

**CITY OF GLENBURN
GLENBURN, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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CITY OF GLENBURN
ROSTER OF CITY OFFICIALS
AS OF DECEMBER 31, 2022

Names

Eric Folstad

David Hoff

Dianne Hensen

Dustin Dewbre

Daryl Dotson

Donna Zeltinger

Office

Mayor

Vice President

Council

Council

Council

City Auditor

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Glenburn, North Dakota, as of and for the year ended December 31, 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 financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Glenburn, North Dakota, as of December 31, 2022, and the respective changes in modified cash basis financial position and the cash flows, where applicable, for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted accounting standards and *Government Auditing Standards*, we

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

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

Other Information

Management is responsible for the other information included on page one. The other information comprises the Roster of City Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024, on our consideration of the City of Glenburn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Glenburn's internal control over financial reporting and compliance.



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

January 26, 2024

CITY OF GLENBURN
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2022

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,022,201	\$ 266,956	\$ 1,289,157
Due from other funds	17,285	-	17,285
Total Current Assets	<u>1,039,486</u>	<u>266,956</u>	<u>1,306,442</u>
Noncurrent Assets			
Cash restricted by debt covenants	-	44,750	44,750
Capital assets (net of accumulated depreciation)	812,059	2,180,459	2,992,518
Total Noncurrent Assets	<u>812,059</u>	<u>2,225,209</u>	<u>3,037,268</u>
Total Assets	<u>1,851,545</u>	<u>2,492,165</u>	<u>4,343,710</u>
LIABILITIES			
Current Liabilities			
Due to other funds	17,285	-	17,285
Bonds payable-current portion	25,000	35,000	60,000
Total current liabilities	<u>42,285</u>	<u>35,000</u>	<u>77,285</u>
Long-term Liabilities			
Bonds payable-non-current portion	100,000	517,000	617,000
Discount on bonds payable (net of accumulated amortization)	(1,925)	-	(1,925)
Total long-term liabilities	<u>98,075</u>	<u>517,000</u>	<u>615,075</u>
TOTAL LIABILITIES	<u>140,360</u>	<u>552,000</u>	<u>692,360</u>
NET POSITION			
Net investment in capital assets	688,984	1,628,459	2,317,443
Restricted for:			
Debt service	-	44,750	44,750
Unrestricted	<u>1,022,201</u>	<u>266,956</u>	<u>1,289,157</u>
TOTAL NET POSITION	<u>\$ 1,711,185</u>	<u>\$ 1,940,165</u>	<u>\$ 3,651,350</u>

See Notes to the Financial Statements

CITY OF GLENBURN
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 151,721	\$ 6,123	\$ 41,380	\$ -	\$ (104,218)	\$ -	\$ (104,218)
Public safety	21,600	35	-	-	(21,565)	-	(21,565)
Public works	78,076	-	34,180	22,196	(21,700)	-	(21,700)
Health and welfare	18,405	-	-	-	(18,405)	-	(18,405)
Culture and recreation	14,826	-	-	-	(14,826)	-	(14,826)
Interest	5,850	-	-	-	(5,850)	-	(5,850)
Bank fees	1,095	-	-	-	(1,095)	-	(1,095)
Total Governmental Activities	291,573	6,158	75,560	22,196	(187,659)	-	(187,659)
Business-Type Activities							
Water	152,021	92,486	-	-	-	(59,535)	(59,535)
Sewer	23,745	52,407	-	-	-	28,662	28,662
Sanitation	33,534	33,252	-	-	-	(282)	(282)
Total Business-Type Activities	\$ 209,300	\$ 178,145	\$ -	\$ -	-	(31,155)	(31,155)
General Revenues:							
Property taxes levied for general purposes					109,044	-	109,044
Property taxes levied for other purposes					2,296	-	2,296
City sales tax					80,647	-	80,647
Oil and gas tax					104,936	-	104,936
Other taxes					772	-	772
Unrestricted State aid					36,764	-	36,764
Interest and dividend income					8,435	-	8,435
Miscellaneous revenues					10,787	-	10,787
Transfers					(22,578)	22,578	-
Total General Receipts and Transfers					331,103	22,578	353,681
Changes in Net Position					143,444	(8,577)	134,867
Net Position, January 1					1,567,741	1,948,742	3,516,483
Net Position, December 31					\$ 1,711,185	\$ 1,940,165	\$ 3,651,350

See Notes to the Financial Statements

CITY OF GLENBURN
BALANCE SHEET
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	Major Funds				
	General	Debt Service	Highway Fund	Cemetery Fund	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 1,022,201	\$ -	\$ -	\$ -	\$ 1,022,201
Due from other funds	<u>17,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,285</u>
TOTAL ASSETS	<u>\$ 1,039,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,039,486</u>
LIABILITIES					
Due to other funds	\$ -	\$ 17,285	\$ -	\$ -	\$ 17,285
TOTAL LIABILITIES	<u>-</u>	<u>17,285</u>	<u>-</u>	<u>-</u>	<u>17,285</u>
FUND BALANCE					
Committed	7,894	-	-	-	7,894
Unassigned	<u>1,031,592</u>	<u>(17,285)</u>	<u>-</u>	<u>-</u>	<u>1,014,307</u>
TOTAL FUND BALANCE	<u>1,039,486</u>	<u>(17,285)</u>	<u>-</u>	<u>-</u>	<u>1,022,201</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,039,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,039,486</u>

See Notes to the Financial Statements

CITY OF GLENBURN
RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION – MODIFIED CASH BASIS - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2022

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

Total fund balance-governmental funds	\$	1,022,201
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Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in governmental funds.

Cost of Capital Assets	\$	1,093,872	
Accumulated Depreciation		<u>(281,813)</u>	
Net			812,059

Long-term liabilities applicable to the City's governmental activities are not due and payable
in the current period and, accordingly, are not reported in the governmental funds:

Bonds Payable		(125,000)
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Discounts on bonds payable are treated as other financing uses in government
funds, but are deferred to future periods in the Statement of Net Position
(amortized over the life of the bonds)

		<u>1,925</u>
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Total net position-governmental activities	\$	<u><u>1,711,185</u></u>
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See Notes to the Financial Statements

CITY OF GLENBURN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Major Funds				
	General	Debt Service	Highway Fund	Cemetery Funds	Total
Revenues:					
Property taxes	\$ 109,044	\$ -	\$ -	\$ 2,296	\$ 111,340
Other taxes	186,355	-	34,180	-	220,535
Special assessments	-	22,196	-	-	22,196
Licenses, permits and fees	6,123	-	-	-	6,123
State aid	36,764	-	-	-	36,764
Intergovernmental	41,380	-	-	-	41,380
Fines and forfeits	35	-	-	-	35
Miscellaneous revenues	10,787	-	-	-	10,787
Interest and dividends	8,435	-	-	-	8,435
Total revenues	398,923	22,196	34,180	2,296	457,595
Expenditures:					
Current:					
General government	149,425	-	-	2,296	151,721
Public safety	21,600	-	-	-	21,600
Public works	13,899	-	43,884	-	57,783
Health and welfare	18,405	-	-	-	18,405
Culture and recreation	14,826	-	-	-	14,826
Capital outlay	-	-	12,964	-	12,964
Debt service:					
Principal retirement	-	25,000	-	-	25,000
Interest	-	5,500	-	-	5,500
Bank fees	-	1,095	-	-	1,095
Total expenditures	218,155	31,595	56,848	2,296	308,894
Other Financing Sources (Uses):					
Operating transfers in	-	-	22,668	-	22,668
Operating transfers out	(45,246)	-	-	-	(45,246)
Total other financing sources (uses)	(45,246)	-	22,668	-	(22,578)
Net Change in Fund Balances	135,522	(9,399)	-	-	126,123
Fund Balance (Deficit), January 1	903,964	(7,886)	-	-	896,078
Fund Balance (Deficit), December 31	\$ 1,039,486	\$ (17,285)	\$ -	\$ -	\$ 1,022,201

See Notes to the Financial Statements

CITY OF GLENBURN
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS
TO STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Net change in fund balance- total governmental funds		\$ 126,123
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital asset purchases capitalized	\$ 12,964	
Depreciation expense	(20,293)	(7,329)
Repayment of noncurrent liabilities is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Position. Additionally, premiums or discounts related to the debt are included on the Statement of Net Position and amortized to interest expense over the life of the debt in the Statement of Activities.		
Amortization of Bond Discount		(350)
Principal Payments of Bonds Payable		<u>25,000</u>
Net change in net position of governmental activities		<u>\$ 143,444</u>

CITY OF GLENBURN
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Major Funds			
	Water	Sewer	Sanitation	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 14,440	\$ 239,368	\$ 13,148	\$ 266,956
Noncurrent Assets				
Cash restricted by debt covenants	17,025	27,725	-	44,750
Capital assets (net of accumulated depreciation)	1,592,748	587,711	-	2,180,459
Total Noncurrent Assets	1,609,773	615,436	-	2,225,209
TOTAL ASSETS	1,624,213	854,804	13,148	2,492,165
LIABILITIES				
Current Liabilities				
Current portion of long - term Debt	15,000	20,000	-	35,000
Total Current Liabilities	15,000	20,000	-	35,000
Noncurrent Liabilities				
Long-term debt, net of current portion	367,000	150,000	-	517,000
TOTAL LIABILITIES	382,000	170,000	-	552,000
NET POSITION				
Net investment in capital assets	1,210,748	417,711	-	1,628,459
Restricted for debt service	17,025	27,725	-	44,750
Unrestricted	14,440	239,368	13,148	266,956
TOTAL NET POSITION	\$ 1,242,213	\$ 684,804	\$ 13,148	\$ 1,940,165

See Notes to the Financial Statements

CITY OF GLENBURN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Major Funds			
	Water	Sewer	Garbage	Total
Operating Revenues				
Charges for services	\$ 92,486	\$ 52,407	\$ 33,252	\$ 178,145
Operating Expenses				
Water	110,764	-	-	110,764
Sewer	-	3,258	-	3,258
Garbage	-	-	33,534	33,534
Interest	6,393	4,750	-	11,143
Bank fees	1,456	950	-	2,406
Depreciation	33,408	14,787	-	48,195
Total operating expenses	152,021	23,745	33,534	209,300
Income (loss) before capital contributions	(59,535)	28,662	(282)	(31,155)
Transfers in	22,578	-	-	22,578
Change in net position	(36,957)	28,662	(282)	(8,577)
Net Position, January 1	1,279,170	656,142	13,430	1,948,742
Net Position, December 31	\$ 1,242,213	\$ 684,804	\$ 13,148	\$ 1,940,165

CITY OF GLENBURN
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Major Funds			
	Water	Sewer	Sanitation	Total
CASH FLOWS FROM (TO) OPERATING ACTIVITIES				
Cash received from customers	\$ 92,486	\$ 52,407	\$ 33,252	\$ 178,145
Cash payments to suppliers	(118,613)	(8,958)	(33,534)	(161,105)
Net cash flow from operating activities	(26,127)	43,449	(282)	17,040
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES				
Transfer from other funds	22,578	-	-	22,578
Payment on long-term borrowing	(10,479)	(20,000)	-	(30,479)
Net cash flow from capital and related financing activities	12,099	(20,000)	-	(7,901)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,028)	23,449	(282)	9,139
CASH AND CASH EQUIVALENTS, JANUARY 1, 2022	45,493	243,644	13,430	302,567
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2022	<u>\$ 31,465</u>	<u>\$ 267,093</u>	<u>\$ 13,148</u>	<u>\$ 311,706</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	\$ (59,535)	\$ 28,662	\$ (282)	\$ (31,155)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	33,408	14,787	-	48,195
Net cash provided (used) by operating activities	<u>\$ (26,127)</u>	<u>\$ 43,449</u>	<u>\$ (282)</u>	<u>\$ 17,040</u>

See Notes to the Financial Statements

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Basis of Presentation

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

Government-Wide Financial Statements

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

Fund Financial Statements

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are typically organized into three categories: governmental, proprietary, and fiduciary.

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

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

Governmental Funds

General Fund

The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Debt Service Funds

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

Highway Fund

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

Proprietary Funds

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

The City's enterprise funds are as follows:

Water Fund

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

Sewer Fund

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

Sanitation Fund

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

Measurement Focus and Basis of Accounting

Measurement Focus

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

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

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

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

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

Basis of Accounting

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

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

Budgets and Budgetary Accounting

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

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

- On or before September 10th of the preceding fiscal year, the city prepares a preliminary budget for the next succeeding year beginning January 1st. The preliminary budget includes a detailed breakdown of the estimated revenues and appropriations.
- The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After budget hearing and on or before October 7th, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10th.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenue and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
- All annual appropriations lapse at year-end.

Cash and Equivalents

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

State statutes authorize the City to invest in:

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
3. Certificates of Deposit fully insured by the Federal Deposit Obligations of the state.
4. Obligations of the state.

At December 31, 2022, the City of Glenburn's cash and cash equivalents included \$112,500 of certificates of deposits stated at cost.

Property Taxes

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

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

Capital Assets

Capital assets include infrastructure, buildings and equipment. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

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

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

Long-Term Debt

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

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

Compensated Absences

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

Net Position

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

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

Fund Balance

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

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

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

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

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

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

Minimum Fund Balance Policy

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

Estimates

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

Significant Group Concentrations of Credit Risk

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

Inter-fund Activity

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 2 - DEPOSITS AND INVESTMENTS

At December 31, 2022, the deposits of the City were entirely covered by federal depository insurance or by the collateral held by the City's custodial bank in the City's name.

Interest Rate Risk

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

NOTE 3 - CASH RESTRICTED BY DEBT COVENANTS

Cash restricted by debt covenants consists of amounts required to be deposited into a reserve account under the terms of the bonds payable, as discussed in Note 5. Beginning September 1, 2010, \$5,545 must be deposited in the reserve account each September 1 through 2014, resulting in a final reserve balance of \$27,725 for the SRF Revenue Bond. Beginning September 1, 2020, \$5,675 must be deposited in the reserve account each September 1 through 2024, resulting in a final reserve balance of \$28,375 for the Water Treatment Revenue Bond. As of December 31, 2022, the balance of the reserves were \$17,025 and \$27,725, respectively.

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the governmental activities for the year ended December 31, 2022 are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Non Depreciable				
Land	\$ 4,500	\$ -	\$ -	\$ 4,500
Depreciable				
Buildings	261,273	-	-	261,273
Infrastructure	706,539	12,964	-	719,503
Equipment	96,396	-	-	96,396
Vehicles	12,200	-	-	12,200
Total Gov't Activities Capital Assets	<u>1,080,908</u>	<u>12,964</u>	<u>-</u>	<u>1,093,872</u>
Accumulated Depreciation				
Buildings	46,714	5,543	-	52,257
Infrastructure	108,002	14,153	-	122,155
Equipment	94,604	597	-	95,201
Vehicles	12,200	-	-	12,200
Total Accumulated Depreciation	<u>261,520</u>	<u>20,293</u>	<u>-</u>	<u>281,813</u>
Net Capital Assets - Gov't Activities	<u>\$ 819,388</u>	<u>\$ (7,329)</u>	<u>\$ -</u>	<u>\$ 812,059</u>

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

Changes in capital assets for the business-type activities for the year ended December 31, 2022 are as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Business-Type Activities				
Non Depreciable				
Land	\$ 31,575	\$ -	\$ -	\$ 31,575
Depreciable				
Infrastructure	2,409,758	-	-	2,409,758
Equipment	109,220	-	-	109,220
Total Capital Assets	<u>2,550,553</u>	<u>-</u>	<u>-</u>	<u>2,550,553</u>
Accumulated Depreciation				
Buildings and improvements	212,679	48,195	-	260,874
Equipment and vehicles	109,220	-	-	109,220
Total Accumulated Depreciation	<u>321,899</u>	<u>48,195</u>	<u>-</u>	<u>370,094</u>
Net Capital Assets	<u>\$ 2,228,654</u>	<u>\$ (48,195)</u>	<u>\$ -</u>	<u>\$ 2,180,459</u>

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

Governmental Activities	
Public Works	<u>\$ 20,293</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 20,293</u>
Business-Type Activities	
Water	\$ 33,408
Sewer	<u>14,787</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 48,195</u>

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 5 - CHANGES IN LONG-TERM DEBT

The following is a summary of changes in the governmental and business-type activities long-term debt by individual issue for the year ended December 31, 2022:

Governmental Activities					
<u>Debt Issuance</u>	<u>Balance 12-31-21</u>	<u>New Issues</u>	<u>Retired</u>	<u>Balance 12-31-22</u>	<u>Due within One Year</u>
Refunding Improvement Bond of 2013	\$ 150,000	\$ -	\$ 25,000	\$ 125,000	\$ 25,000
Bond Discount	(2,275)	-	(350)	(1,925)	-
	<u>\$ 147,725</u>	<u>\$ -</u>	<u>\$ 24,650</u>	<u>\$ 123,075</u>	<u>\$ 25,000</u>
Business-Type Activities					
<u>Issue</u>	<u>Balance 12-31-21</u>	<u>New Issues</u>	<u>Retired</u>	<u>Balance 12-31-22</u>	<u>Due within One Year</u>
SRF Revenue Bond	\$ 190,000	\$ -	\$ 20,000	\$ 170,000	\$ 20,000
Water Treatment Revenue Bond Series	392,479	-	10,479	382,000	15,000
	<u>\$ 582,479</u>	<u>\$ -</u>	<u>\$ 30,479</u>	<u>\$ 552,000</u>	<u>\$ 35,000</u>

Loans and Bonds Payable

SRF Loan

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

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

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

Debt service requirements are as follows:

Year	Principal	Interest	Total
2023	\$ 20,000	\$ 4,250	\$ 24,250
2024	24,000	3,750	27,750
2025	24,000	3,150	27,150
2026	25,000	2,550	27,550
2027	25,000	1,900	26,900
2028-2032	52,000	1,950	53,950
Totals	<u>\$ 170,000</u>	<u>\$ 17,550</u>	<u>\$ 187,550</u>

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

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

Debt service requirements are as follows:

Year	Principal	Interest	Total
2023	\$ 15,000	\$ 5,730	\$ 20,730
2024	15,000	5,505	20,505
2025	15,000	5,280	20,280
2026	15,000	5,055	20,055
2027	15,000	4,830	19,830
2028-2032	95,000	20,325	115,325
2033-2037	100,000	12,900	112,900
2038-2042	112,000	5,325	117,325
Totals	<u>\$ 382,000</u>	<u>\$ 64,950</u>	<u>\$ 446,950</u>

Refunding Improvement Bonds

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

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

Debt service requirements for bonds payable are as follows:

Year	Principal	Interest	Total
2023	\$ 25,000	\$ 4,500	\$ 29,500
2024	20,000	3,600	23,600
2025	20,000	2,800	22,800
2026	20,000	2,000	22,000
2027	20,000	800	20,800
2028-2032	20,000	1,600	21,600
Totals	<u>\$ 125,000</u>	<u>\$ 15,300</u>	<u>\$ 140,300</u>

NOTE 6 - PENSION PLAN

North Dakota Public Employees' Retirement System (Main System)

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. IF the DC plan is set up by December 31, 2023 then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. The City's contributions to the pension plan were \$3,963 for the year ended December 31, 2022.

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

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

Information about the City's Proportionate Share of Pension Obligation

Commitment Related to Proportionate Share of Net Pension Liability

At December 31, 2022, NDPERS, as a whole, reported a total net pension liability of \$2,880,066,589 of which the City's proportionate share amounted to \$68,862. Because of the use of a modified cash basis of accounting framework in the preparation of these financial statements, this proportionate share of the NDPERS net pension liability is not reported in the City's financial statements as a liability, and is instead disclosed herein as a commitment. In accordance with the modified cash basis of accounting, pension expense or expenditures are only reported when contributions are paid by the City to NDPERS.

The NDPERS net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's covered payroll relative to the covered payroll of all participating local governments, actuarially determined. At December 31, 2022, the City's proportion was 0.002391 percent, which was a decrease of 0.000072 from its proportion measured as of December 31, 2021.

Actuarial assumptions

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

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS

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

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

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. The City's contributions to the OPEB plan were \$634 for the year ended December 31, 2022.

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

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

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

Information about the City's Proportionate Share of OPEB Obligation

Commitment Related to Proportionate Share of Net OPEB Liability

At December 31, 2022, NDPERS, as a whole, reported a total net OPEB liability of \$120,030,959 of which the City's proportionate share amounted to \$3,228. Because of the use of a modified cash basis of accounting framework in the preparation of these financial statements, this proportionate share of the net OPEB liability is not reported in the City's financial statements as a liability, and is instead disclosed herein as a commitment. In accordance with the modified cash basis of accounting, pension expense or expenditures are only reported when contributions are paid by the City to NDPERS.

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's covered payroll relative to the covered payroll of all participating local governments, actuarially determined. At December 31, 2022, the City's proportion was 0.002689 percent, which was a decrease of 0.003328 from its proportion measured as of December 31, 2021.

Actuarial assumptions

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

NOTE 8 - RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of Glenburn pays an annual premium to NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF is limited to losses of two million dollars per occurrence for general liability and automobile insurance and \$261,934 for inland marine coverage.

The City of Glenburn also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of two million dollars per occurrence during a 12-month period.

The State Bonding Fund currently provides the City with a blanket fidelity bond coverage in the amount of \$325,321 for its employees. The State Bonding does not currently charge any premium for this coverage.

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

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 9 - FUND BALANCE

At December 31, 2022, a summary of the governmental fund balance classifications are as follows:

	General	Debt Service	Highway Fund	Cemetery Fund	Total
Committed					
Advertising	\$ 1,563	\$ -	\$ -	\$ -	\$ 1,563
Emergency	6,331	-	-	-	6,331
Unassigned	<u>1,031,592</u>	<u>(17,285)</u>	<u>-</u>	<u>-</u>	<u>1,014,307</u>
Total Fund Balance	<u>\$ 1,039,486</u>	<u>\$ (17,285)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,022,201</u>

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

NOTE 10 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2022 is as follows:

Receivable	Payable	Amount	Purpose
General Fund	Debt Service Fund	\$ 17,285	Cash Deficit

NOTE 11 - TRANSFERS

The composition of interfund transfers for the year ending December 31, 2022 is as follows.

From	To	Amount	Purpose
General Fund	Highway Fund	\$ 22,668	Cash Deficit
General Fund	Water Fund	22,578	Infrastructure Costs

NOTE 12 - NEW PRONOUNCEMENTS

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

The requirements of this statement are effective as follows:

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

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

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

CITY OF GLENBURN
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2022

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

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

NOTE 13 - SUBSEQUENT EVENTS

No significant events have occurred subsequent to the City's year end. Subsequent events have been evaluated through January 26, 2024, which is the date these financial statements were available to be issued.

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

Governing Board
City of Glenburn
Glenburn, North Dakota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the remaining fund information of the City of Glenburn, North Dakota, as of and for the year ended December 31, 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 January 26, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001, 2022-002 and 2022-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Glenburn, North Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2022-003.

City of Glenburn's Response to Findings

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

Purpose of This Report

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



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

January 26, 2024

CITY OF GLENBURN
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2022

Control Deficiency 2022-001 – Material Weakness

Criteria

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

Condition

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

Cause

The number of personnel within the accounting department is limited.

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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

CITY OF GLENBURN
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
DECEMBER 31, 2022

Control Deficiency 2022-002 – Material Weakness

Criteria

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

Condition

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

Cause

The City elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the City's financial statements.

Recommendation

We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the City should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

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

CITY OF GLENBURN
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
DECEMBER 31, 2022

Control Deficiency 2022-003 – Material Weakness

Criteria

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

Condition

The City's contributions for 2022 and previous years were insufficient.

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

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