

AUDIT REPORT

CITY OF ENDERLIN
Enderlin, North Dakota

For the Year Ended December 31, 2022

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ENDERLIN
Enderlin, North Dakota

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CITY OF ENDERLIN
Enderlin, North Dakota

CITY OFFICIALS

Deon Maasjo	Mayor
Kevin Bunn	Council Member
Steve Friederichs	Council Member
Kayl Hamre	Council Member
Shelly Hanson	Council Member
Roger Maras	Council Member
Tim Michaelson	Council Member
Cyndee Chesley	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Bryce Fischer, CPA
Todd Goehring, CPA

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Enderlin
Enderlin, North Dakota

Report on the Audit of Financial Statements

Opinions

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Enderlin, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the city as of December 31, 2022, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year 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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the city and to meet our ethical responsibilities, in accordance with 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 statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 Government Auditing Standards, we:

- * Exercise professional judgment and maintain professional skepticism throughout the audit.
- * Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- * Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, no such opinion is expressed.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- * Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the city'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 the city's basic financial statements. The budgeting comparison information and the schedule of fund activity arising from cash transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the 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 budgeting comparison information and the schedule of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2023 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

March 24, 2023

CITY OF ENDERLIN
Enderlin, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2022

	Primary Government			Component Units			
	Governmental Activities	Business-Type Activities	Total	Enderlin Library	Enderlin Cemetery	Enderlin Airport Authority	Enderlin Fine Arts
ASSETS:							
Cash and Cash Equivalents	1,344,388.06	1,365,476.97	2,709,865.03	36,683.57	317,047.51	42,201.16	37,710.31
Economic Development Loans Receivable	147,234.34		147,234.34				
Capital Assets (net of accumulated depreciation):							
Land		92,000.00	92,000.00				
Buildings and Infrastructure	4,245,385.00	7,103,183.00	11,348,568.00			78,671.00	
Machinery and Vehicles	33,724.00	54,159.00	87,883.00				
Total Capital Assets	4,279,109.00	7,249,342.00	11,528,451.00			78,671.00	
Total Assets	5,770,731.40	8,614,818.97	14,385,550.37	36,683.57	317,047.51	120,872.16	37,710.31
LIABILITIES:							
Long-Term Liabilities:							
Due Within One Year:							
Revenue Bonds Payable	135,000.00	256,000.00	391,000.00			15,000.00	
Due After One Year:							
Special Assessment Bonds Payable	2,118,571.66		2,118,571.66				
Revenue Bonds Payable	1,070,000.00	3,038,969.00	4,108,969.00			45,000.00	
Total Liabilities	3,323,571.66	3,294,969.00	6,618,540.66			60,000.00	
NET POSITION:							
Net Investment in Capital Assets							
Restricted for:							
Debt Service	955,537.34	3,954,373.00	4,909,910.34			18,671.00	
Special Purposes	994,821.55	1,090,103.50	2,084,925.05				
Unrestricted	850,594.29	30.93	850,625.22				
	(353,793.44)	275,342.54	(78,450.90)	36,683.57	317,047.51	42,201.16	37,710.31
Total Net Position	2,447,159.74	5,319,849.97	7,767,009.71	36,683.57	317,047.51	60,872.16	37,710.31

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

CITY OF ENDERLIN
Enderlin, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2022

Net (Expense) Revenue and Changes in Net Position

	Program Revenues			Primary Government			Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Enderlin Library	Enderlin Cemetery	Enderlin Airport Authority	Enderlin Fine Arts
<u>Functions/Programs</u>										
<u>Primary Government:</u>										
<u>Governmental Activities:</u>										
General Government	270,938.13	19,204.76		(251,733.37)		(251,733.37)				
Public Safety	227,844.00	182.50		(227,661.50)		(227,661.50)				
Streets and Public Works	444,714.18	20,796.90	129,603.45	(294,313.83)		(294,313.83)				
Urban and Economic Development	109,430.93	23,077.50		(86,353.43)		(86,353.43)				
Culture and Recreation	118,787.17	8,334.00		(110,453.17)		(110,453.17)				
Other	841.00			(841.00)		(841.00)				
Interest on Long-Term Debt	100,309.59		97,740.24	(2,569.35)		(2,569.35)				
Total Governmental Activities	1,272,865.00	71,595.66	227,343.69	(973,925.65)		(973,925.65)				
<u>Business-Type Activities:</u>										
Water and Sewer	1,381,401.50	1,462,912.66	72,195.54		153,706.70	153,706.70				
Water Deposits	100.00	1,000.00			900.00	900.00				
Garbage	112,727.02	124,975.69			12,248.67	12,248.67				
Total Business-Type Activities	1,494,228.52	1,588,888.35	72,195.54		166,855.37	166,855.37				
Total Primary Government	2,767,093.52	1,660,484.01	299,539.23	(973,925.65)	166,855.37	(807,070.28)				
<u>Component Units:</u>										
Library	55,155.41		3,504.00				(51,651.41)			
Cemetery	18,763.13							(18,763.13)		
Airport Authority	118,916.15		72,203.92						(46,712.23)	
Fine Arts	19,689.73		2,860.00							(16,829.73)
Total Component Units	212,524.42		78,567.92				(51,651.41)	(18,763.13)	(46,712.23)	(16,829.73)

General Revenues:

Taxes:

Property taxes; levied for general purposes
 Property taxes; levied for special purposes
 Sales taxes
 Cigarette taxes
 Intergovernmental revenue not restricted
 to specific programs
 Earnings on investments and other revenue
 Transfers

400,678.86	400,678.86	43,358.80	7,453.80	26,757.39	17,955.67
112,190.20	112,190.20				
725,407.08	725,407.08				
1,683.26	1,683.26				
65,065.76	65,065.76	1,321.50			
56,491.20	73,092.29	2,049.24	20,153.36	20,721.04	7,627.94
155,885.43	(155,885.43)				

Total General Revenues and Transfers

1,517,401.79	(139,284.34)	1,378,117.45	46,729.54	27,607.16	47,478.43	25,583.61
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Change in Net Position

543,476.14	27,571.03	571,047.17	(4,921.87)	8,844.03	766.20	8,753.88
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Net Position - January 1

1,903,683.60	5,292,278.94	7,195,962.54	41,605.44	308,203.48	60,105.96	28,956.43
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Net Position - December 31

2,447,159.74	5,319,849.97	7,767,009.71	36,683.57	317,047.51	60,872.16	37,710.31
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The accompanying notes are an integral part of these financial statements.

CITY OF ENDERLIN
Enderlin, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2022

	Major Funds					
	General	Sales Tax	Pool 2018 Bond	District 2021-1 Construction	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents		83,173.56	429,993.94	4,100.74	827,119.82	1,344,388.06
Economic Development Loans Receivable		147,234.34				147,234.34
Interfund Receivables		459,448.80				459,448.80
Total Assets	-0-	689,856.70	429,993.94	4,100.74	827,119.82	1,951,071.20
=====						
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund Payables	358,208.86				101,239.94	459,448.80
Fund Balances:						
Nonspendable:						
Economic Development Loans		147,234.34				147,234.34
Restricted for:						
General Government					7,939.64	7,939.64
Streets and Public Works				4,100.74	132,495.17	136,595.91
Urban and Economic Development		542,622.36				542,622.36
Culture and Recreation					4,314.79	4,314.79
Conserv. of Natural Resources					5,171.84	5,171.84
Emergency Services					6,715.41	6,715.41
Debt Service			429,993.94		564,827.61	994,821.55
Assigned to:						
Streets and Public Works					2,162.12	2,162.12
Culture and Recreation					102,019.86	102,019.86
Other Purposes					1,473.38	1,473.38
Unassigned	(358,208.86)				(101,239.94)	(459,448.80)
Total Fund Balances	(358,208.86)	689,856.70	429,993.94	4,100.74	725,879.88	1,491,622.40
=====						
Total Liabilities and Fund Balances	-0-	689,856.70	429,993.94	4,100.74	827,119.82	1,951,071.20
=====						

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

CITY OF ENDERLIN
Enderlin, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2022

Total Fund Balances for Governmental Funds	1,491,622.40
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Total net position reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	6,387,801.00	
Less Accumulated Depreciation	(2,108,692.00)	
Net Capital Assets		4,279,109.00

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2022 are:

Special Assessment Bonds Payable	(2,118,571.66)	
Revenue Bonds Payable	(1,205,000.00)	
Total Long-Term Liabilities		(3,323,571.66)

Total Net Position of Governmental Activities	2,447,159.74
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The accompanying notes are an integral part of these financial statements.

CITY OF ENDERLIN
Enderlin, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2022

Major Funds

	General	Sales Tax	Pool 2018 Bond	District 2021-1 Construction	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	473,219.57	290,162.69	217,622.23		355,011.89	1,336,016.38
Licenses, Permits and Fees	13,696.00					13,696.00
Intergovernmental	130,802.58				66,708.65	197,511.23
Charges for Services	27,427.50				29,130.90	56,558.40
Fines and Forfeits	182.50					182.50
Miscellaneous	55,045.37				1,445.83	56,491.20
Total Revenues	700,373.52	290,162.69	217,622.23		452,297.27	1,660,455.71
Expenditures:						
Current:						
General Government	260,849.13					260,849.13
Public Safety	227,844.00					227,844.00
Streets and Public Works	273,879.22			74.61	2,317.35	276,271.18
Urban and Economic Development		109,430.93				109,430.93
Culture and Recreation					72,319.17	72,319.17
Other					841.00	841.00
Capital Outlay				302,000.00		302,000.00
Debt Service:						
Principal Retirement			30,000.00		207,292.96	237,292.96
Interest and Service Charges			26,758.76		73,550.83	100,309.59
Total Expenditures	762,572.35	109,430.93	56,758.76	302,074.61	356,321.31	1,587,157.96
Excess (Deficiency) of Revenues Over Expenditures	(62,198.83)	180,731.76	160,863.47	(302,074.61)	95,975.96	73,297.75
Other Financing Sources (Uses):						
Transfers In	169,385.43				113,595.49	282,980.92
Transfers Out					(127,095.49)	(127,095.49)
Special Assessment Bonds Issued				306,149.11		306,149.11
Total Other Financing Sources (Uses)	169,385.43			306,149.11	(13,500.00)	462,034.54
Net Change in Fund Balances	107,186.60	180,731.76	160,863.47	4,074.50	82,475.96	535,332.29
Fund Balance - January 1	(465,395.46)	509,124.94	269,130.47	26.24	643,403.92	956,290.11
Fund Balance - December 31	(358,208.86)	689,856.70	429,993.94	4,100.74	725,879.88	1,491,622.40

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

CITY OF ENDERLIN
Enderlin, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2022

Net Change in Fund Balances - Total Governmental Funds	535,332.29
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	302,000.00	
Current Year Depreciation Expense	(225,000.00)	77,000.00

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

Debt Proceeds	(306,149.11)	
Repayment of Debt	237,292.96	(68,856.15)

Change in Net Position of Governmental Activities	543,476.14
	=====

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

CITY OF ENDERLIN
Enderlin, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2022

	Major Enterprise Fund		
	Water & Sewer	Other Enterprise Funds	Total Enterprise Funds
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and Cash Equivalents	1,272,250.84	93,226.13	1,365,476.97
<u>Noncurrent Assets:</u>			
Capital Assets (net of accumulated depr):			
Land	92,000.00		92,000.00
Buildings and Infrastructure	7,098,183.00	5,000.00	7,103,183.00
Machinery and Vehicles	54,159.00		54,159.00
Total Noncurrent Assets	7,244,342.00	5,000.00	7,249,342.00
Total Assets	8,516,592.84	98,226.13	8,614,818.97
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Revenue Bonds Payable	256,000.00		256,000.00
<u>Noncurrent Liabilities:</u>			
Revenue Bonds Payable	3,038,969.00		3,038,969.00
Total Liabilities	3,294,969.00		3,294,969.00
<u>NET POSITION</u>			
Net Investment in Capital Assets	3,949,373.00	5,000.00	3,954,373.00
Restricted for:			
Debt Service	1,090,103.50		1,090,103.50
Construction	30.93		30.93
Unrestricted	182,116.41	93,226.13	275,342.54
Total Net Position	5,221,623.84	98,226.13	5,319,849.97
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The accompanying notes are an integral part of these financial statements.

CITY OF ENDERLIN
Enderlin, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds

For the Year Ended December 31, 2022

	Major Enterprise Fund		
	Water & Sewer	Other Enterprise Funds	Total Enterprise Funds
<hr/>			
<u>Operating Revenues:</u>			
Charges for Sales and Services:			
Water Collections	1,351,401.81		1,351,401.81
Sewer Collections	103,130.85		103,130.85
Garbage Collections		124,975.69	124,975.69
Water Deposits		1,000.00	1,000.00
Penalty on Late Water Bills	8,380.00		8,380.00
Total Operating Revenues	1,462,912.66	125,975.69	1,588,888.35
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<u>Operating Expenses:</u>			
Water and Sewer Operating	943,007.97		943,007.97
Garbage Operating		16,091.77	16,091.77
Garbage Contract		95,635.25	95,635.25
Meter Deposit Refunds		100.00	100.00
Depreciation	341,055.00	1,000.00	342,055.00
Total Operating Expenses	1,284,062.97	112,827.02	1,396,889.99
Operating Income (Loss)	178,849.69	13,148.67	191,998.36
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<u>Non-Operating Revenues (Expenses):</u>			
Interest Income	1,542.34		1,542.34
Miscellaneous Revenues	15,058.75		15,058.75
CDBG Grant	72,195.54		72,195.54
Interest Payments	(84,465.46)		(84,465.46)
Service Charges	(12,873.07)		(12,873.07)
Total Non-Operating Revenues (Expenses)	(8,541.90)		(8,541.90)
Income (Loss) Before Transfers	170,307.79	13,148.67	183,456.46
Transfers In	424,356.00		424,356.00
Transfers Out	(577,041.43)	(3,200.00)	(580,241.43)
Change in Net Position	17,622.36	9,948.67	27,571.03
Net Position - January 1	5,204,001.48	88,277.46	5,292,278.94
Net Position - December 31	5,221,623.84	98,226.13	5,319,849.97
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The accompanying notes are an integral part of these financial statements.

CITY OF ENDERLIN
Enderlin, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2022

	Major Enterprise Fund		
	Water & Sewer	Other Enterprise Funds	Total Enterprise Funds
<u>Cash flows from operating activities:</u>			
Receipts from customers	1,462,912.66	125,975.69	1,588,888.35
Payments to suppliers	(640,083.30)	(111,827.02)	(751,910.32)
Payments to employees	(214,243.92)		(214,243.92)
Payments on behalf of employees	(88,680.75)		(88,680.75)
Net cash provided (used) by operating activities	519,904.69	14,148.67	534,053.36
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	15,058.75		15,058.75
Transfers in	424,356.00		424,356.00
Transfers out	(577,041.43)	(3,200.00)	(580,241.43)
Net cash provided (used) by noncapital financing activities	(137,626.68)	(3,200.00)	(140,826.68)
<u>Cash flows from capital and related financing activities:</u>			
DWSRF bonds issued	340,632.00		340,632.00
CDBG grant #4598-CD1719-PF	72,195.54		72,195.54
Water main replacement project	(412,000.00)		(412,000.00)
Principal payments	(276,000.00)		(276,000.00)
Interest payments	(84,465.46)		(84,465.46)
Service charges	(12,873.07)		(12,873.07)
Net cash provided (used) by capital and related financing activities	(372,510.99)		(372,510.99)
<u>Cash flows from investing activities:</u>			
Interest income	1,542.34		1,542.34
Net increase in cash and cash equivalents	11,309.36	10,948.67	22,258.03
Cash and cash equivalents, January 1	1,260,941.48	82,277.46	1,343,218.94
Cash and cash equivalents, December 31	1,272,250.84	93,226.13	1,365,476.97

(continued)

CITY OF ENDERLIN
Enderlin, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2022
(continued)

	Major Enterprise Fund		
	Water & Sewer	Other Enterprise Funds	Total Enterprise Funds
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating income (loss)	178,849.69	13,148.67	191,998.36
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	341,055.00	1,000.00	342,055.00
Net cash provided (used) by operating activities	519,904.69	14,148.67	534,053.36
	=====	=====	=====

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

CITY OF ENDERLIN
Enderlin, North Dakota

Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2022

	Custodial Funds
<u>Assets:</u>	
Due from Other Governments	5.00
	=====
<u>Liabilities:</u>	
Cash Overdraft	5.00
	=====

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

CITY OF ENDERLIN
Enderlin, North Dakota

Statement of Changes in Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2022

	Custodial Funds
<u>Additions:</u>	
Property tax collections for other governments	96,407.95
State aid collections for other governments	11,482.24
Reimbursement from library for salary	38,637.13
Total Additions	<u>146,527.32</u>
<u>Deductions:</u>	
Payments of property tax to other governments	96,412.95
Payments of state aid to other governments	11,482.24
Librarian's salary	38,637.13
Total Deductions	<u>146,532.32</u>
Change in Net Position	<u>(5.00)</u>
Net Position - January 1	<u>0.00</u>
Net Position - December 31	<u>(5.00)</u> =====

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

CITY OF ENDERLIN
Enderlin, North Dakota

Notes to the Financial Statements
December 31, 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

Enderlin Cemetery: The Enderlin Cemetery's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the cemetery budget. The cemetery has the authority to issue its own debt.

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

Enderlin Fine Arts Association: The Enderlin Fine Arts Association's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the fine arts association budget. The fine arts association has the authority to issue its own debt.

The financial statements of each of the four discretely presented component units are presented in the basic financial statements.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the City of Enderlin and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the city. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The city reports the following major governmental funds:

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

Sales Tax. This fund accounts for the city's sales tax collections which are to be used for economic development.

Pool 2018 Bond. This fund accounts for the city's sales tax collections which are to be used for debt service payments for the Sales Tax Revenue Bonds, Series 2018.

District 2021-1 Construction. This fund accounts for the proceeds of special assessment bonds issued and the construction expenses for street improvements.

The city reports the following major enterprise fund:

Water and Sewer. This fund accounts for the activities of the city's water distribution system and sewage collection system.

Additionally, the city reports the following type of fiduciary fund:

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

D. Cash and Cash Equivalents

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

E. Capital Assets

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

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

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

F. Long-Term Obligations

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

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

G. Fund Equity

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

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

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

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

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

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

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

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

- * Committed
- * Assigned
- * Unassigned

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

H. Interfund Transactions

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

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

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

I. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2022 the city's carrying amount of deposits was \$2,709,860 and the bank balance was \$2,736,153. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$2,486,153 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 ECONOMIC DEVELOPMENT LOANS RECEIVABLE

Economic development loan receivables consist of loans of city sales tax funds to local businesses for urban and economic development. At December 31, 2022 the following loans were outstanding:

Greg Pfaff	3,150.00
Tri State Roofing	23,002.12
Eagles Nest	10,250.00
Enderlin Golf Course	1,250.00
Happy Trails Child Care	60,625.00
Little Angel Property	48,957.22
Total Loans Receivable	147,234.34
	=====

Note 5 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by negative cash balances in various funds. The amounts shown as interfund payables represent the amounts of negative cash in the funds. Interfund receivables/payables for the year ended December 31, 2022 are as follows:

	Receivable Fund	Payable Fund
Sales Tax	459,448.80	
General		358,208.86
Oasis & Social Security		26,105.01
Retirement		8,813.15
Public Recreation		2,060.19
District 2021-1		64,261.59

Note 6 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2022:

	Balance January 1	Increases	Decreases	Balance December 31
Governmental Activities:				
Capital assets being depreciated:				
Buildings and Infrastructure	5,875,609	302,000		6,177,609
Machinery and Vehicles	210,192			210,192
Total	6,085,801	302,000		6,387,801
Less accumulated depreciation for:				
Buildings and Infrastructure	1,723,327	208,897		1,932,224
Machinery and Vehicles	160,365	16,103		176,468
Total	1,883,692	225,000		2,108,692
Governmental Activities Capital Assets, Net	4,202,109	77,000	-0-	4,279,109
	=====	=====	=====	=====

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	92,000			92,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	12,827,007	412,000		13,239,007
Machinery and Vehicles	186,180			186,180
Total	13,013,187	412,000		13,425,187
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	5,803,680	332,144		6,135,824
Machinery and Vehicles	122,110	9,911		132,021
Total	5,925,790	342,055		6,267,845
Total capital assets being depreciated, net	7,087,397	69,945		7,157,342
Business-type Activities Capital Assets, Net	7,179,397	69,945	-0-	7,249,342
	=====	=====	=====	=====
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Discretely Presented Component Unit:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	590,000			590,000
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	471,996	39,333		511,329
Discretely Presented Component Unit Capital Assets, Net	118,004	(39,333)	-0-	78,671
	=====	=====	=====	=====

Depreciation expense was charged to functions/programs of the city as follows:

<u>Governmental Activities:</u>	
General Government	10,089
Streets and Public Works	168,443
Culture and Recreation	46,468
Total	225,000
	=====
<u>Business-type Activities:</u>	
Water and Sewer	341,055
Garbage	1,000
Total	342,055
	=====
<u>Discretely Presented Component Unit:</u>	
Airport	39,333
	=====

Note 7 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the year ended December 31, 2022, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities:

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Special Assm't Bonds	1,919,716	306,149	107,293	2,118,572	
Revenue Bonds	1,335,000		130,000	1,205,000	135,000
Total	3,254,716	306,149	237,293	3,323,572	135,000
	=====	=====	=====	=====	=====

Business-type Activities (Proprietary Funds):

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds	3,230,337	340,632	276,000	3,294,969	256,000
	=====	=====	=====	=====	=====

Discretely Presented Component Unit

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds	75,000	-0-	15,000	60,000	15,000
	=====	=====	=====	=====	=====

Outstanding debt at December 31, 2022 consists of the following:

Governmental Activities:

Special Assessment Bond Debt. The city has issued special assessment bonds to provide funds for the construction and/or improvement of Streets and water and sewer lines. Special assessment bonds outstanding at December 31, 2022, are as follows:

As allowed by NDCC 6-09-49, the city has received funding from the Infrastructure Revolving Loan Program from the Bank of North Dakota. The city is in the process of a street improvement project and has issued the Definitive Improvement Warrant, Series 2021, in the amount of \$2,450,000.00. As of December 31, 2022, the city had requested drawdowns of \$2,225,864.62 and repaid principal of \$107,292.96. The project was not completed as of December 31, 2022 and a final debt service repayment schedule is not yet available since the city had not received the full amount of the drawdowns under this agreement. The outstanding balance at December 31, 2022 was \$2,118,571.66. \$224,135.38 is still available at December 31, 2022.

Revenue Bonds. The city has issued bonds to install water lines and provide funds for street projects. Revenue bonds outstanding at December 31, 2022 are as follows:

\$595,000 Sales Tax Revenue Bonds of 2011, due in annual installments of \$45,000 through November 1, 2026; interest is at 4% to 4.25%.	220,000.00
\$205,000 Tax Increment Financing Revenue Bonds of 2010, due in annual installments of \$15,000 to \$20,000 through May 1, 2027; interest is 4.65%.	80,000.00
\$600,000 Refunding Improvement Bonds of 2010, due in annual installments of \$45,000 to \$50,000 through May 1, 2027; interest is at 3.2% to 3.6%.	235,000.00
\$790,000 Sales Tax Revenue Bonds, Series 2018 due in annual installments of \$30,000 to \$55,000 through November 1, 2038; interest is at 2.9% to 4%.	670,000.00
Total	<u>1,205,000.00</u> =====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2023	135,000	44,850
2024	140,000	39,953
2025	140,000	34,820
2026	185,000	29,485
2027	105,000	22,077
2028-2032	200,000	84,081
2033-2037	245,000	41,400
2038	55,000	2,200
Total	<u>1,205,000</u> =====	<u>298,866</u> =====

Business-type Activities (Proprietary Funds):

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2022, are as follows:

\$184,307 Water Treatment Revenue Bonds of 2005, due in annual installments of \$10,000 to \$11,000 through September 1, 2024; interest is at 2.5%.	22,000.00
\$1,836,790 Water Treatment Revenue Bonds of 2009, due in annual installments of \$115,000 to \$135,000 through September 1, 2029; interest is at 2.5%.	870,000.00
\$263,855 Wastewater Treatment Revenue Bonds of 2009, due in annual installments of \$15,000 to \$20,000 through September 1, 2029; interest is at 2.5%.	130,000.00
\$1,620,000 Water Revenue Refunding Bonds of 2013, due in annual installments of \$80,000 to \$105,000 through March 1, 2033; interest is at 2.25% to 4%.	990,000.00
\$365,500 Wastewater Treatment Revenue Bonds of 2014, due in annual installments of \$10,000 to \$25,000 through September 1, 2034; interest is at 2%.	240,000.00
\$327,000 Water Treatment Revenue Bonds, Series 2016, due in annual installments of \$15,000 to \$20,000 through September 1, 2035; interest is at 2%.	235,000.00
Total	<u>2,487,000.00</u> =====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2023	256,000	68,225
2024	256,000	62,000
2025	255,000	55,575
2026	265,000	49,106
2027	270,000	42,444
2028-2032	985,000	103,200
2033-2035	200,000	5,400
Total	<u>2,487,000</u> =====	<u>385,950</u> =====

The city has received funding as part of the Drinking Water State Revolving Fund Program, from the North Dakota Public Finance Authority. The city is in the process of upgrading watermain and issued the Water Treatment Revenue Bonds, Series 2019-1, in the amount of \$1,200,000. As of December 31, 2022, the city had requested drawdowns of \$897,969 and has repaid principal of \$90,000. The project was not completed as of December 31, 2022 and a final debt service repayment schedule is not available since the city had not yet received the full amount of the drawdowns under this agreement. The outstanding balance at December 31, 2022 was \$807,969. The city has \$302,031 still available as of December 31, 2022.

Discretely Presented Component Unit:

Revenue Bonds. The airport authority has issued bonds for the purpose of a hanger/runway project. Revenue bonds outstanding at December 31, 2022 are as follows:

\$200,000 Airport Revenue Bonds of 2010, due
in annual installments of \$15,000 through
December 1, 2026; interest is at 2.5%. 60,000.00
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2023	15,000	2,100
2024	15,000	1,575
2025	15,000	1,050
2026	15,000	525
Total	60,000	5,250
	=====	=====

Note 8 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2022:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	169,385.43	
Water		166,185.43
Garbage		3,200.00
Recreation - Pool	1,500.00	
Public Recreation		1,500.00
To subsidize expenditures.		
District 2005-1	13,500.00	
Debt Retirement Reserve		13,500.00
District 2009-1	163,056.00	
District 2013 Bond	103,950.00	
District 2014-1	22,800.00	
District 2015-1	34,650.00	
District 2019-1	86,400.00	
Water and Sewer Operating		410,856.00
District 2021-1	89,503.45	
Def. Levy (2021-1)		89,503.45
To subsidize debt service payments.		
Pool Project Construction	24,092.04	
Pool Donations:		
Fund Raising Account		24,092.04
To provide funds for pool construction project.		

Note 9 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31, 2022:

General Fund	(358,208.86)
<u>Special Revenue Funds</u>	
Oasis & Social Security	(26,105.01)
Retirement	(8,813.15)
Public Recreation	(2,060.19)
<u>Debt Service Fund</u>	
District 2021-1	(64,261.59)

The city plans to eliminate these deficit fund balances with future revenue collections and/or transfers from other funds.

Note 10 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$4,000,000 per occurrence for general liability and automobile; and \$1,215,437 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 11 PENSION PLAN

The city provides benefits for all of its full-time employees through a defined contribution plan with Transamerica IDEX Mutual Funds and Western Reserve Life Assurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city matches up to 3% of the employee's gross salary. During the year ended December 31, 2022, the city contributed \$9,316.87.

Note 12 TAX ABATEMENTS

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the year ended December 31, 2022.

CITY OF ENDERLIN
Enderlin, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	437,580.00	475,256.00	473,219.57	(2,036.43)
Licenses, Permits and Fees	12,700.00	13,735.00	13,696.00	(39.00)
Intergovernmental	112,400.00	130,810.00	130,802.58	(7.42)
Charges for Services	26,300.00	27,650.00	27,427.50	(222.50)
Fines and Forfeits	150.00	182.50	182.50	
Miscellaneous	11,400.00	55,175.00	55,045.37	(129.63)
Total Revenues	600,530.00	702,808.50	700,373.52	(2,434.98)
<u>Expenditures:</u>				
Current:				
General Government	240,220.00	261,675.00	260,849.13	825.87
Public Safety	227,844.00	227,844.00	227,844.00	
Streets and Public Works	281,140.00	274,065.00	273,879.22	185.78
Total Expenditures	749,204.00	763,584.00	762,572.35	1,011.65
Excess (Deficiency) of Revenues Over Expenditures	(148,674.00)	(60,775.50)	(62,198.83)	(1,423.33)
<u>Other Financing Sources:</u>				
Transfers In	238,200.00	169,400.00	169,385.43	(14.57)
Net Change in Fund Balances	89,526.00	108,624.50	107,186.60	(1,437.90)
Fund Balance - January 1	(465,395.46)	(465,395.46)	(465,395.46)	
Fund Balance - December 31	(375,869.46)	(356,770.96)	(358,208.86)	(1,437.90)
	=====			

CITY OF ENDERLIN
Enderlin, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Sales Tax Fund
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	160,000.00	290,165.00	290,162.69	(2.31)
Miscellaneous	23,087.00	21,187.00		(21,187.00)
Total Revenues	183,087.00	311,352.00	290,162.69	(21,189.31)
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	146,610.00	137,650.00	109,430.93	28,219.07
Net Change in Fund Balances	36,477.00	173,702.00	180,731.76	7,029.76
Fund Balance - January 1	509,124.94	509,124.94	509,124.94	
Fund Balance - December 31	545,601.94	682,826.94	689,856.70	7,029.76
	=====	=====	=====	=====

CITY OF ENDERLIN
Enderlin, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2022

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board approved the following amendments to the city's budget for the year ending December 31, 2022:

	<u>Original Budget</u>	<u>Amendment</u>	<u>Amended Budget</u>
<u>Estimated Revenues and Transfers In</u>			
General Fund	838,730	33,478	872,208
<u>Special Revenue Fund</u>			
Sales Tax	183,087	128,265	311,352
<u>Appropriations</u>			
General Fund	749,204	14,380	763,584
<u>Special Revenue Fund</u>			
Sales Tax	146,610	(8,960)	137,650

CITY OF ENDERLIN
Enderlin, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2022

	Balance 1-1-22	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-22
Major Governmental Funds:						
General Fund	(465,395.46)	700,373.52	169,385.43		762,572.35	(358,208.86)
Sales Tax	368,786.60	311,266.69			137,430.93	542,622.36
Pool 2018 Bond	269,130.47	217,622.23			56,758.76	429,993.94
District 2021-1 Construction	26.24	306,149.11			302,074.61	4,100.74
Total Major Governmental Funds	172,547.85	1,535,411.55	169,385.43		1,258,836.65	618,508.18
Non-Major Governmental Funds:						
Oasis & Social Security	(26,105.01)					(26,105.01)
City Share of Specials	6,753.08					6,753.08
Insurance	1,186.56					1,186.56
Retirement	(8,813.15)					(8,813.15)
Forestry	5,171.84					5,171.84
Emergency	(810.51)	9,843.27			2,317.35	6,715.41
Public Recreation	(3,601.46)	1,541.27				(2,060.19)
Flood Funds	509.12					509.12
City Equipment	2,162.12					2,162.12
American Rescue Plan Act	65,786.52	66,708.65				132,495.17
Recreation - Pool	32,905.71	19,636.21			48,227.13	4,314.79
Christmas Lights	267.55	0.16				267.71
Debt Retirement Reserve	22,003.89	20,902.70		13,500.00	841.00	28,565.59
City Auditorium	10,179.97	50.31				10,230.28
District 2010-1 and 2010-2						
Debt Service	189,646.32	97,740.24			75,258.75	212,127.81
Street District 2011-1	220,642.48	145,081.45			51,820.00	313,903.93
District 2021-1			89,503.45		153,765.04	(64,261.59)
Def. Levy (2021-1)		89,503.45		89,503.45		
City Auditorium Renovation	196.22	500.33				696.55
Pool Donations:						
Memorial Fund	54,344.79	744.76				55,089.55
Fund Raising Account	70,919.00	44.47		24,092.04		46,871.43
Pool Project Construction	58.88		24,092.04		24,092.04	58.88
Total Non-Major Governmental Funds	643,403.92	452,297.27	113,595.49	127,095.49	356,321.31	725,879.88
Total Governmental Funds	815,951.77	1,987,708.82	282,980.92	127,095.49	1,615,157.96	1,344,388.06
Major Enterprise Fund:						
Water and Sewer:						
Operating	30,049.82	1,418,630.88		577,041.43	942,179.35	(70,540.08)
District 2002-1	9,662.36	264.39				9,926.75
District 2005-1	13,985.94	110.16	13,500.00		11,962.50	15,633.60
District 2006-1	176,577.51	11,671.29				188,248.80

(continued)

CITY OF ENDERLIN
Enderlin, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2022
(continued)

	Balance 1-1-22	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-22
<u>Major Enterprise Fund (continued)</u>						
District 2009-1	236,052.30	374.61	163,056.00		139,400.00	260,082.91
District 2009-3	84,836.45	25,010.53			19,350.00	90,496.98
Water/Sewer Expansion	159,430.36					159,430.36
District 2013 Bond	384,642.99	13,563.39	103,950.00		111,013.75	391,142.63
District 2014-1	118,954.37	2,915.25	22,800.00		26,500.00	118,169.62
District 2015-1 Construction	5.00					5.00
District 2015-1	22,875.57		34,650.00		21,250.00	36,275.57
District 2019-1 Construction	27.01	412,827.54			412,828.62	25.93
District 2019-1	23,841.80	6,973.25	86,400.00		43,862.28	73,352.77
Total Major Enterprise Fund	1,260,941.48	1,892,341.29	424,356.00	577,041.43	1,728,346.50	1,272,250.84
<u>Non-Major Enterprise Funds:</u>						
Meter Deposit	31,785.00	1,000.00			100.00	32,685.00
Garbage	50,492.46	124,975.69		3,200.00	111,727.02	60,541.13
Total Non-Major Enterprise Funds	82,277.46	125,975.69		3,200.00	111,827.02	93,226.13
Total Enterprise Funds	1,343,218.94	2,018,316.98	424,356.00	580,241.43	1,840,173.52	1,365,476.97
<u>Fiduciary Fund:</u>						
<u>Custodial Funds:</u>						
Park		11,886.34			11,891.34	(5.00)
Enderlin Library		81,995.93			81,995.93	
Enderlin Cemetery		7,477.19			7,477.19	
Enderlin Airport Authority		27,212.19			27,212.19	
Enderlin Fine Arts		17,955.67			17,955.67	
Total Custodial Funds		146,527.32			146,532.32	(5.00)
Total Primary Government	2,159,170.71	4,152,553.12	707,336.92	707,336.92	3,601,863.80	2,709,860.03
<u>Discretely Presented</u>						
<u>Component Units:</u>						
Enderlin Library	41,605.44	50,233.54			55,155.41	36,683.57
Enderlin Cemetery	308,203.48	27,607.16			18,763.13	317,047.51
Enderlin Airport Authority	17,101.96	119,682.35			94,583.15	42,201.16
Enderlin Fine Arts	28,956.43	28,443.61			19,689.73	37,710.31
Total Discretely Presented Component Units	395,867.31	225,966.66			188,191.42	433,642.55
Total Reporting Entity	2,555,038.02	4,378,519.78	707,336.92	707,336.92	3,790,055.22	3,143,502.58
=====						

Rath & Mehrer, P.C.

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Enderlin
Enderlin, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Enderlin, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated March 24, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the city's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our 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's Response to Findings

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

Purpose of this Report

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

March 24, 2023

CITY OF ENDERLIN
Enderlin, North Dakota

Schedule of Findings and Responses
For the Year Ended December 31, 2022

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No

* Significant deficiency(ies) identified? X Yes None Reported

Noncompliance Material to financial
statements noted? Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2022-001 Segregation of Duties

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

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

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

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

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

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

2. 2022-002 Financial Statement Preparation

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

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

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

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

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

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