75% to 2.25%. | \$ 90,000 | \$ 190,000 |
| \$975,000 sales tax revenue refunding bonds of 2016 due in annual installments of \$90,000 to \$100,000 through May 1, 2026; interest of 1.00% to 1.85%. | <u>515,000</u> | <u>610,000</u> |
| Total revenue bonds | <u>\$ 605,000</u> | <u>\$ 800,000</u> |

Revenue bonds are issued to finance capital improvement projects in which revenue from operations of such improvement projects or revenue pledged from designated revenue stream is used to pay the debt service.

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------|-------------------|------------------|-------------------|
| 2022 | \$ 185,000 | \$ 9,283 | \$ 194,283 |
| 2023 | 105,000 | 6,570 | 111,570 |
| 2024 | 100,000 | 4,828 | 104,828 |
| 2025 | 105,000 | 3,006 | 108,006 |
| 2026 | <u>110,000</u> | <u>1,018</u> | <u>111,018</u> |
| Totals | <u>\$ 605,000</u> | <u>\$ 24,705</u> | <u>\$ 629,705</u> |

Special Assessment Bonds

The City has issued special assessment bonds to provide funds for street projects. Special assessment bonds outstanding at December 31 are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| \$595,000 refunding improvement bonds of 2016, due in annual installments of \$50,000 to \$70,000 through May 1, 2026; interest of 0.80% to 1.90%. | \$ 275,000 | \$ 330,000 |
| \$600,000 refunding improvement bonds of 2014, due in annual installments of \$50,000 to \$75,000 through May 1, 2022; interest of 0.85% to 1.90%. | <u>50,000</u> | <u>105,000</u> |
| Total special assessment bonds | <u>\$ 325,000</u> | <u>\$ 435,000</u> |

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

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------|-------------------|------------------|-------------------|
| 2022 | \$ 105,000 | \$ 4,435 | \$ 109,435 |
| 2023 | 55,000 | 3,080 | 58,080 |
| 2024 | 55,000 | 2,200 | 57,200 |
| 2025 | 55,000 | 1,320 | 56,320 |
| 2026 | <u>55,000</u> | <u>440</u> | <u>55,440</u> |
| Totals | <u>\$ 325,000</u> | <u>\$ 11,475</u> | <u>\$ 336,475</u> |

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

Business-type Activities

During the years ended December 31, 2021 and 2020, the following changes occurred in the long-term liabilities for business-type activities:

| | <u>Balance 1/1/2021</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 12/31/2021</u> | <u>Due Within One Year</u> |
|--|-----------------------------|------------------|-------------------|-------------------------------|--------------------------------|
| Business-type activities (proprietary funds): | | | | | |
| Revenue bonds | \$ 220,000 | \$ - | \$ 42,000 | \$ 178,000 | \$ 43,000 |
| | | | | | |
| | <u>Balance 1/1/2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 12/31/2020</u> | <u>Due Within One Year</u> |
| Business-type activities (proprietary funds): | | | | | |
| Revenue bonds | \$ 261,000 | \$ - | \$ 41,000 | \$ 220,000 | \$ 42,000 |

Revenue Bonds

Revenue bonds payable outstanding in the City's governmental activities at December 31 are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| \$750,000 State revolving fund bonds/loan due in annual installments of \$30,000 to \$46,000 through September 1, 2025; interest at 2.5%. | \$ 178,000 | \$ 220,000 |

Revenue bonds are issued to finance capital improvement projects in which revenue from operations of such improvement projects or revenue pledged from designated revenue stream is used to pay the debt service.

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

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------|------------------|-----------------|--------------|
| 2022 | \$ 43,000 | \$ 4,450 | \$ 47,450 |
| 2023 | 44,000 | 3,335 | 47,335 |
| 2024 | 45,000 | 2,275 | 47,275 |
| 2025 | 46,000 | 1,150 | 47,150 |
| Totals | \$ 178,000 | \$ 11,210 | \$ 189,210 |

NOTE 7 – PROPERTY TAXES

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

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments, and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5.0% 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.

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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 8 – PENSION PLAN (NDPERS)

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.0% 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 2.0% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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 50.0% 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 25.0% 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 for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7.00% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7.00% and employer contribution rates are 8.26% of covered compensation.

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

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

Pension Expense

For the year ended December 31, 2021 and 2020, the Employer recognized pension expense of \$182,354 and \$334,845, respectively.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 9 – OPEB

North Dakota Public Employees Retirement System

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

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

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

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

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

CITY OF BOTTINEAU
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

OPEB Expense

For the year ended December 31, 2021 and 2020, the Employer recognized OPEB expense of \$8,921 and \$9,680 respectively.

NOTE 10 – RISK MANAGEMENT

The City of Bottineau is exposed to various risks of loss related 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, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile coverage and to \$250 million for public assets coverage.

The City of Bottineau 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 one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the City of Bottineau with blanket fidelity bond coverage in the amount of \$931,000 for the City employees.

The City has workers compensation with the North Dakota Workforce Safety and Insurance. The City provides single health insurance coverage to all full-time employees.

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

NOTE 11 – CORRECTION OF AN ERROR

The 2020 beginning net position and sales tax 40.0% fund balance amounts have been restated to adjust for deferred inflows that should not have been recorded in 2019, which resulted in an understatement of the sales tax 40% fund balance in the amount of \$291,627.

CITY OF BOTTINEAU

**SUPPLEMENTAL SCHEDULES
DECEMBER 31, 2021 AND 2020**

CITY OF BOTTINEAU

**SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021**

| | <u>Balance 12/31/20</u> | <u>Receipts</u> | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Disbursements</u> | <u>Balance 12/31/21</u> |
|---------------------------------------|-----------------------------|------------------|-------------------------|--------------------------|----------------------|-----------------------------|
| MAJOR GOVERNMENTAL FUNDS | | | | | | |
| General fund | \$ 3,723,347 | \$ 1,245,571 | \$ 307,005 | \$ 291,903 | \$ 823,900 | \$ 4,160,120 |
| Fire department | 301,199 | 131,608 | - | - | 131,168 | 301,639 |
| Paving reserve | 2,343,643 | 844,634 | - | 603,672 | 231,224 | 2,353,381 |
| Streets | 467,870 | 246,235 | 77,664 | 8,379 | 286,106 | 497,284 |
| Sales tax 40% | 1,520,680 | 173,701 | - | - | 189,912 | 1,504,469 |
| 2020 street | - | 100,443 | 603,672 | - | 704,115 | - |
| TOTAL MAJOR GOVERNMENTAL FUNDS | <u>8,356,739</u> | <u>2,742,192</u> | <u>988,341</u> | <u>903,954</u> | <u>2,366,425</u> | <u>8,816,893</u> |
| OTHER GOVERNMENTAL FUNDS | | | | | | |
| Social security | 181,904 | 47,279 | - | - | 45,740 | 183,443 |
| Retirement | 100,081 | 40,707 | - | - | 59,522 | 81,266 |
| Advertising | 9,570 | 5,815 | - | - | 3,602 | 11,783 |
| Armory | 184,280 | 71,146 | 30,500 | - | 97,449 | 188,477 |
| Arena/park board wages | 77 | 213,079 | - | - | 213,154 | 2 |
| City property/forestry | 87,276 | 14,481 | 18,439 | 5,000 | 19,817 | 95,379 |
| 2015 street | 229,230 | 27,418 | - | - | - | 256,648 |
| 2011 street | 130,837 | 53,933 | - | - | 60,736 | 124,034 |
| 2007 street | 39,146 | 28,293 | - | - | 52,540 | 14,899 |
| Sales tax bond reserve (2011 st) | 112,500 | - | - | - | - | 112,500 |
| Sales tax bond reserve (2007 st) | 94,500 | - | - | - | - | 94,500 |
| Sidewalk, curb & gutter | 43,882 | 41,251 | 20,000 | - | 68,586 | 36,547 |
| FEMA (DSR reserve) | - | 2,470 | - | - | - | 2,470 |
| Fire department truck mill | 334,280 | 25,807 | - | - | 6,034 | 354,053 |
| Arena/park board reserve | 55,000 | - | - | - | - | 55,000 |
| Pass-through | - | 103,042 | - | - | 103,042 | - |
| Occupancy tax (2% motel tax) | - | 23,548 | - | - | 23,548 | - |
| Vis. Pro. Cap. Cont. | 194,881 | 76,104 | - | 32,500 | 12,283 | 226,202 |
| 1% sales tax (20%) | 110,381 | 119,134 | - | 24,500 | 49,025 | 155,990 |
| Undistributed interest | - | 57,664 | - | 57,664 | - | - |
| Payroll clearing | - | - | - | - | (20,831) | 20,831 |
| Claims clearing | 13,259 | - | - | - | 4,017 | 9,242 |
| Pool | 22,242 | 108,906 | - | - | 98,306 | 32,842 |
| TOTAL OTHER GOVERNMENTAL FUNDS | <u>1,943,326</u> | <u>1,060,077</u> | <u>68,939</u> | <u>119,664</u> | <u>896,570</u> | <u>2,056,108</u> |
| TOTAL GOVERNMENTAL FUNDS | <u>10,300,065</u> | <u>3,802,269</u> | <u>1,057,280</u> | <u>1,023,618</u> | <u>3,262,995</u> | <u>10,873,001</u> |

(Continued)

CITY OF BOTTINEAU
SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021

| | <u>Balance 12/31/20</u> | <u>Receipts</u> | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Disbursements</u> | <u>Balance 12/31/21</u> |
|-------------------------------|-----------------------------|---------------------|-------------------------|--------------------------|----------------------|-----------------------------|
| ENTERPRISE FUND | | | | | | |
| Water | 4,811,824 | 515,624 | 45,409 | 24,600 | 523,126 | 4,825,131 |
| Sewer | 3,666,908 | 172,046 | - | 25,818 | 197,892 | 3,615,244 |
| Garbage | 800,571 | 402,578 | - | 28,653 | 398,738 | 775,758 |
| TOTAL ENTERPRISE FUNDS | <u>9,279,303</u> | <u>1,090,248</u> | <u>45,409</u> | <u>79,071</u> | <u>1,119,756</u> | <u>9,216,133</u> |
| TOTAL REPORTING ENTITY | <u>\$ 19,579,368</u> | <u>\$ 4,892,517</u> | <u>\$ 1,102,689</u> | <u>\$ 1,102,689</u> | <u>\$ 4,382,751</u> | <u>\$ 20,089,134</u> |

CITY OF BOTTINEAU

**SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020**

| | <u>Balance 12/31/19</u> | <u>Receipts</u> | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Disbursements</u> | <u>Balance 12/31/20</u> |
|---------------------------------------|-----------------------------|------------------|-------------------------|--------------------------|----------------------|-----------------------------|
| MAJOR GOVERNMENTAL FUNDS | | | | | | |
| General fund | \$ 3,264,015 | \$ 1,414,756 | \$ 108,986 | \$ 21,605 | \$ 1,042,805 | \$ 3,723,347 |
| Fire department | 278,802 | 130,300 | - | - | 107,903 | 301,199 |
| Paving reserve | 2,345,319 | 776,773 | - | 541,140 | 237,309 | 2,343,643 |
| Streets | 401,016 | 238,267 | 103,737 | 8,442 | 266,708 | 467,870 |
| Sales tax 40% | 1,529,131 | 159,012 | - | - | 167,463 | 1,520,680 |
| 2020 street | - | - | 541,140 | - | 541,140 | - |
| TOTAL MAJOR GOVERNMENTAL FUNDS | <u>7,818,283</u> | <u>2,719,108</u> | <u>753,863</u> | <u>571,187</u> | <u>2,363,328</u> | <u>8,356,739</u> |
| OTHER GOVERNMENTAL FUNDS | | | | | | |
| Social security | 172,091 | 50,952 | - | - | 41,139 | 181,904 |
| Retirement | 109,430 | 43,870 | - | - | 53,219 | 100,081 |
| Advertising | 7,791 | 6,290 | - | - | 4,511 | 9,570 |
| Armory | 250,623 | 61,771 | 5,000 | - | 133,114 | 184,280 |
| Arena/park board wages | - | 189,762 | - | - | 189,685 | 77 |
| City property/forestry | 80,200 | 13,358 | 18,300 | 5,000 | 19,582 | 87,276 |
| 2015 street | 146,913 | 82,317 | - | - | - | 229,230 |
| 2011 street | 150,029 | 52,309 | - | - | 71,501 | 130,837 |
| 2007 street | 69,526 | 28,233 | - | - | 58,613 | 39,146 |
| Sales tax bond reserve (2011 st) | 112,500 | - | - | - | - | 112,500 |
| Sales tax bond reserve (2007 st) | 94,500 | - | - | - | - | 94,500 |
| Sidewalk, curb & gutter | 29,267 | 34,691 | - | - | 20,076 | 43,882 |
| Fire department truck mill | 306,513 | 27,767 | - | - | - | 334,280 |
| Arena/park board reserve | 25,000 | - | 30,000 | - | - | 55,000 |
| Pass-through | - | 88,680 | - | - | 88,680 | - |
| Occupancy tax (2% motel tax) | - | 20,739 | - | - | 20,739 | - |
| Vis. Pro. Cap. Cont. | 180,171 | 77,032 | - | 60,000 | 2,322 | 194,881 |
| 1% sales tax (20%) | 90,415 | 108,766 | - | 34,000 | 54,800 | 110,381 |
| Undistributed interest | - | 103,736 | - | 103,736 | - | - |
| Payroll clearing | 845 | - | - | - | 845 | - |
| Claims clearing | 4,525 | - | - | - | (8,734) | 13,259 |
| Pool | 10,159 | 95,482 | - | - | 83,399 | 22,242 |
| TOTAL OTHER GOVERNMENTAL FUNDS | <u>1,840,498</u> | <u>1,085,755</u> | <u>53,300</u> | <u>202,736</u> | <u>833,491</u> | <u>1,943,326</u> |
| TOTAL GOVERNMENTAL FUNDS | <u>9,658,781</u> | <u>3,804,863</u> | <u>807,163</u> | <u>773,923</u> | <u>3,196,819</u> | <u>10,300,065</u> |

(Continued)

CITY OF BOTTINEAU
SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

| | <u>Balance 12/31/19</u> | <u>Receipts</u> | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Disbursements</u> | <u>Balance 12/31/20</u> |
|-------------------------------|-----------------------------|---------------------|-------------------------|--------------------------|----------------------|-----------------------------|
| ENTERPRISE FUND | | | | | | |
| Water | 4,888,927 | 514,740 | 44,735 | 24,600 | 611,978 | 4,811,824 |
| Sewer | 3,704,600 | 167,557 | - | 25,427 | 179,822 | 3,666,908 |
| Garbage | 836,495 | 401,804 | - | 27,948 | 409,780 | 800,571 |
| TOTAL ENTERPRISE FUNDS | <u>9,430,022</u> | <u>1,084,101</u> | <u>44,735</u> | <u>77,975</u> | <u>1,201,580</u> | <u>9,279,303</u> |
| TOTAL REPORTING ENTITY | <u>\$ 19,088,803</u> | <u>\$ 4,888,964</u> | <u>\$ 851,898</u> | <u>\$ 851,898</u> | <u>\$ 4,398,399</u> | <u>\$ 19,579,368</u> |



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

To the City Council
City of Bottineau
Bottineau, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **City of Bottineau** as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise **City of Bottineau’s** basic financial statements, and have issued our report thereon dated May 5, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **City of Bottineau’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 **City of Bottineau’s** internal control. Accordingly, we do not express an opinion on the effectiveness of **City of Bottineau’s** internal control.

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

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2021-001, 2021-002, 2021-003, and 2021-004 that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Bottineau's Response to Findings

City of Bottineau's response to the findings identified in our audits is described in the accompanying schedule of findings and responses. **City of Bottineau's** response was not subjected to the auditing procedures applied in the engagement to audit 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Fargo, North Dakota
May 5, 2023

CITY OF BOTTINEAU
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021 AND 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

| | |
|--------------------------------------|----------------------------------|
| Governmental activities | Unmodified – modified cash basis |
| Business-type activities | Unmodified – modified cash basis |
| Major governmental funds | Unmodified – modified cash basis |
| Major proprietary funds | Unmodified – modified cash basis |
| Aggregate remaining fund information | Unmodified – modified cash basis |

Internal control over financial reporting:

| | | |
|---|-------------------|------------------|
| Material weakness(es) identified? | <u> X </u> yes | <u> </u> no |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <u> </u> yes | <u> X </u> no |

| | | |
|---|-------------------|-----------------|
| Noncompliance material to financial statements noted? | <u> </u> yes | <u> X </u> no |
|---|-------------------|-----------------|

CITY OF BOTTINEAU
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021 AND 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING 2021-001 (MATERIAL WEAKNESS) - SEGREGATION OF DUTIES

Condition

We believe the limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

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.

Cause

The City has limited staff to be able to adequately segregate duties.

Effect

The financial statements are susceptible to misstatements due to errors or fraud.

Recommendation

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. This is a repeat recommendation.

Views of Responsible Officials

The City will continue to develop controls through cross training of duties and responsibilities. Any new employees in the city office have been cross trained in all duties.

FINDING 2021-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION

Condition

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures, on the modified cash basis of accounting.

Criteria

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles, or as applicable, another comprehensive basis of accounting.

Cause

The City has determined it is more cost-effective to allocate its limited resources to areas other than preparation of financial statements and instead engage its third-party auditor to assist in this process.

CITY OF BOTTINEAU
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021 AND 2020

Effect

Without the assistance of the auditors, the financial statements could be materially 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. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures. This is a repeat recommendation.

Views of Responsible Officials

The City agrees with this finding and does not have the resources to prepare financial statements at this time.

FINDING 2021-003 (MATERIAL WEAKNESS) – IMPROPER RECORDING OF CAPITAL ASSETS ON THE FUND LEVEL

Condition

The City of Bottineau records capital assets at the government fund level and the capital assets that are properly recorded at the proprietary fund level did not agree to the City’s supporting schedules.

Criteria

According to GASB No. 34, government capital assets are not to be recorded on the fund financial statements but only on the Government-wide financial statements. The only capital assets that should be recorded at the fund level are enterprise capital assets.

Cause

Management was not fully aware of what capital assets should and should not be recorded at the fund level.

Effect

Capital assets at the fund level are not reflected accurately on the financials.

Recommendation

Widmer Roel PC recommends that management stops recording government fixed assets in Black Mountain and reconcile the enterprise funds capital assets to the supporting schedules.

Views of Responsible Officials

The City will review and reconcile the differences between the government-wide financial statements to the internal records.

CITY OF BOTTINEAU
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2021 AND 2020

FINDING 2021-004 (MATERIAL WEAKNESS) – IMPROPER LOAN RECEIVABLE PRESENTATION

Condition

Widmer Roel PC noted that the City did not properly record a loan receivable amount.

Criteria

The City operates on a modified cash basis and therefore should be recording receivables as there have been cash transactions. The loan receivable should have a corresponding nonspendable fund balance recorded on the government funds balance sheet.

Cause

Management was not aware of the nuances of modified cash basis of accounting.

Effect

Opening fund balance in the sales tax fund was understated in an amount equal to the loan balance.

Recommendation

We recommend management carefully review the City's financial statements to ensure the criteria surrounding modified cash basis accounting is being followed.

Views of Responsible Officials

The City will consider this going forward to be in accordance with modified cash basis of accounting.