

AUDIT REPORT

CITY OF NEW ENGLAND
New England, North Dakota

For the Years Ended December 31, 2022 and 2021

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF NEW ENGLAND
New England, North Dakota

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CITY OF NEW ENGLAND
New England, North Dakota

CITY OFFICIALS

Lyle Kovar	Mayor
Breann Krebs	Council President
Tom Gorek	Council Vice-President
Rex Fitch	Council Member
Chris Fitterer	Council Member
Mike Grote	Council Member
Jason Jung	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 New England
New England, 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, each major fund and the aggregate remaining fund information of the City of New England, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

In our opinion, the 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, each major fund and the aggregate remaining fund information of the city as of December 31, 2022 and 2021, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the city's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 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 Mehner, P.C.

Bismarck, North Dakota

August 18, 2023

CITY OF NEW ENGLAND
New England, North Dakota

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	470,487.20	35,036.37	505,523.57
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	3,640,795.00	15,312,994.00	18,953,789.00
Machinery and Vehicles	216,981.00	8,075.00	225,056.00
Total Capital Assets	3,857,776.00	15,321,069.00	19,178,845.00
Total Assets	4,328,263.20	15,356,105.37	19,684,368.57
Liabilities:			
Long-Term Liabilities:			
Due Within One Year:			
Lease Payable	30,909.54		30,909.54
Bank Loan Payable	15,478.58		15,478.58
Special Assessment Bonds Payable	180,681.37	36,131.19	216,812.56
Revenue Bonds Payable		147,113.55	147,113.55
Due After One Year:			
Special Assessment Bonds Payable	2,787,542.18	1,205,563.30	3,993,105.48
Revenue Bonds Payable		5,685,520.76	5,685,520.76
Total Liabilities	3,014,611.67	7,074,328.80	10,088,940.47
NET POSITION:			
Net Investment in Capital Assets	843,164.33	8,246,740.20	9,089,904.53
Restricted for:			
Special Purposes	455,291.15		455,291.15
Water and Sewer Construction		5,519.99	5,519.99
Debt Service	76,379.79	42,368.42	118,748.21
USDA Project Reserves		13,014.00	13,014.00
Unrestricted	(61,183.74)	(25,866.04)	(87,049.78)
Total Net Position	1,313,651.53	8,281,776.57	9,595,428.10

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	493,952.11	100.38	494,052.49
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	3,782,212.00	15,740,749.00	19,522,961.00
Machinery and Vehicles	241,240.00	9,691.00	250,931.00
 Total Capital Assets	 4,023,452.00	 15,750,440.00	 19,773,892.00
 Total Assets	 4,517,404.11	 15,750,540.38	 20,267,944.49
 Liabilities:			
Long-Term Liabilities:			
Due Within One Year:			
Lease Payable	29,968.62		29,968.62
Bank Loan Payable	14,731.76		14,731.76
Special Assessment Bonds Payable	177,226.48	38,480.74	215,707.22
Revenue Bonds Payable		143,612.91	143,612.91
Due After One Year:			
Lease Payable	30,909.54		30,909.54
Bank Loan Payable	15,478.58		15,478.58
Special Assessment Bonds Payable	2,968,223.55	1,241,694.49	4,209,918.04
Revenue Bonds Payable		5,832,634.31	5,832,634.31
 Total Liabilities	 3,236,538.53	 7,256,422.45	 10,492,960.98
 NET POSITION:			
Net Investment in Capital Assets	786,913.47	8,494,017.55	9,280,931.02
Restricted for:			
Special Purposes	485,506.25		485,506.25
Debt Service	52,748.98	15,326.86	68,075.84
Unrestricted	(44,303.12)	(15,226.48)	(59,529.60)
 Total Net Position	 1,280,865.58	 8,494,117.93	 9,774,983.51

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

CITY OF NEW ENGLAND
New England, North Dakota

Statement of Activities - Modified Cash Basis
December 31, 2022

	Net (Expense) Revenue and Change in Net Position				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
					Total
Functions/Programs					
Primary Government					
<u>Governmental Activities:</u>					
General Government	153,979.57	5,565.00		(148,414.57)	(148,414.57)
Public Safety	32,560.17			(32,560.17)	(32,560.17)
Streets and Public Works	319,502.31		107,739.99	(211,762.32)	(211,762.32)
Culture and Recreation	36,805.83			(36,805.83)	(36,805.83)
Purchase of Water	41,788.83			(41,788.83)	(41,788.83)
Other	30,673.72			(30,673.72)	
Interest and Service Charges	69,254.88		282,394.78	213,139.90	213,139.90
Total Governmental Activities	684,565.31	5,565.00	390,134.77	(288,865.54)	(258,191.82)
<u>Business-Type Activities:</u>					
Utility Fund	742,701.54	415,599.71	94,921.55		(232,180.28)
Total Primary Government	1,427,266.85	421,164.71	485,056.32	(288,865.54)	(232,180.28)
					(490,372.10)
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes				162,208.72	162,208.72
Property taxes; levied for special purposes				7,051.05	7,051.05
City sales taxes				116,236.35	116,236.35
Cigarette taxes				1,304.96	1,304.96
Telecommunication tax				4,743.96	4,743.96
Intergovernmental revenue not restricted to specific programs				41,785.83	41,785.83
Earnings on investments and other revenue				8,148.61	10.93
Transfers				(19,827.99)	19,827.99
Total General Revenues and Transfers				321,651.49	19,838.92
Change in Net Position				32,785.95	(212,341.36)
Net Position - January 1				1,280,865.58	8,494,117.93
Net Position - December 31				1,313,651.53	8,281,776.57
					9,595,428.10

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

CITY OF NEW ENGLAND
New England, North Dakota

Statement of Activities - Modified Cash Basis
December 31, 2021

	Net (Expense) Revenue and Change in Net Position				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
					Total
Functions/Programs					
Primary Government					
<u>Governmental Activities:</u>					
General Government	169,195.50	5,565.00		(163,630.50)	(163,630.50)
Public Safety	15,630.99			(15,630.99)	(15,630.99)
Streets and Public Works	273,867.65		102,640.20	(171,227.45)	(171,227.45)
Culture and Recreation	53,180.86			(53,180.86)	(53,180.86)
Other	25,526.00			(25,526.00)	(25,526.00)
Interest and Service Charges	75,319.45		249,441.96	174,122.51	174,122.51
Total Governmental Activities	612,720.45	5,565.00	352,082.16	(255,073.29)	(255,073.29)
<u>Business-Type Activities:</u>					
Utility Fund	860,441.19	441,747.21	516,448.71		97,754.73
Total Primary Government	1,473,161.64	447,312.21	868,530.87	(255,073.29)	97,754.73
					(157,318.56)
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes				160,673.43	160,673.43
Property taxes; levied for special purposes				6,870.20	6,870.20
City sales taxes				126,072.98	126,072.98
Cigarette taxes				1,470.41	1,470.41
Telecommunication tax				4,730.39	4,730.39
Intergovernmental revenue not restricted to specific programs				41,452.35	41,452.35
Earnings on investments and other revenue				9,634.54	12.40
Transfers				(113,799.48)	113,799.48
Total General Revenues and Transfers				237,104.82	113,811.88
Change in Net Position				(17,968.47)	211,566.61
Net Position - January 1				1,171,140.05	8,282,531.32
Prior Period Adjustment (Note 14)				127,694.00	-
Net Position - January 1, as Restated				1,298,834.05	8,282,551.32
Net Position - December 31				1,280,865.58	8,494,117.93
					9,774,983.51

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Major Funds					
	General	Highway Tax	City Sales Tax	Street Improvement District 2020-1	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents		88,604.98	198,004.67	60,690.62	123,186.93	470,487.20
Interfund Receivable			61,183.74			61,183.74
Total Assets	-	88,604.98	259,188.41	60,690.62	123,186.93	531,670.94
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Interfund Payable	61,179.35				4.39	61,183.74
Fund Balances:						
Restricted for:						
Public Safety					0.04	0.04
Street and Public Works		88,604.98				88,604.98
Urban and Economic Development			41,635.57			41,635.57
Municipal Improvements			79,921.65			79,921.65
Equipment			128,092.86			128,092.86
Park District			9,538.33			9,538.33
Emergency Services					12,276.85	12,276.85
Cemetery					325.59	325.59
American Recovery Plan Act					94,895.28	94,895.28
Debt Service				60,690.62	15,689.17	76,379.79
Unassigned	(61,179.35)				(4.39)	(61,183.74)
Total Fund Balances	(61,179.35)	88,604.98	259,188.41	60,690.62	123,182.54	470,487.20
Total Liabilities and Fund Balances	-	88,604.98	259,188.41	60,690.62	123,186.93	531,670.94

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Major Funds					
	General	Highway Tax	City Sales Tax	Street Improvement District 2020-1	Street Improvement District 2020-1 (Const.)	Other Governmental Funds
ASSETS:						
Cash and Cash Equivalents		118,591.69	195,894.00	12,992.37		166,474.05
Interfund Receivable			110,197.97			
Total Assets		118,591.69	306,091.97	12,992.37	-	166,474.05
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Interfund Payable	110,197.97					
						110,197.97
Fund Balances:						
Restricted for:						
Public Safety						0.04
Street and Public Works		118,591.69				
Urban and Economic Development			59,569.58			
Municipal Improvements			98,750.52			
Equipment			138,121.01			
Park District			9,650.86			
Emergency Services						12,541.94
Cemetery						1,148.09
American Recovery Plan Act						47,132.52
Debt Service				12,992.37		39,756.61
Assigned to:						
Municipal Improvements						65,894.85
Unassigned	(110,197.97)					
Total Fund Balances	(110,197.97)	118,591.69	306,091.97	12,992.37	-	166,474.05
Total Liabilities and Fund Balances	-	118,591.69	306,091.97	12,992.37	-	166,474.05

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

CITY OF NEW ENGLAND
New England, 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	470,487.20
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Total net position reported for governmental activities in the statement of net position is different because:

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

Cost of Capital Assets	5,119,308.00	
Less Accumulated Depreciation	<u>(1,261,532.00)</u>	
Net Capital Assets		3,857,776.00

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:

Lease Payable	(30,909.54)	
Bank Loan Payable	(15,478.58)	
Special Assessment Bonds Payable	<u>(2,968,223.55)</u>	
Total Long-Term Liabilities		<u>(3,014,611.67)</u>

Total Net Position of Governmental Activities	<u>1,313,651.53</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF NEW ENGLAND
New England, North Dakota

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

Total Fund Balances for Governmental Funds	493,952.11
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Total net position reported for governmental activities in the statement of net position is different because:

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

Cost of Capital Assets	5,119,308.00
Less Accumulated Depreciation	<u>(1,095,856.00)</u>
Net Capital Assets	4,023,452.00

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2021 are:

Lease Payable	(60,878.16)
Bank Loan Payable	(30,210.34)
Special Assessment Bonds Payable	<u>(3,145,450.03)</u>
Total Long-Term Liabilities	<u>(3,236,538.53)</u>

Total Net Position of Governmental Activities	<u><u>1,280,865.58</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF NEW ENGLAND
New England, 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	Highway Tax	City Sales Tax	Street Improvement District 2020-1	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Taxes	162,208.72		116,236.35		7,051.05	285,496.12
Special Assessments				246,881.73	35,513.05	282,394.78
Licenses, Permits and Fees	4,575.00					4,575.00
Intergovernmental	47,834.75	59,977.23			47,762.76	155,574.74
Miscellaneous	9,085.86		30.63		22.12	9,138.61
Total Revenues	223,704.33	59,977.23	116,266.98	246,881.73	90,348.98	737,179.25
<u>Expenditures:</u>						
Current:						
General Government	153,979.57					153,979.57
Public Safety	16,560.17		16,000.00			32,560.17
Streets and Public Works	27,391.73	89,963.94	31,240.64		6,110.00	154,706.31
Culture and Recreation	1,754.24		34,171.59			35,925.83
Purchase of Water			13,813.36		27,975.47	41,788.83
Other			6,787.69		23,886.03	30,673.72
Debt Service:						
Principal			44,700.38	137,226.48	40,000.00	221,926.86
Interest and Service Charges			3,442.88	61,957.00	3,855.00	69,254.88
Total Expenditures	199,685.71	89,963.94	150,156.54	199,183.48	101,826.50	740,816.17
Excess (Deficiency) of Revenue Over (Under) Expenditures	24,018.62	(29,986.71)	(33,889.56)	47,698.25	(11,477.52)	(3,636.92)
<u>Other Financing Sources (Uses):</u>						
Transfers In	25,000.00					25,000.00
Transfers Out			(13,014.00)		(31,813.99)	(44,827.99)
Total Other Financing Sources (Uses)	25,000.00	-	(13,014.00)	-	(31,813.99)	(19,827.99)
Net Change in Fund Balances	49,018.62	(29,986.71)	(46,903.56)	47,698.25	(43,291.51)	(23,464.91)
Fund Balance - January 1	(110,197.97)	118,591.69	306,091.97	12,992.37	166,474.05	493,952.11
Fund Balance - December 31	(61,179.35)	88,604.98	259,188.41	60,690.62	123,182.54	470,487.20

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Major Funds					Other	Total
	General	Highway Tax	City Sales Tax	Street Improvement District 2020-1	Street Improvement District 2020-1 (Const.)	Governmental Funds	Governmental Funds
Revenues:							
Taxes	160,673.43		126,072.98			6,870.20	293,616.61
Special Assessments				212,175.85		37,266.11	249,441.96
Licenses, Permits and Fees	4,145.00						4,145.00
Intergovernmental	47,653.15	55,537.68				47,102.52	150,293.35
Miscellaneous	6,691.50		4,341.36			21.68	11,054.54
Total Revenues	219,163.08	55,537.68	130,414.34	212,175.85	-	91,260.51	708,551.46
Expenditures:							
Current:							
General Government	163,859.50						163,859.50
Public Safety	13,812.70					1,818.29	15,630.99
Streets and Public Works	24,456.12	48,228.41	34,777.18		5,991.63	8,018.31	121,471.65
Culture and Recreation	5,394.14		46,906.72				52,300.86
Other	250.00					25,276.00	25,526.00
Capital Outlay					339,075.00		339,075.00
Debt Service:							
Principal			43,077.32	134,549.97		40,000.00	217,627.29
Interest and Service Charges			5,065.94	64,633.51		5,620.00	75,319.45
Total Expenditures	207,772.46	48,228.41	129,827.16	199,183.48	345,066.63	80,732.60	1,010,810.74
Excess (Deficiency) of Revenue Over (Under) Expenditures	11,390.62	7,309.27	587.18	12,992.37	(345,066.63)	10,527.91	(302,259.28)
Other Financing Sources (Uses):							
Transfers In					30,917.87	30.00	30,947.87
Transfers Out					(140,318.86)	(4,428.49)	(144,747.35)
Total Other Financing Sources (Uses)	-	-	-	-	(109,400.99)	(4,398.49)	(113,799.48)
Net Change in Fund Balances	11,390.62	7,309.27	587.18	12,992.37	(454,467.62)	6,129.42	(416,058.76)
Fund Balance - January 1	(121,588.59)	111,282.42	305,504.79	-	454,467.62	160,344.63	910,010.87
Fund Balance - December 31	(110,197.97)	118,591.69	306,091.97	12,992.37	-	166,474.05	493,952.11

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

CITY OF NEW ENGLAND
New England, 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	(23,464.91)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay		-
Current Year Depreciation Expense	<u>(165,676.00)</u>	<u>(165,676.00)</u>

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

Debt Proceeds		-
Repayment of Debt	<u>221,926.86</u>	<u>221,926.86</u>

Change in Net Position of Governmental Activities	<u><u>32,785.95</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF NEW ENGLAND
New England, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds	(416,058.76)
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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	339,075.00	
Current Year Depreciation Expense	<u>(158,612.00)</u>	180,463.00

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

Debt Proceeds	-	
Repayment of Debt	<u>217,627.29</u>	<u>217,627.29</u>

Change in Net Position of Governmental Activities	<u>(17,968.47)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF NEW ENGLAND
New England, North Dakota

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

	Major Enterprise Fund
	Utility Fund
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	35,036.37
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depreciation):	
Buildings and Infrastructure	15,312,994.00
Machinery and Vehicles	8,075.00
Total Capital Assets	15,321,069.00
Total Assets	15,356,105.37
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Special Assessment Bonds Payable	36,131.19
Revenue Bonds Payable	147,113.55
Total Current Liabilities	183,244.74
<u>Noncurrent Liabilities:</u>	
Special Assessment Bonds Payable	1,205,563.30
Revenue Bonds Payable	5,685,520.76
Total Noncurrent Liabilities	6,891,084.06
Total Liabilities	7,074,328.80
<u>NET POSITION</u>	
Net Investment in Capital Assets	8,246,740.20
Restricted for:	
Water and Sewer Construction	5,519.99
Debt Service	42,368.42
USDA Project Reserves	13,014.00
Unrestricted	(25,866.04)
Total Net Position	8,281,776.57

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Major Enterprise Fund
	Utility Fund
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	100.38
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depreciation):	
Buildings and Infrastructure	15,740,749.00
Machinery and Vehicles	9,691.00
Total Capital Assets	15,750,440.00
Total Assets	15,750,540.38
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Special Assessment Bonds Payable	38,480.74
Revenue Bonds Payable	143,612.91
Total Current Liabilities	182,093.65
<u>Noncurrent Liabilities:</u>	
Special Assessment Bonds Payable	1,241,694.49
Revenue Bonds Payable	5,832,634.31
Total Noncurrent Liabilities	7,074,328.80
Total Liabilities	7,256,422.45
<u>NET POSITION</u>	
Net Investment in Capital Assets	8,494,017.55
Restricted for:	
Debt Service	15,326.86
Unrestricted	(15,226.48)
Total Net Position	8,494,117.93

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

CITY OF NEW ENGLAND
New England, 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
	Utility Fund
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Utility Charges	404,287.55
Other Charges	11,312.16
Total Operating Revenues	415,599.71
<u>Operating Expenses:</u>	
Salaries and Benefits	32,255.65
Utilities	5,457.82
Supplies	3,160.74
Landfill Fees	21,488.52
Water Purchases	76,182.40
Miscellaneous	1,553.00
Fees	1,973.01
Depreciation	429,371.00
Total Operating Expenses	571,442.14
Operating Income (Loss)	(155,842.43)
<u>Non-Operating Revenues (Expenses):</u>	
Special Assessments	81,797.50
USDA-RD Grants	13,124.05
Interest	10.93
Other Project Costs	(7,604.06)
Interest Payments and Service Charges	(163,655.34)
Total Non-Operating Revenues (Expenses)	(76,326.92)
Income (Loss) Before Transfers	(232,169.35)
Transfer In	304,007.05
Transfer Out	(284,179.06)
Changes in Net Position	(212,341.36)
Net Position - January 1	8,494,117.93
Net Position - December 31	8,281,776.57

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Major Enterprise Fund
	Utility Fund
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Utility Charges	424,877.72
Other Charges	16,869.49
Total Operating Revenues	<u>441,747.21</u>
<u>Operating Expenses:</u>	
Salaries and Benefits	66,180.74
Utilities	4,801.01
Supplies	2,779.18
Maintenance and Repairs	2,382.81
Landfill Fees	21,130.69
Water Purchases	133,504.74
Miscellaneous	172.70
Fees	2,045.87
Depreciation	429,371.00
Total Operating Expenses	<u>662,368.74</u>
Operating Income (Loss)	<u>(220,621.53)</u>
<u>Non-Operating Revenues (Expenses):</u>	
Special Assessments	65,532.92
USDA-RD Grants	443,730.58
Garrison Diversion (MR&I)	7,185.21
Interest	12.40
Other Project Costs	(24,314.27)
Interest Payments and Service Charges	(173,728.18)
Other Fees	(30.00)
Total Non-Operating Revenues (Expenses)	<u>318,388.66</u>
Income (Loss) Before Transfers	<u>97,767.13</u>
Transfer In	393,128.71
Transfer Out	(279,329.23)
Changes in Net Position	<u>211,566.61</u>
Net Position - January 1	<u>8,282,551.32</u>
Net Position - December 31	<u><u>8,494,117.93</u></u>

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Major Enterprise Fund
	Utility Fund
<u>Cash flows from operating activities:</u>	
Receipts from customers	415,599.71
Payments to suppliers and employees	<u>(142,071.14)</u>
Net cash provided (used) by operating activities	<u>273,528.57</u>
<u>Cash flows from noncapital financing activities:</u>	
Transfers in	304,007.05
Transfers out	<u>(284,179.06)</u>
Net cash provided (used) by noncapital financing activities	<u>19,827.99</u>
<u>Cash flows from capital and related financing activities:</u>	
Special assessments	81,797.50
USDA-RD grants	13,124.05
Other project costs	(7,604.06)
Principal payments	(182,093.65)
Interest and service charges	<u>(163,655.34)</u>
Net cash provided (used) by capital and related financing activities	<u>(258,431.50)</u>
<u>Cash Flows from investing activities:</u>	
Interest income	<u>10.93</u>
Net increase (decrease) in cash and cash equivalents	<u>34,935.99</u>
Cash and cash equivalents, January 1	<u>100.38</u>
Cash and cash equivalents, December 31	<u><u>35,036.37</u></u>
 <u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>	
Operating income (Loss)	(155,842.43)
Adjustments to reconcile operating income to <u>net cash provided (used) by operating activities:</u>	
Depreciation expense	<u>429,371.00</u>
Net cash provided (used) by operating activities	<u><u>273,528.57</u></u>

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Major Enterprise Fund
	Utility Fund
<u>Cash flows from operating activities:</u>	
Receipts from customers	441,747.21
Payments to suppliers and employees	(232,997.74)
Net cash provided (used) by operating activities	208,749.47
<u>Cash flows from noncapital financing activities:</u>	
Transfers in	393,128.71
Transfers out	(279,329.23)
Net cash provided (used) by noncapital financing activities	113,799.48
<u>Cash flows from capital and related financing activities:</u>	
Special assessments	65,532.92
USDA-RD grants	443,730.58
Garrison Diversion (mr&i)	7,185.21
Water and sewer improvement project	(540,401.00)
Other project costs	(24,314.27)
Principal payments	(172,020.82)
Interest and service charges	(173,728.18)
Other fees	(30.00)
Net cash provided (used) by capital and related financing activities	(394,045.56)
<u>Cash Flows from investing activities:</u>	
Interest income	12.40
Net increase (decrease) in cash and cash equivalents	(71,484.21)
Cash and cash equivalents, January 1	71,584.59
Cash and cash equivalents, December 31	100.38
 <u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>	
Operating income (Loss)	(220,621.53)
Adjustments to reconcile operating income to <u>net cash provided (used) by operating activities:</u>	
Depreciation expense	429,371.00
Net cash provided (used) by operating activities	208,749.47

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Custodial Funds
<u>Assets:</u>	
Cash and cash equivalents	<u>10.16</u>
<u>Net Position</u>	
Restricted for:	
Other Governments	<u>10.16</u>

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	Custodial Funds
<u>Assets:</u>	
Cash and cash equivalents	-
<u>Net Position</u>	
Restricted for:	
Other Governments	-

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	<u>Custodial Funds</u>
<u>Additions:</u>	
Property tax collections for other governments	5,341.51
State aid collections for other governments	<u>13,322.21</u>
 Total Additions	 <u>18,663.72</u>
 <u>Deductions:</u>	
Payment of property taxes to other governments	5,331.35
Payment of state aid to other governments	<u>13,322.21</u>
 Total Deductions	 <u>18,653.56</u>
 Change in Net Position	 <u>10.16</u>
 Net Position - January 1	 <u>-</u>
 Net Position - December 31	 <u><u>10.16</u></u>

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

CITY OF NEW ENGLAND
New England, North Dakota

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

	<u>Custodial Funds</u>
<u>Additions:</u>	
Property tax collections for other governments	5,801.41
State aid collections for other governments	<u>11,760.91</u>
Total Additions	<u>17,562.32</u>
 <u>Deductions:</u>	
Payment of property taxes to other governments	5,801.41
Payment of state aid to other governments	<u>11,760.91</u>
Total Deductions	<u>17,562.32</u>
 Change in Net Position	<u>-</u>
 Net Position - January 1	<u>-</u>
 Net Position - December 31	<u><u>-</u></u>

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

CITY OF NEW ENGLAND
New England, North Dakota

Notes to the Financial Statements
December 31, 2022 and 2021

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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 New England. 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.

Highway Tax. This fund accounts for the state highway distribution tax used for street repairs and maintenance.

Sales Tax Fund. The city uses this fund to accumulate sales tax collections for the purpose of urban and economic development, municipal improvement and to provide funding for the park district's swimming pool.

Street Improvement District No. 2020-1. This fund accounts for the accumulation of resources to be used for the payment of long-term debt principal and interest related to the Definitive Improvement Warrant, Series 2020.

Street Improvement District No. 2020-1 (Construction). This fund accounts for the proceeds from the Definitive Improvement Warrant, Series 2020, used to finance a street improvement project.

The city reports the following major enterprise fund:

Utility Fund. This fund accounts for the activities of the city's water, sewer and garbage operations.

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 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	25 to 75 years
Machinery and Vehicles	8 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 investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district or any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2022 the city's carrying amount of deposits was \$505,534 and the bank balance was \$517,338. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$267,338 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2021 the city's carrying amount of deposits was \$494,052 and the bank balance was \$607,859. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$357,859 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 the property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

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

Note 4 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by a negative cash balance in various funds. The amount shown as interfund payables represents the amount of negative cash in the funds. Interfund receivables/payables for the years ended December 31, 2022 and 2021 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2022</u>		
City Sales Tax	61,183.74	
General Fund		61,179.35
Development Fund		4.39
<u>December 31, 2021</u>		
City Sales Tax	110,197.97	
General Fund		110,197.97

Note 5 **CAPITAL ASSETS**

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

	<u>2022</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	4,719,456			4,719,456
Machinery and Vehicles	399,852			399,852
Total	<u>5,119,308</u>	<u>-</u>	<u>-</u>	<u>5,119,308</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	937,244	141,417		1,078,661
Machinery and Vehicles	158,612	24,259		182,871
Total	<u>1,095,856</u>	<u>165,676</u>	<u>-</u>	<u>1,261,532</u>
Governmental Activities Capital Assets, Net	<u>4,023,452</u>	<u>(165,676)</u>	<u>-</u>	<u>3,857,776</u>
	<u>2021</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Construction in Progress	3,089,092	339,075	3,428,167	-
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,601,289	3,428,167	310,000	4,719,456
Machinery and Vehicles	399,852			399,852
Total	<u>2,001,141</u>	<u>3,428,167</u>	<u>310,000</u>	<u>5,119,308</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,112,891	134,353	310,000	937,244
Machinery and Vehicles	134,353	24,259		158,612
Total	<u>1,247,244</u>	<u>158,612</u>	<u>310,000</u>	<u>1,095,856</u>
Total capital assets being depreciated, net	<u>753,897</u>	<u>3,269,555</u>	<u>-</u>	<u>4,023,452</u>
Governmental Activities Capital Assets, Net	<u>3,842,989</u>	<u>3,608,630</u>	<u>3,428,167</u>	<u>4,023,452</u>

<u>2022</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	17,110,203			17,110,203
Machinery and Vehicles	40,433			40,433
Total	<u>17,150,636</u>	<u>-</u>	<u>-</u>	<u>17,150,636</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,369,454	427,755		1,797,209
Machinery and Vehicles	30,742	1,616		32,358
Total	<u>1,400,196</u>	<u>429,371</u>	<u>-</u>	<u>1,829,567</u>
Business-type Activities Capital Assets, Net	<u>15,750,440</u>	<u>(429,371)</u>	<u>-</u>	<u>15,321,069</u>
 <u>2021</u>				
	<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>				
Construction in Progress	<u>6,406,107</u>	<u>540,401</u>	<u>6,946,508</u>	<u>-</u>
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	10,163,695	6,946,508		17,110,203
Machinery and Vehicles	40,433			40,433
Total	<u>10,204,128</u>	<u>6,946,508</u>	<u>-</u>	<u>17,150,636</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	941,699	427,755		1,369,454
Machinery and Vehicles	29,126	1,616		30,742
Total	<u>970,825</u>	<u>429,371</u>	<u>-</u>	<u>1,400,196</u>
Total capital assets being depreciated, net	<u>9,233,303</u>	<u>6,517,137</u>	<u>-</u>	<u>15,750,440</u>
Business-type Activities Capital Assets, Net	<u>15,639,410</u>	<u>7,057,538</u>	<u>6,946,508</u>	<u>15,750,440</u>

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

	<u>2022</u>	<u>2021</u>
<u>Governmental Activities:</u>		
General Government		5,336
Street and Public Works	164,796	152,396
Culture and Recreation	<u>880</u>	<u>880</u>
Total Depreciation Expense	<u>165,676</u>	<u>158,612</u>
<u>Business-type Activities:</u>		
Utility Fund	<u>429,371</u>	<u>429,371</u>

Note 6 LEASE PAYABLE

The city has entered into the following lease agreement.

\$149,647 Lease-purchase of a Freightliner Garbage Truck, due in a final payment of \$31,880.00 on September 1, 2023; payments include interest at 3.14%.	<u>30,909.54</u>
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This lease agreement qualifies as a lease for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under this lease, and the net present value of the minimum lease payments at December 31, 2022:

<u>Year Ending December 31</u>	<u>Governmental Activities Lease Payments</u>
2023	31,880.00
Less: amount representing interest	<u>(970.46)</u>
Present value of future minimum lease payments	<u>30,909.54</u>

Note 7 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2022 and 2021, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities:

	<u>Balance January 1</u>	<u>Increases</u>	<u>2022 Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Lease Payable	60,878		29,969	30,910	30,910
Bank Loan Payable	30,210		14,732	15,479	15,479
Special Assessment Bonds	<u>3,145,450</u>		<u>177,226</u>	<u>2,968,224</u>	<u>180,681</u>
Total	<u>3,236,539</u>	<u>-</u>	<u>221,927</u>	<u>3,014,612</u>	<u>227,069</u>

			<u>2021</u>		
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>			<u>December 31</u>	<u>One Year</u>
Lease Payable	89,935		29,056	60,878	29,969
Bank Loan Payable	44,231		14,021	30,210	14,732
Special Assessment Bonds	3,320,000		174,550	3,145,450	177,226
Total	3,454,166	-	217,627	3,236,539	221,927

Business-type Activities (Proprietary Funds):

			<u>2022</u>		
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>			<u>December 31</u>	<u>One Year</u>
Special Assessment Bonds	1,280,175		38,481	1,241,694	36,131
Revenue Bonds	5,976,247		143,613	5,832,634	147,114
Total	7,256,422	-	182,094	7,074,329	183,245

			<u>2021</u>		
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>			<u>December 31</u>	<u>One Year</u>
Special Assessment Bonds	1,312,000		31,825	1,280,175	38,481
Revenue Bonds	6,116,443		140,196	5,976,247	143,613
Total	7,428,443	-	172,021	7,256,422	182,094

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

Governmental Activities:

General Obligation Debt: General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2022 is as follows:

Loan Payable. The city has obtained financing for the purchase of a new city shop building.

\$125,289 Loan Payable due in a final payment of
of \$16,263.26 on October 1, 2023; payments include
interest at 5%.

15,478.58

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

Year Ending December 31	Principal	Interest
2023	15,478.58	784.68

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

\$590,000 Refunding Improvement Bonds of 2008; due in a final installment of \$40,000 on May 1, 2023; interest is at 4.6%.	40,000.00
\$3,200,000 Definitive Improvement Warrant, Series 2020, due in semi-annual payments of \$99,592 through April 1, 2040; payments include interest at 2%.	2,928,223.55
Total Special Assessments Bonds Payable	2,968,223.55

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

Year Ending December 31	Principal	Interest
2023	180,681.37	59,422.11
2024	144,149.80	55,033.68
2025	147,047.21	52,136.27
2026	150,002.86	49,180.62
2027	153,017.92	46,165.56
2028-2032	812,479.69	183,437.71
2033-2037	897,483.03	98,434.37
2038-2040	483,361.67	14,597.05
Total	2,968,223.55	558,407.37

Business-type Activities:

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

\$1,312,000 Definitive Improvement Warrant, Series 2020, due in annual payments of \$54,632 through September 1, 2050; payments include interest at 1.5%.	1,241,694.49
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The annual requirements to amortize the outstanding special assessment bond debt is as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2023	36,131.19	18,500.81
2024	36,548.55	18,083.45
2025	37,096.78	17,535.22
2026	37,653.23	16,978.77
2027	38,218.03	16,413.97
2028-2032	199,863.13	73,296.87
2033-2037	215,309.36	57,850.64
2038-2042	231,949.33	41,210.67
2043-2047	249,875.29	23,284.71
2048-2050	159,049.60	4,794.39
Total	<u>1,241,694.49</u>	<u>287,949.50</u>

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:

\$2,741,000 Water Revenue Bonds, Series 2015, due in annual payments of \$111,504 through December 1, 2055; payments include interest at 2.625%.	2,441,773.41
\$2,771,000 Definitive Improvement Warrant, Series 2017, due in annual payments of \$128,021 through September 1, 2047; payments include interest at 2.25%.	2,427,519.73
\$1,062,000 Definitive Improvement Warrant, Series 2018, due in annual payments of \$51,592 through November 1, 2048; payments include interest at 2.625%.	<u>963,341.17</u>
Total Revenue Bonds Payable	<u>5,832,634.31</u>

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2023	147,113.55	144,003.45
2024	150,527.83	140,589.17
2025	154,369.93	136,747.07
2026	158,134.35	132,982.65
2027	161,991.12	129,125.88
2028-2032	870,885.40	584,699.60
2033-2037	982,680.37	472,904.63
2038-2042	1,108,724.81	346,860.19
2043-2047	1,250,931.76	204,542.56
2048-2052	527,368.18	81,622.94
2053-2055	319,907.01	17,002.00
Total	<u>5,832,634.31</u>	<u>2,391,080.14</u>

Note 8 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2022</u>		
General Fund	25,000.00	
Utility Fund: Operating		25,000.00
To subsidize expenditures		
Utility Fund: Water Project - Phase 1 Asset Replacement	666.00	
Utility Fund: Water Project - Phase 1 Debt Service Reserve	12,348.00	
City Sales Tax		13,014.00
To set-aside funds for required USDA project reserves.		
Utility Fund: Water Project - Phase 1	31,813.99	
Development Fund		31,813.99
Utility Fund: Water Project - Phase 1	79,566.06	
Utility Fund: Water Project - Phase II (Debt Service)	128,021.00	
Utility Fund: Water Project - Phase III (Debt Service)	51,592.00	
Utility Fund: Operating		259,179.06
To subsidize debt service expenditures		
<u>December 31, 2021</u>		
Street Improvement District No. 2020-01 (Construction)	30,917.87	
Development Fund		4,428.49
Utility Fund: Water & Sewer Project - Phase III (Const.)		26,489.38
Utility Fund: Water & Sewer Project - Phase IV (Const.)	144,715.71	
Street Improvement District No. 2020-01 (Construction)		140,288.86
Utility Fund: Water & Sewer Project - Phase III (Const.)		4,426.85
To subsidize project expenditures.		
American Recovery Plan Act	30.00	
Street Improvement District No. 2020-1 (Construction)		30.00
To close fund.		
Utility Fund: Water Project - Phase 1	68,800.00	
Utility Fund: Water Project - Phase II (Debt Service)	128,021.00	
Utility Fund: Water Project - Phase III (Debt Service)	51,592.00	
Utility Fund: Operating		248,413.00
To subsidize debt service expenditures		

Note 9 DEFICIT FUND BALANCES

The following funds had deficit balances at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
General Fund	(61,179.35)	(110,197.97)
<u>Special Revenue Fund</u>		
Development Fund	(4.39)	
<u>Enterprise Fund</u>		
Utility Fund: Operating	(25,866.04)	(15,226.48)

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

Note 10 RELATED ORGANIZATION

The city is also responsible for levying a property tax for the New England Library. However, the city's accountability for this entity does not extend beyond levying the tax. In 2022 and 2021, the city remitted \$5,331.35 and \$5,801.41 to the library, respectively.

Note 11 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$325,965 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 \$135,798 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.

North Dakota Public Employees Retirement System (Main System)

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation. During the years ended December 31, 2022 and 2021 the city contributed \$7,718.79 and \$7,571.99, respectively.

Note 13 TAX ABATEMENTS

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the years ended December 31, 2022 or 2021.

Note 14 PRIOR PERIOD ADJUSTMENTS

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

	Governmental Activities
Net Position as previously reported	1,171,140.05
Adjustments to restate the January 1, 2021 balance:	
Deferred Outflows of Resources - Related to Pensions	(52,732.00)
Net Pension Liability	109,108.00
Deferred Inflows of Resources - Related to Pensions	71,318.00
Net Position, January 1, 2021 as restated	<u>1,298,834.05</u>

CITY OF NEW ENGLAND
New England, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	177,000.00	162,208.72	(14,791.28)
Licenses, Permits and Fees	5,650.00	4,575.00	(1,075.00)
Intergovernmental	41,400.00	47,834.75	6,434.75
Miscellaneous	3,500.00	9,085.86	5,585.86
Total Revenues	227,550.00	223,704.33	(3,845.67)
<u>Expenditures:</u>			
Current:			
General Government	128,300.00	153,979.57	(25,679.57)
Public Safety	6,350.00	16,560.17	(10,210.17)
Streets and Public Works	76,592.00	27,391.73	49,200.27
Culture and Recreation		1,754.24	(1,754.24)
Other	250.00		250.00
Total Expenditures	211,492.00	199,685.71	11,806.29
Excess (Deficiency) of Revenue Over (Under) Expenditures	16,058.00	24,018.62	7,960.62
<u>Other Financing Sources:</u>			
Transfers In		25,000.00	25,000.00
Net Change in Fund Balance	16,058.00	49,018.62	32,960.62
Fund Balance - January 1	(110,197.97)	(110,197.97)	
Fund Balance - December 31	(94,139.97)	(61,179.35)	32,960.62

CITY OF NEW ENGLAND
New England, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	167,000.00	160,673.43	(6,326.57)
Licenses, Permits and Fees	5,650.00	4,145.00	(1,505.00)
Intergovernmental	40,500.00	47,653.15	7,153.15
Charges for Services	2,000.00		(2,000.00)
Miscellaneous	3,050.00	6,691.50	3,641.50
Total Revenues	218,200.00	219,163.08	963.08
<u>Expenditures:</u>			
Current:			
General Government	132,000.00	163,859.50	(31,859.50)
Public Safety	6,350.00	13,812.70	(7,462.70)
Streets and Public Works	77,092.00	24,456.12	52,635.88
Culture and Recreation		5,394.14	(5,394.14)
Other	250.00	250.00	-
Total Expenditures	215,692.00	207,772.46	7,919.54
Net Change in Fund Balance	2,508.00	11,390.62	8,882.62
Fund Balance - January 1	(121,588.59)	(121,588.59)	
Fund Balance - December 31	(119,080.59)	(110,197.97)	8,882.62

CITY OF NEW ENGLAND
New England, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	56,000.00	59,977.23	3,977.23
<u>Expenditures:</u>			
Current:			
Streets and Public Works	50,400.00	89,963.94	(39,563.94)
Net Change in Fund Balance	5,600.00	(29,986.71)	(35,586.71)
Fund Balance - January 1	118,591.69	118,591.69	
Fund Balance - December 31	124,191.69	88,604.98	(35,586.71)

CITY OF NEW ENGLAND
New England, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	60,000.00	55,537.68	(4,462.32)
<u>Expenditures:</u>			
Current:			
Streets and Public Works	45,500.00	48,228.41	(2,728.41)
Net Change in Fund Balance	14,500.00	7,309.27	(7,190.73)
Fund Balance - January 1	111,282.42	111,282.42	
Fund Balance - December 31	125,782.42	118,591.69	(7,190.73)

CITY OF NEW ENGLAND
New England, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	117,000.00	126,072.98	9,072.98
Miscellaneous		4,341.36	4,341.36
Total Revenues	117,000.00	130,414.34	13,414.34
Expenditures:			
Current:			
Streets and Public Works		34,777.18	(34,777.18)
Culture and Recreation	29,250.00	46,906.72	(17,656.72)
Debt Service:			
Principal		43,077.32	(43,077.32)
Interest		5,065.94	(5,065.94)
Total Expenditures	29,250.00	129,827.16	(100,577.16)
Net Change in Fund Balance	87,750.00	587.18	(87,162.82)
Fund Balance - January 1	305,504.79	305,504.79	
Fund Balance - December 31	393,254.79	306,091.97	(87,162.82)

CITY OF NEW ENGLAND
New England, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2022 and 2021

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

The governing board did not amend the budgets during the years ended December 31, 2022 and 2021.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ended December 31, 2022 and 2021:

	2022	2021
<u>Special Revenue Funds</u>		
Highway Tax	39,563.94	2,728.41
City Sales Tax		100,577.16
+ Fire Hall Savings		1,818.29
Cemetery	800.00	2,241.50
Emergency	285.00	-
* Development Fund	34,090.47	8,018.31
 <u>Debt Service Funds</u>		
Refunding Improvement Bonds of 2008	15,996.03	16,359.50
+ Street Improvement District 2020-1		199,183.48

* A budget was not prepared for this fund.

+ A budget was not prepared for this fund for the year ending December 31, 2021.

Note 3 A budget was not adopted for the City Sales Tax fund for the year ending December 31, 2022.

CITY OF NEW ENGLAND
New England, North Dakota

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

	Balance 1-1-2022	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2022
<u>Major Governmental Funds</u>						
General Fund	(110,197.97)	223,704.33	25,000.00		199,685.71	(61,179.35)
Highway Tax	118,591.69	59,977.23			89,963.94	88,604.98
City Sales Tax	306,091.97	116,266.98		13,014.00	150,156.54	259,188.41
Street Improvement District 2020-1	12,992.37	246,881.73			199,183.48	60,690.62
Total Major Governmental Funds	327,478.06	646,830.27	25,000.00	13,014.00	638,989.67	347,304.66
<u>Non-Major Governmental Funds</u>						
Fire Hall Savings	0.04					0.04
Cemetery	1,148.09	627.50			1,450.00	325.59
Emergency	12,541.94	579.91			845.00	12,276.85
Development Fund	65,894.85	5.22		31,813.99	34,090.47	(4.39)
American Recovery Plan Act	47,132.52	47,762.76				94,895.28
Refunding Improvement Bonds of 2008	39,756.61	41,373.59			65,441.03	15,689.17
Total Non-Major Governmental Funds	166,474.05	90,348.98	-	31,813.99	101,826.50	123,182.54
Total Governmental Funds	493,952.11	737,179.25	25,000.00	44,827.99	740,816.17	470,487.20
<u>Major Enterprise Fund</u>						
Utility Fund:						-
Operating	(15,226.48)	415,610.64		284,179.06	142,071.14	(25,866.04)
Water Project - Phase 1	123.94		111,380.05		111,503.99	-
Water Project - Phase 1 Asset Replacement	-		666.00			666.00
Water Project - Phase 1 Debt Service Reserve	-		12,348.00			12,348.00
Water & Sewer Project - Phase II (Debt Serv.)	4,302.00		128,021.00		128,021.00	4,302.00
Water & Sewer Project - Phase III (Debt Serv.)			51,592.00		51,592.00	-
Water & Sewer Project - Phase IV (Debt Serv.)	10,900.92	81,797.50			54,632.00	38,066.42
Water & Sewer Project - Phase IV (Const.)		13,124.05			7,604.06	5,519.99
Total Major Enterprise Fund	100.38	510,532.19	304,007.05	284,179.06	495,424.19	35,036.37
<u>Fiduciary Fund</u>						
<u>Custodial Funds</u>						
Park District		13,322.21			13,322.21	-
Library		5,341.51			5,331.35	10.16
Total Fiduciary Fund	-	18,663.72	-	-	18,653.56	10.16
Total All Funds	494,052.49	1,266,375.16	329,007.05	329,007.05	1,254,893.92	505,533.73

CITY OF NEW ENGLAND
New England, North Dakota

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

	Balance 1-1-2021	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2021
<u>Major Governmental Funds</u>						
General Fund	(121,588.59)	219,163.08			207,772.46	(110,197.97)
Highway Tax	111,282.42	55,537.68			48,228.41	118,591.69
City Sales Tax	305,504.79	130,414.34			129,827.16	306,091.97
Street Improvement District 2020-1	-	212,175.85			199,183.48	12,992.37
Street Improvement District 2020-1 (Const.)	454,467.62		30,917.87	140,318.86	345,066.63	-
Total Major Governmental Funds	749,666.24	617,290.95	30,917.87	140,318.86	930,078.14	327,478.06
<u>Non-Major Governmental Funds</u>						
Fire Hall Savings	1,818.29	0.04			1,818.29	0.04
Cemetery	3,407.05	632.54			2,891.50	1,148.09
Emergency	12,538.37	563.57			560.00	12,541.94
Development Fund	78,334.25	7.40		4,428.49	8,018.31	65,894.85
American Recovery Plan Act		47,102.52	30.00			47,132.52
Refunding Improvement Bonds of 2008	64,246.67	42,954.44			67,444.50	39,756.61
Total Non-Major Governmental Funds	160,344.63	91,260.51	30.00	4,428.49	80,732.60	166,474.05
Total Governmental Funds	910,010.87	708,551.46	30,947.87	144,747.35	1,010,810.74	493,952.11
<u>Major Enterprise Fund</u>						
Utility Fund:						-
Operating	24,424.65	441,759.61		248,413.00	232,997.74	(15,226.48)
Water Project - Phase 1	42,827.94		68,800.00		111,504.00	123.94
Water & Sewer Project - Phase II (Debt Serv.)	4,332.00		128,021.00		128,051.00	4,302.00
Water & Sewer Project - Phase III (Debt Serv.)			51,592.00		51,592.00	-
Water & Sewer Project - Phase III (Const.)		53,130.58		30,916.23	22,214.35	-
Water & Sewer Project - Phase IV (Debt Serv.)		65,532.92			54,632.00	10,900.92
Water & Sewer Project - Phase IV (Const.)		397,785.21	144,715.71		542,500.92	-
Total Major Enterprise Fund	71,584.59	958,208.32	393,128.71	279,329.23	1,143,492.01	100.38
<u>Fiduciary Fund</u>						
<u>Custodial Funds</u>						
Park District		11,760.91			11,760.91	-
Library		5,801.41			5,801.41	-
Total Fiduciary Fund	-	17,562.32	-	-	17,562.32	-
Total All Funds	981,595.46	1,684,322.10	424,076.58	424,076.58	2,171,865.07	494,052.49

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 New England
New England, 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, each major fund and the aggregate remaining fund information of the City of New England, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated August 18, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 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 audits and described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

August 18, 2023

CITY OF NEW ENGLAND
New England, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2022 and 2021

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
Major Governmental Funds	Unmodified-Modified Cash Basis
Major Business-Type Fund	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None Reported
- Noncompliance material to financial Statements noted? ☐ Yes ☒ 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 that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

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

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

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