

CITY OF NAPOLEON  
NAPOLEON, NORTH DAKOTA

FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023

City of Napoleon  
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CITY OF NAPOLEON  
LIST OF OFFICIALS  
DECEMBER 31, 2023

CITY COUNCIL

Office

Todd Moos	Mayor
Bob Humann	
John Wald	
Rodney Kleppe	
Rich Bjerklie	
Arron Marquart	
Clark Haas	

EMPLOYEES:

Colleen Fettig	City Auditor
Troy Nogosek	Chief of Police

**Harold J. Rotunda**  
**Certified Public Accountant**  
**INDEPENDENT AUDITOR'S REPORT**

Governing Board  
City of Napoleon  
Napoleon, North Dakota

**Report on the Audit of the Financial Statements**

**Opinions**

I have audited the modified cash basis financial statements of the governmental activities, the business-type activities and each major fund of the City of Napoleon, as of and for the year ended December 31, 2023, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities and each major fund of the City of Napoleon, as of December 31, 2023, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

**Basis for Opinions**

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

**Emphasis of Matter-Basis of Accounting**

I 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. My opinion is not modified with respect to that matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis described in Note 1, and 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**

My objective is 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 my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- \* Exercise professional judgment and maintain professional skepticism throughout the audit.
- \* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- \* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.



\* Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

\* Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

#### **Supplementary Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is 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 GAAS. In my opinion, the schedule of expenditures of federal awards 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, I have also issued my report dated June 3, 2024, on my consideration of the City's internal control over financial reporting and on my 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 my 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 City's internal control over financial reporting and compliance.

Fargo, North Dakota  
June 3, 2024

CITY OF NAPOLEON  
STATEMENT OF NET POSITION- MODIFIED CASH BASIS  
DECEMBER 31, 2023

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	2,962,362.38	912,219.34	3,874,581.72
Non-current assets:			
Capital assets (net of accumulated d	11,964,112.71	295,377.58	12,259,490.29
Total Assets	14,926,475.09	1,207,596.92	16,134,072.01
<b>LIABILITIES</b>			
Current liabilities:			-
Accounts Payable			-
Long term liabilities			-
Due within one year	961,774.00	-	961,774.00
Due in more than one year	4,326,076.80	-	4,326,076.80
Total liabilities	5,287,850.80	-	5,287,850.80
<b>NET POSITION</b>			
Net investment capital assets	6,676,261.91	295,377.58	6,971,639.49
Restricted for:			-
Capital projects	1,371,061.90		1,371,061.90
Debt service	559,393.43		559,393.43
Special Assessments	222,358.39		222,358.39
Economic development	423,879.40		423,879.40
Unrestricted	385,669.26	912,219.34	1,297,888.60
Total net position	9,638,624.29	1,207,596.92	10,846,221.21

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

CITY OF NAPOLEON  
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2023

		Program Revenues			Revenue & Changes in net position
	Expenses	Charges for Services	Operating grants and Contributions	Capital grants and Contributions	Governmental Activities
Governmental activities:					
General government	147,620.55	14,513.24			(133,107.31)
Public safety	82,493.42				(82,493.42)
Highways and streets	597,993.21		93,657.60		(504,335.61)
Economic development	69,000.00				(69,000.00)
Interest expense	98,587.30			117,685.66	19,098.36
Total Governmental Activities	995,694.48	14,513.24	93,657.60	117,685.66	(769,837.98)
Business-type activities					
Water	135,934.42	264,008.07			128,073.65
Sewer	49,758.51	76,264.26			26,505.75
Garbage	114,341.86	136,010.37			21,668.51
Lagoon	10,904.31	22,463.18			11,558.87
Interest	-				-
Total Business-type activities	310,939.10	498,745.88	-	-	187,806.78
Total	1,306,633.58	513,259.12	93,657.60	117,685.66	(582,031.20)

	Governmental	Business-type	Total
Net expense	(769,837.98)	187,806.78	(582,031.20)
General Revenues			
Property taxes	242,900.71		242,900.71
Sales taxes	262,868.53		262,868.53
State aid	1,601,470.51		1,601,470.51
Interest	62,022.97	-	62,022.97
Other	183,599.19	37,560.60	221,159.79
Total General Revenues	2,352,861.91	37,560.60	2,390,422.51
Transfers in (out)	81,088.00	(81,088.00)	-
Change in Net Position	1,664,111.93	144,279.38	1,808,391.31
Net Position- January 1	7,974,512.36	1,063,317.54	9,037,829.90
Net Position- December 31	9,638,624.29	1,207,596.92	10,846,221.21

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



## CITY OF NAPOLEON

## BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS

DECEMBER 31, 2023

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and investments	190,853.05	884,963.51	1,371,061.90	515,483.92	2,962,362.38
Total Assets	190,853.05	884,963.51	1,371,061.90	515,483.92	2,962,362.38
<b>LIABILITIES</b>					
Total liabilities	-	-	-	-	-
<b>FUND BALANCE</b>					
Restricted for					-
Capital projects			1,371,061.90		1,371,061.90
Debt service				559,393.43	559,393.43
Special Assessments		222,358.39			222,358.39
Economic development		423,879.40			423,879.40
Assigned for Genral Government		261,542.34			261,542.34
Unassigned	190,853.05	(22,816.62)		(43,909.51)	124,126.92
Total fund balance	190,853.05	884,963.51	1,371,061.90	515,483.92	2,962,362.38
Total liabilities and fund balance	190,853.05	884,963.51	1,371,061.90	515,483.92	2,962,362.38

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

CITY OF NAPOLEON  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET ASSETS- MODIFIED CASH BASIS  
DECEMBER 31, 2023

Total Fund Balances for Governmental Funds	2,962,362.38
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Total net assets reported for governmental activities in the statement of net assets is different because:

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

Cost of capital assets	15,171,839.55	
Less accumulated depreciation	3,207,726.84	
Net capital assets		11,964,112.71

Long-term liabilities not due and payable in the current period and, therefore, are not recorded in the governmental funds

Bonds payable	(3,054,000.00)
SRF Notes payable	-
Notes payable	(2,233,850.80)

Total Net Position of Governmental Activities	9,638,624.29
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The accompanying notes are an integral part of these financial statements.

CITY OF NAPOLEON  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2023

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Property taxes	216,677.61	26,223.10			242,900.71
Sales taxes		131,496.51		131,372.02	262,868.53
Special Assessments				117,685.66	117,685.66
Intergovernmental	76,869.89	158,888.58	1,459,369.64		1,695,128.11
Interest	-	62,022.97			62,022.97
Charges for services		17,257.86			17,257.86
Other	140,744.01	40,110.56			180,854.57
Total Revenues	434,291.51	435,999.58	1,459,369.64	249,057.68	2,578,718.41
EXPENDITURES:					
Current:					
General government	133,895.25	64,650.64			198,545.89
Public safety	74,879.44	7,613.98			82,493.42
Highways and streets	94,846.32	149,161.84			244,008.16
Economic development		69,000.00			69,000.00
Capital outlays			1,538,925.48		1,538,925.48
Debt Service					
Principal			38,010.70	167,958.00	205,968.70
Interest expense			13,077.30	85,510.00	98,587.30
Total Expenditures	303,621.01	290,426.46	1,590,013.48	253,468.00	2,437,528.95
Excess revenues (expenditures)	130,670.50	145,573.12	(130,643.84)	(4,410.32)	141,189.46
Other Financing Sources (Uses):					
Transfers in			51,088.00	70,000.00	121,088.00
Transfers out		(40,000.00)			(40,000.00)
Bond proceeds			931,216.78		931,216.78
Total other financing sources and use	-	(40,000.00)	982,304.78	70,000.00	1,012,304.78
Net change in fund balances	130,670.50	105,573.12	851,660.94	65,589.68	1,153,494.24
Fund Balance- January 1	60,182.55	779,390.39	519,400.96	449,894.24	1,808,868.14
Fund Balance- December 31	190,853.05	884,963.51	1,371,061.90	515,483.92	2,962,362.38

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

CITY OF NAPOLEON  
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS  
 YEAR ENDED DECEMBER 31, 2023

Net Change in Fund Balances- Total Governmental Funds	1,153,494.24
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay 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 outlays exceeded depreciation in the current year.

Current year capital outlay	1,578,311.26	
Current year depreciation expense	342,445.49	1,235,865.77

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period these amounts are:

Debt issued, net of related premiums and discounts	(931,216.78)
Principal retirement	205,968.70

Change in Net Position of Governmental Activities	1,664,111.93
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CITY OF NAPOLEON  
STATEMENT OF NET POSITION- MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2023

	Water & Sewer	Sanitation	Total
<b>ASSETS</b>			
Current assets			
Cash, cash equivalents and investments	859,746.67	52,472.67	912,219.34
Non-current assets			
Capital assets (net of accumulated depreciation)	295,377.58		295,377.58
Total Assets	1,155,124.25	52,472.67	1,207,596.92
<b>LIABILITIES</b>			
Current liabilities:			
Accounts Payable			-
Long term liabilities			
Due within one year:	-		-
Due in more than one year	-		-
Total liabilities	-	-	-
<b>NET POSITION</b>			
Net investment in capital assets	295,377.58	-	295,377.58
Restricted for:	-		-
Capital projects	-		-
Debt service	-		-
Unrestricted	859,746.67	52,472.67	912,219.34
Total net position	1,155,124.25	52,472.67	1,207,596.92

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



CITY OF NAPOLEON  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2023

	Water & Sewer	Sanitation	Total
OPERATING REVENUE			
Charges for services	362,735.51	136,010.37	498,745.88
OPERATING EXPENSES			
Salaries and benefits	77,716.12	62,284.29	140,000.41
Professional fees	-	-	-
Insurance	-	-	-
Contract services	-	27,445.50	27,445.50
Electricity	11,932.63	2,671.19	14,603.82
Supplies	-	-	-
Repairs and maintenance	61,798.76	21,177.63	82,976.39
Office expense	-	-	-
Lease expense	5,830.78	763.25	6,594.03
Depreciation	29,689.46	-	29,689.46
Miscellaneous	1,188.49	-	1,188.49
Total operating expenses	188,156.24	114,341.86	302,498.10
Operating income (loss)	174,579.27	21,668.51	196,247.78
NON-OPERATING REVENUE (EXPENSE)			
Interest income	-	-	-
Grant income	-	-	-
Interest expense	-	-	-
Capital outlay	-	(8,441.00)	(8,441.00)
Other	10,060.60	27,500.00	37,560.60
Total non-operating rev (exp)	10,060.60	19,059.00	29,119.60
Income (loss) before transfers	184,639.87	40,727.51	225,367.38
Transfers in	-	-	-
Transfers out	(81,088.00)	-	(81,088.00)
Change in net position	103,551.87	40,727.51	144,279.38
Net Position- January 1	1,051,572.38	11,745.16	1,063,317.54
Net Position- December 31	1,155,124.25	52,472.67	1,207,596.92

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

CITY OF NAPOLEON  
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2023

	Water & Sewer	Sanitation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	362,735.51	136,010.37	498,745.88
Payments to suppliers	(80,750.66)	(60,498.57)	(141,249.23)
Payments to employees	(77,716.12)	(62,284.29)	(140,000.41)
Other receipts	10,060.60	27,500.00	37,560.60
Net cash provided by (used in) operating activities	214,329.33	40,727.51	255,056.84
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	-	-
Transfers to other funds	(81,088.00)	-	(81,088.00)
Net cash provided by (used in) noncapital financing act	(81,088.00)	-	(81,088.00)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(232,850.00)	-	(232,850.00)
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Debt proceeds	-	-	-
Net cash provided by (used in) capital and related finan	(232,850.00)	-	(232,850.00)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	-	-	-
Net cash provided by (used in) investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	(99,608.67)	40,727.51	(58,881.16)
Balance- beginning of year	959,355.34	11,745.16	971,100.50
Balance- end of year	859,746.67	52,472.67	912,219.34
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	174,579.27	13,227.51	187,806.78
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	29,689.46	-	29,689.46
Miscellaneous receipts (expense)	10,060.60	27,500.00	37,560.60
Net cash provided by operating activities	214,329.33	40,727.51	255,056.84

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

CITY OF NAPOLEON  
NAPOLEON, NORTH DAKOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Napoleon (City) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. 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 such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. Based on these criteria, there are no component units.

B. Basis of Presentation

Government-wide statements: The statement of net position and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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.



## CITY OF NAPOLEON

### Notes to Financial Statements- Continued

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses/expenditures. Funds are organized into two major categories: governmental and proprietary. The City currently has no fiduciary funds.

The City reports the following major governmental funds:

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

Capital Projects Funds. Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service funds. Debt funds are used to account for the accumulation of financial resources for the payment of principal and interest on the City's debt. The City annually levies special assessments restricted for the retirement of debt.

Special Revenue Fund- This fund accounts for financial resources that exist for special purposes. The major sources of revenues is property taxes, sales taxes and intergovernmental revenues.

The City reports the following major enterprise funds:

Water and sewer- accounts for operating activities of the City's water and sewer utility services.

Sanitation- accounts for operating activities of the City's sanitation services

### C. Measurement Focus and Basis of Accounting

#### Measurement Focus

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

The government-wide financial statements are prepared using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. All assets and liabilities associated with the operation of the City are included in the statement of net position.

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.

CITY OF NAPOLEON  
Notes to Financial Statements- Continued

The current financial resources measurement focus differ from the manner which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the City's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

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 presents 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.

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**

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

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

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



CITY OF NAPOLEON  
Notes to Financial Statements- Continued

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Budgets

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

City taxes must be levied by the governing board on or before October 7. The taxes levied must be certified to the County auditor by October 10. The governing body of the City may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the County auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts and certificates of deposits with maturity of less than 90 days. Investments consist of certificates of deposits, with a maturity date in excess of 90 days, stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2004. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF NAPOLEON  
Notes to Financial Statements- Continued

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 of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Buildings and improvements	50
Vehicles and equipment	10
Infrastructure	25

G. 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.

H. Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

**Restricted** - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.



CITY OF NAPOLEON  
Notes to Financial Statements- Continued

**Committed** - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the city council-the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

**Unassigned** - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the City's preference is to first use restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order as needed. The council has not set a General Fund minimum fund balance.

**Net Position**

Net Position represents the difference between assets and liabilities. Net investment in capital assets consists of the remaining undepreciated cost of the asset less the outstanding debt associated with the purchase or construction of the related asset.

Net position is reported as restricted when external creditors, grantors, or other governmental organizations impose specific restrictions on the City. External restrictions may be imposed through state or local laws, and grant or contract provisions. balance target.

**I. Interfund Transactions**

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

CITY OF NAPOLEON  
Notes to Financial Statements- Continued

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Council did not amend the City budget for 2023.

EXPENDITURES OVER APPROPRIATIONS

The City did not overspend any budgets

NOTE 3 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 institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposit not covered by insurance or bonds.

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and 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, instrumentalities, or by any City, city, township, school district, park district, or other political subdivision of the State of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States, or such other securities approved by the banking board.



CITY OF NAPOLEON  
Notes to Financial Statements- Continued

At December 31, 2023, the City's carrying amount of deposits was \$3,874,582. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining balance was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

Concentration of Credit Risk

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

NOTE 4: PROPERTY TAXES

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

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

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year:

	Balance January 1	Increases	Decreases	Balance December 31
Governmental activities				
Construction in progress	5,381,478	1,527,386		6,908,864
Infrastructure	7,669,818			7,669,818
Bldgs and Improvements	319,132			
Vehicles & Equipment	273,594	50,925	50,494	274,026
Total Cap Assets	13,644,022	1,578,311	50,494	15,171,840
	-21-			



CITY OF NAPOLEON  
Notes to Financial Statements- Continued

Less accumulated depreciation for:				
Infrastructure	2,504,769	326,769		2,831,538
Buildings & Improve	152,199	8,119		160,318
Vehicles & Equip	258,807	7,557	50,494	215,870
Total Accumulated Dep	2,915,775	342,445	50,494	3,207,727
Total Cap Assets, Net	10,728,247			11,964,113

Business-type activities				
Bldgs and Improvements	509,149			509,149
Vehicles & Equipment	163,245	232,850	126,500	269,595
Total Cap Assets	672,394	232,850	126,500	778,744

Less accumulated depreciation for:				
Buildings & Improve	443,630	2,730		446,360
Vehicles & Equip	136,574	26,959	126,500	37,006
Total Accumulated Dep	580,177	29,689	126,500	483,366
Total Cap Assets, Net	92,217			295,378

Depreciation Expense was charged to functions/programs of the City as follows:

Governmental Activities:	
Public safety	5,092
Highways & streets	326,769
General government	10,584
Total	342,445
Business-type activities	
Water and sewer	29,689

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2023, the following changes occurred in liabilities reported in long-term debt:

	Payable 2022	Increases	Decreases	Payable 2023	Due Within One Year
Bonds payable	2,420,000	758,000	124,000	3,054,000	882,000
USDA/BND	2,142,603	173,217	81,969	2,233,851	79,774
	4,562,603	931,217	205,969	5,287,851	961,774

CITY OF NAPOLEON  
Notes to Financial Statements- Continued

Debt payable at December 31, 2023, is comprised of the following individual issues:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Improvement bond 2014	06/01/2023	4.250%	572,280
Improvement bond 2023	06/01/2045	3.000%	459,847
Improvement bond 2023	06/01/2045	3.000%	289,170
Improvement bond 2008	06/01/2039	3.000%	<u>912,554</u>
			<u>2,233,851</u>
Improvement bond 2023	06/01/2024	.750%	758,000
Improvement bond 2021	06/01/2044	.4-2.750%	1,636,000
Improvement bond 2008	06/01/2033	4.375%	<u>660,000</u>
			<u>3,054,000</u>

The annual long-term debt service requirements for bonds payable, as of December 31, 2023, are as follows:

GOVERNMENTAL ACTIVITIES				
Year Ending	Long-Term Debt			
December 31	Principal	Interest	Principal	Interest
2024	882,000	55,005	79,774	43,967
2025	129,000	53,251	81,564	42,177
2026	130,000	51,267	83,400	40,341
2027	130,000	48,572	85,284	38,457
2028	136,000	45,772	87,216	36,525
2028-2032	731,000	172,904	466,856	151,849
2033-2037	407,000	92,215	523,300	95,405
2038-2042	456,000	43,950	285,347	44,546
2043-2047	53,000	1,457	226,741	28,699
2048-2052			205,078	14,601
2053-2057			71,121	5,514
2058-2062			39,971	2,700
TOTAL	3,054,000	564,394	2,233,851	544,781

NOTE 7. DEFICIT FUND BALANCE

The following fund balances had deficits at December 31, 2023:

Highway distribution	9,335	Will be eliminated with transfers
Emergency	13,482	Will be eliminated with taxes.
Water & Sewer 2008-1	43,910	Will be eliminated with taxes.

NOTE 8: PENSION PLANS

The City participates in the North Dakota Public Employees Retirement System (PERS) administered by the State of North Dakota. Following is a brief description of the plan:

CITY OF NAPOLEON  
Notes to Financial Statements- Continued

PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. PERS provides for retirement, disability and death benefits to plan members and beneficiaries. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be paid to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at the normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 7% of the participants annual covered salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The City is required to contribute 7.12% of each participant's salary as the employer's share. The City is required to contribute 1.14% of each participating covered wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. The City's contributions to PERS for the fiscal years ending December 31, 2023, 2022, and 2021 were \$14,314, \$13,527, and \$13,897, respectively, equal to the required contributions for the year.

PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained on the NDPERS website.



CITY OF NAPOLEON  
Notes to Financial Statements- Continued

NOTE 9: RISK MANAGEMENT

The City 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 and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the City with blanket fidelity bond coverage for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The City has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

NOTE 10: TRANSFERS

Transfers are used to 1)move unrestricted revenues to finance various programs 2)move sales tax revenues to fund programs and projects and 3)move revenues from the fund with collection authorization to the debt service funds as debt service principal and interest payments become due.

The City transfers operating revenues between funds. The City transfers Water fund to Storm sewer 2014-1- \$30,000. The City transferred from the Sales tax fund to Storm Sewer 2014-1 fund- \$40,000. The City transferred from the Water fund to Capital Project fund- \$51,088.

CITY OF NAPOLEON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2023

<u>Federal Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Expenses</u>
U.S. Department of Defense- 594 Environmental Infrastructure Assistance Program	12.U01	<u>881,843</u>
U.S. Department of Agriculture- Water and Waste Disposal System	10.760	<u>376,997</u>
Total assistance		1,258,840 =====

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2023. The information in the schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Uniform Guidance. Because the schedule presents only a selected portions of the operations of the City, it is not intended to be and does not present the financial position or changes in net position of the City.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards wherein certain types of expenditures are allowable or are limited as to reimbursement. The City has not elected to use the 10% de minimis cost rate.



# Harold J. Rotunda

Certified Public Accountant

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

Governing Board  
City of Napoleon  
Napoleon, North Dakota

I 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 modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated June 3, 2024.

## **Report on Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I 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 a 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items (2023-001 and 2023-002) that I 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 from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### **City's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in my audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of my 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 report 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.

Fargo, North Dakota

June 3, 2024

# Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board  
City of Napoleon  
Napoleon, North Dakota

## **Report on Compliance for Each Major Federal Program**

### **Opinion on Each Major Federal Program**

I have audited the City's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

### **Basis for Opinion on Each Major Federal Program**

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the City and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.



## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

My objective is to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on my audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, I:

- \* Exercise professional judgment and maintain professional skepticism throughout the audit.
- \* Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- \* Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.



I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

#### **Report on Internal Control over Compliance**

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

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Fargo, North Dakota  
June 3, 2024

CITY OF NAPOLEON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Business-type Activities	Unmodified
Major Funds	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	<u>X</u>	No
Significant deficiencies identified not Considered to be material weaknesses?	<u>X</u>	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	<u>X</u>	No

Federal Awards

Internal Control over major programs:

Material weaknesses identified?	_____	Yes	<u>X</u>	No
Reportable conditions identified not considered To be material weaknesses?	_____	Yes	<u>X</u>	None

Type of auditor's report issued on compliance for  
Major programs: \_\_\_\_\_ Unmodified

Any audit findings disclosed that are required to be  
Reported in accordance with CFR  
Section 200.516? \_\_\_\_\_ Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program Or Cluster</u>
12.U01	594 Environmental Infrastructure Assistance Program
10.760	Water and Waste Disposal System

Dollar threshold used to distinguish between Type  
A and B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes X No

CITY OF NAPOLEON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

Section II- Financial Statement Findings

**2023-001 Segregation of Duties**

**Criteria**

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

**Condition**

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

**Cause**

Size and budget constraints limit the number of personnel within the accounting department.

**Effect**

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

**Recommendation**

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

**Views of responsible officials and planned corrective actions**

The City will review its current monitoring functions and determine if any additional monitoring procedures are warranted.

CITY OF NAPOLEON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**2023-002 Financial Statement Preparation**

**Criteria**

Management of the City is responsible for the preparation of the City's annual financial statements to ensure that the financial statements and accompanying note disclosures are reliable, accurate, free of material misstatement in accordance with the modified cash basis of accounting.

**Condition**

The City does not prepare the financial statements, including the accompanying note disclosures, in conformity with the modified cash basis of accounting. Management has elected to have the financial statements and note disclosures prepared by the auditors.

**Cause**

Management is not fully knowledgeable of the process of preparing financial statements in compliance with the modified cash basis of accounting.

**Effect**

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

**Recommendation**

I recommend that management continue to obtain sufficient knowledge to prepare the financial statements and accompanying note disclosures in accordance with the modified cash basis of accounting.

**Views of responsible officials**

Agee. The City is aware that there is a risk having the auditor prepare the financial statements and accompanying note disclosures.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.



CITY OF NAPOLEON  
SCHEDULE OF PRIOR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**2022-001 Segregation of Duties**

**Criteria**

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

**Condition**

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

**Cause**

Size and budget constraints limit the number of personnel within the accounting department.

**Effect**

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

**Status**

This is a repeat finding, see current year finding 2023-001.

CITY OF NAPOLEON  
SCHEDULE OF PRIOR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2023

**2022-002 Financial Statement Preparation and Journal Entries**

**Criteria**

An appropriate system of internal control requires the City to determine that financial statements are properly stated in compliance with generally accepted accounting principles of accounting. This requires the City's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

**Condition**

The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City's Board. However, the City has not designed internal controls to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles of accounting for external reporting. The City is aware of this deficiency, and obtains auditor assistance in the preparation of the City's annual financial statements.

**Cause**

The City's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

**Effect**

An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with generally accepted accounting principles of accounting. However, the City is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

**Status**

This is a repeat finding, see current finding 2023-002

CITY OF NAPOLEON  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2023

2023-001

Contact Person- Colleen Fettig

Corrective Action Plan- Due to the small size of the City, it is not cost effective for the City to properly address this significant deficiency.

Completion Date- Ongoing

2023-002

Contact Person- Colleen Fettig

Corrective Action Plan- Due to the financial efficiency and time constraints, it has been determined by the City's management it is in the best interest of the City to have our auditors assist in preparing the financial statements.

Completion Date- Ongoing