

# **AUDIT REPORT**

**CITY OF ELGIN  
Elgin, North Dakota**

**For the Years Ended December 31, 2023 and 2022**

**RATH & MEHRER, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF ELGIN  
Elgin, North Dakota

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CITY OF ELGIN  
Elgin, North Dakota

CITY OFFICIALS  
December 31, 2023

Ronald Bartz	Mayor
Charles Oien	Council President
Ron Fischer	Council Vice-President
Robert Mead	Council Member
Kristian Roth	Council Member
Trisha Weishaar	Council Member
Reva Weekes	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 Elgin  
Elgin, 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 Elgin as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the city as of December 31, 2023 and 2022, 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 audits.
- 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, the schedules of fund activity arising from cash transactions and 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 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 audits 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, the schedules of fund activity arising from cash transactions and 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*, we have also issued our report dated August 9, 2024 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

August 9, 2024

CITY OF ELGIN  
Elgin, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2023

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	357,629.59	799,454.15	1,157,083.74
Economic Development Loans Receivable	24,800.00		24,800.00
Capital Assets (net of accumulated depreciation):			
Construction in Progress		2,031,686.00	2,031,686.00
Buildings and Infrastructure	116,000.00	2,227,557.00	2,343,557.00
Machinery and Vehicles	204,093.00	25,738.00	229,831.00
Total Capital Assets	320,093.00	4,284,981.00	4,605,074.00
Total Assets	702,522.59	5,084,435.15	5,786,957.74
<b>LIABILITIES:</b>			
Long-Term Liabilities:			
Due Within One Year:			
Lease Payable	14,922.44		14,922.44
Loans Payable	22,307.91	33,918.18	56,226.09
Revenue Bonds Payable		48,302.05	48,302.05
Due After One Year:			
Lease Payable	68,677.64		68,677.64
Loans Payable	78,846.33	199,910.81	278,757.14
Revenue Bonds Payable		1,754,005.09	1,754,005.09
Total Liabilities	184,754.32	2,036,136.13	2,220,890.45
<b>NET POSITION:</b>			
Net Investment in Capital Assets	135,338.68	2,248,844.87	2,384,183.55
Restricted for:			
Special Purposes	225,678.29		225,678.29
Water and Sewer Construction		261,899.41	261,899.41
Unrestricted	156,751.30	537,554.74	694,306.04
Total Net Position	517,768.27	3,048,299.02	3,566,067.29

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

CITY OF ELGIN  
Elgin, North Dakota

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

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	517,174.83	549,858.09	1,067,032.92
Economic Development Loans Receivable	29,600.00		29,600.00
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	120,000.00	2,318,625.00	2,438,625.00
Machinery and Vehicles	239,610.00	28,955.00	268,565.00
 Total Capital Assets	 359,610.00	 2,347,580.00	 2,707,190.00
 Total Assets	 906,384.83	 2,897,438.09	 3,803,822.92
<b>LIABILITIES:</b>			
Long-Term Liabilities:			
Due Within One Year:			
Lease Payable	13,496.73		13,496.73
Loans Payable	21,660.34	32,979.88	54,640.22
Revenue Bonds Payable		26,253.95	26,253.95
Due After One Year:			
Lease Payable	83,600.08		83,600.08
Loans Payable	101,154.24	233,828.99	334,983.23
Revenue Bonds Payable		1,154,992.86	1,154,992.86
 Total Liabilities	 219,911.39	 1,448,055.68	 1,667,967.07
<b>NET POSITION:</b>			
Net Investment in Capital Assets	139,698.61	870,569.32	1,010,267.93
Restricted for:			
Special Purposes	391,643.78		391,643.78
Water and Sewer Construction		501.00	501.00
Unrestricted	155,131.05	578,312.09	733,443.14
 Total Net Position	 686,473.44	 1,449,382.41	 2,135,855.85

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



CITY OF ELGIN  
Elgin, North Dakota

Statement of Activities - Modified Cash Basis  
For The Year Ended December 31, 2023

	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
<b>Functions/Programs</b>						
<b>Primary Government</b>						
<u>Governmental Activities:</u>						
General Government	102,963.91	3,134.00		(99,829.91)		(99,829.91)
Public Safety	60,756.00			(60,756.00)		(60,756.00)
Streets and Public Works	302,435.23	5,389.42	252,545.09	(44,500.72)		(44,500.72)
Urban and Economic Development	195,813.92			(195,813.92)		(195,813.92)
Culture and Recreation	35,671.81			(35,671.81)		(35,671.81)
Other	900.00			(900.00)		(900.00)
Interest on Long-Term Debt	9,332.09			(9,332.09)		(9,332.09)
Total Governmental Activities	707,872.96	8,523.42	252,545.09	(446,804.45)		(446,804.45)
<u>Business-Type Activities:</u>						
Water	304,013.55	280,536.14			(23,477.41)	(23,477.41)
Sewer	185,418.58	94,663.91	1,671,546.57		1,580,791.90	1,580,791.90
Garbage	84,964.20	104,947.92			19,983.72	19,983.72
Total Business-Type Activities	574,396.33	480,147.97	1,671,546.57		1,577,298.21	1,577,298.21
Total Primary Government	1,282,269.29	488,671.39	1,924,091.66	(446,804.45)	1,577,298.21	1,130,493.76
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				99,420.43		99,420.43
Property taxes; levied for special purposes				4,783.52		4,783.52
City sales taxes				91,081.16		91,081.16
Cigarette taxes				949.72		949.72
Telecommunication tax				2,448.75		2,448.75
Intergovernmental revenue not restricted to specific programs				49,014.62		49,014.62
Earnings on investments and other revenue				30,401.08	21,618.40	52,019.48
Total General Revenues				278,099.28	21,618.40	299,717.68
Change in Net Position				(168,705.17)	1,598,916.61	1,430,211.44
Net Position - January 1				686,473.44	1,449,382.41	2,135,855.85
Net Position - December 31				517,768.27	3,048,299.02	3,566,067.29

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

CITY OF ELGIN  
Elgin, North Dakota

Statement of Activities - Modified Cash Basis  
For the Year Ended 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
<b>Functions/Programs</b>						
<b>Primary Government</b>						
<u>Governmental Activities:</u>						
General Government	185,019.97	4,283.00		(180,736.97)		(180,736.97)
Public Safety	60,156.00			(60,156.00)		(60,156.00)
Streets and Public Works	100,177.22	38,619.51	189,621.82	128,064.11		128,064.11
Urban and Economic Development	50,496.01			(50,496.01)		(50,496.01)
Culture and Recreation	37,173.79			(37,173.79)		(37,173.79)
Other	575.00			(575.00)		(575.00)
Interest on Long-Term Debt	6,969.65			(6,969.65)		(6,969.65)
Total Governmental Activities	440,567.64	42,902.51	189,621.82	(208,043.31)		(208,043.31)
<u>Business-Type Activities:</u>						
Water	274,450.06	272,018.49			(2,431.57)	(2,431.57)
Sewer	99,238.52	94,574.13	14,874.14		10,209.75	10,209.75
Garbage	81,690.34	105,220.36			23,530.02	23,530.02
Total Business-Type Activities	455,378.92	471,812.98	14,874.14		31,308.20	31,308.20
Total Primary Government	895,946.56	514,715.49	204,495.96	(208,043.31)	31,308.20	(176,735.11)
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				87,722.45		87,722.45
Property taxes; levied for special purposes				3,211.57		3,211.57
City sales taxes				74,681.81		74,681.81
Cigarette taxes				1,037.47		1,037.47
Telecommunication tax				2,448.75		2,448.75
Intergovernmental revenue not restricted to specific programs				45,802.21		45,802.21
Earnings on investments and other revenue				37,354.00	54.55	37,408.55
Total General Revenues				252,258.26	54.55	252,312.81
Change in Net Position				44,214.95	31,362.75	75,577.70
Net Position - January 1				642,258.49	1,418,019.66	2,060,278.15
Net Position - December 31				686,473.44	1,449,382.41	2,135,855.85

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

CITY OF ELGIN  
Elgin, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2023

	Major Funds			Other	Total
	Highway		Sales Tax	Governmental Funds	Governmental Funds
	General	Distribution			
<b>ASSETS:</b>					
Cash, Cash Equivalents and Investments	156,751.30	8,262.94	63,305.47	129,309.88	357,629.59
Economic Development Loans Receivable			24,800.00		24,800.00
<b>Total Assets</b>	<b>156,751.30</b>	<b>8,262.94</b>	<b>88,105.47</b>	<b>129,309.88</b>	<b>382,429.59</b>
<b>FUND BALANCES:</b>					
Nonspendable:					
Economic Development Loans			24,800.00		24,800.00
Restricted for:					
General Government				14,153.79	14,153.79
Streets and Public Works		8,262.94			8,262.94
Governmental Services / Infrastructure				55,485.29	55,485.29
Urban and Economic Development			63,305.47		63,305.47
Culture and Recreation				20,812.21	20,812.21
Conservation of Natural Resources				2,349.30	2,349.30
Airport				10,834.61	10,834.61
Maintenance Equipment				25,674.68	25,674.68
Unassigned	156,751.30				156,751.30
<b>Total Fund Balances</b>	<b>156,751.30</b>	<b>8,262.94</b>	<b>88,105.47</b>	<b>129,309.88</b>	<b>382,429.59</b>

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

CITY OF ELGIN  
Elgin, North Dakota

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

	Major Funds			Other	Total
	General	Highway Distribution	Sales Tax	Governmental Funds	Governmental Funds
<b>ASSETS:</b>					
Cash, Cash Equivalents and Investments	155,131.05	32,708.89	163,095.92	166,238.97	517,174.83
Economic Development Loans Receivable			29,600.00		29,600.00
<b>Total Assets</b>	<b>155,131.05</b>	<b>32,708.89</b>	<b>192,695.92</b>	<b>166,238.97</b>	<b>546,774.83</b>
<b>FUND BALANCES:</b>					
Nonspendable:					
Economic Development Loans			29,600.00		29,600.00
Restricted for:					
General Government				21,144.81	21,144.81
Streets and Public Works		32,708.89			32,708.89
Governmental Services / Infrastructure				95,339.60	95,339.60
Urban and Economic Development			163,095.92		163,095.92
Culture and Recreation				19,003.49	19,003.49
Conservation of Natural Resources				2,349.30	2,349.30
Airport				10,727.09	10,727.09
Maintenance Equipment				17,674.68	17,674.68
Unassigned	155,131.05				155,131.05
<b>Total Fund Balances</b>	<b>155,131.05</b>	<b>32,708.89</b>	<b>192,695.92</b>	<b>166,238.97</b>	<b>546,774.83</b>

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

CITY OF ELGIN  
Elgin, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
December 31, 2023

Total Fund Balances for Governmental Funds		382,429.59
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	669,926.00	
Less Accumulated Depreciation	<u>(349,833.00)</u>	
Net Capital Assets		320,093.00
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, 2023 are:		
Lease Payable	(83,600.08)	
Loan Payable	<u>(101,154.24)</u>	
Total Long-Term Liabilities		<u>(184,754.32)</u>
Total Net Position of Governmental Activities		<u>517,768.27</u>

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

CITY OF ELGIN  
Elgin, North Dakota

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

Total Fund Balances for Governmental Funds	546,774.83
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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	690,876.00	
Less Accumulated Depreciation	<u>(331,266.00)</u>	
Net Capital Assets		359,610.00

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	(97,096.81)	
Loan Payable	<u>(122,814.58)</u>	
Total Long-Term Liabilities		<u>(219,911.39)</u>

Total Net Position of Governmental Activities	<u><u>686,473.44</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ELGIN  
Elgin, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances  
Modified Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2023

	Major Funds			Other	Total
	General	Highway Distribution	Sales Tax	Governmental Funds	Governmental Funds
<b><u>Revenues:</u></b>					
Taxes	99,420.43		91,081.16	4,783.52	195,285.11
Licenses, Permits and Fees	3,134.00				3,134.00
Intergovernmental	56,796.65	117,194.21		130,967.32	304,958.18
Charges for Services	4,443.82	945.60			5,389.42
Miscellaneous	6,879.42		142.31	23,379.35	30,401.08
<b>Total Revenues</b>	<b>170,674.32</b>	<b>118,139.81</b>	<b>91,223.47</b>	<b>159,130.19</b>	<b>539,167.79</b>
<b><u>Expenditures:</u></b>					
<b>Current:</b>					
General Government	78,645.98			20,317.93	98,963.91
Public Safety	60,756.00				60,756.00
Streets and Public Works		90,096.60		176,821.63	266,918.23
Urban and Economic Development			195,813.92		195,813.92
Culture and Recreation	29,652.09			6,019.72	35,671.81
Other				900.00	900.00
<b>Debt Service:</b>					
Principal		35,157.07			35,157.07
Interest		9,332.09			9,332.09
<b>Total Expenditures</b>	<b>169,054.07</b>	<b>134,585.76</b>	<b>195,813.92</b>	<b>204,059.28</b>	<b>703,513.03</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>1,620.25</b>	<b>(16,445.95)</b>	<b>(104,590.45)</b>	<b>(44,929.09)</b>	<b>(164,345.24)</b>
<b><u>Other Financing Sources (Uses):</u></b>					
Transfers In				8,000.00	8,000.00
Transfers Out		(8,000.00)			(8,000.00)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(8,000.00)</b>	<b>-</b>	<b>8,000.00</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>1,620.25</b>	<b>(24,445.95)</b>	<b>(104,590.45)</b>	<b>(36,929.09)</b>	<b>(164,345.24)</b>
<b>Fund Balance - January 1</b>	<b>155,131.05</b>	<b>32,708.89</b>	<b>192,695.92</b>	<b>166,238.97</b>	<b>546,774.83</b>
<b>Fund Balance - December 31</b>	<b>156,751.30</b>	<b>8,262.94</b>	<b>88,105.47</b>	<b>129,309.88</b>	<b>382,429.59</b>

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

CITY OF ELGIN  
Elgin, 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			Other	Total
	General	Highway Distribution	Sales Tax	Governmental Funds	Governmental Funds
<b><u>Revenues:</u></b>					
Taxes	87,722.45		74,681.81	3,211.57	165,615.83
Licenses, Permits and Fees	4,283.00				4,283.00
Intergovernmental	127,288.68	63,620.00		48,001.57	238,910.25
Charges for Services	2,954.75	35,664.76			38,619.51
Miscellaneous	17,955.44	50.00	124.73	19,223.83	37,354.00
<b>Total Revenues</b>	<b>240,204.32</b>	<b>99,334.76</b>	<b>74,806.54</b>	<b>70,436.97</b>	<b>484,782.59</b>
<b><u>Expenditures:</u></b>					
<b>Current:</b>					
General Government	161,727.13			19,292.84	181,019.97
Public Safety	60,156.00				60,156.00
Streets and Public Works		60,568.22			60,568.22
Urban and Economic Development			50,496.01		50,496.01
Culture and Recreation	29,687.15			7,486.64	37,173.79
Other				575.00	575.00
<b>Debt Service:</b>					
Principal		31,840.23			31,840.23
Interest		6,969.65			6,969.65
<b>Total Expenditures</b>	<b>251,570.28</b>	<b>99,378.10</b>	<b>50,496.01</b>	<b>27,354.48</b>	<b>428,798.87</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>(11,365.96)</b>	<b>(43.34)</b>	<b>24,310.53</b>	<b>43,082.49</b>	<b>55,983.72</b>
<b><u>Other Financing Sources (Uses):</u></b>					
Transfers In				8,000.00	8,000.00
Transfers Out		(8,000.00)			(8,000.00)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(8,000.00)</b>	<b>-</b>	<b>8,000.00</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(11,365.96)</b>	<b>(8,043.34)</b>	<b>24,310.53</b>	<b>51,082.49</b>	<b>55,983.72</b>
<b>Fund Balance - January 1</b>	<b>166,497.01</b>	<b>40,752.23</b>	<b>168,385.39</b>	<b>115,156.48</b>	<b>490,791.11</b>
<b>Fund Balance - December 31</b>	<b>155,131.05</b>	<b>32,708.89</b>	<b>192,695.92</b>	<b>166,238.97</b>	<b>546,774.83</b>

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



CITY OF ELGIN  
Elgin, 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, 2023

Net Change in Fund Balances - Total Governmental Funds	(164,345.24)
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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>(39,517.00)</u>	(39,517.00)

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>35,157.07</u>	<u>35,157.07</u>

Change in Net Position of Governmental Activities	<u>(168,705.17)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ELGIN  
Elgin, 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	55,983.72
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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>(43,609.00)</u>	(43,609.00)

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>31,840.23</u>	<u>31,840.23</u>

Change in Net Position of Governmental Activities,	<u><u>44,214.95</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF ELGIN  
Elgin, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2023

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<b><u>ASSETS</u></b>				
<b><u>Current Assets:</u></b>				
Cash and Cash Equivalents	324,822.30	325,303.00	149,328.85	799,454.15
<b><u>Noncurrent Assets:</u></b>				
Capital Assets (net of accumulated depreciation):				
Construction in Progress		2,031,686.00		2,031,686.00
Buildings and Infrastructure	885,085.00	1,342,472.00		2,227,557.00
Machinery and Vehicles		25,738.00		25,738.00
Total Noncurrent Assets:	885,085.00	3,399,896.00	-	4,284,981.00
Total Assets	1,209,907.30	3,725,199.00	149,328.85	5,084,435.15
<b><u>LIABILITIES</u></b>				
<b><u>Current Liabilities:</u></b>				
Loans Payable	33,918.18			33,918.18
Revenue Bonds Payable	7,136.92	41,165.13		48,302.05
Total Current Liabilities	41,055.10	41,165.13	-	82,220.23
<b><u>Noncurrent Liabilities:</u></b>				
Loans Payable	199,910.81			199,910.81
Revenue Bonds Payable	422,175.08	1,331,830.01		1,754,005.09
Total Noncurrent Liabilities	622,085.89	1,331,830.01	-	1,953,915.90
Total Liabilities	663,140.99	1,372,995.14	-	2,036,136.13
<b><u>NET POSITION</u></b>				
Net Investment in Capital Assets	221,944.01	2,026,900.86		2,248,844.87
Restricted for:				
Water and Sewer Construction		261,899.41		261,899.41
Unrestricted	324,822.30	63,403.59	149,328.85	537,554.74
Total Net Position	546,766.31	2,352,203.86	149,328.85	3,048,299.02

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

CITY OF ELGIN  
Elgin, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<b><u>ASSETS</u></b>				
<b><u>Current Assets:</u></b>				
Cash and Cash Equivalents	302,274.71	96,975.05	150,608.33	549,858.09
<b><u>Noncurrent Assets:</u></b>				
Capital Assets (net of accumulated depreciation):				
Buildings and Infrastructure	938,528.00	1,380,097.00		2,318,625.00
Machinery and Vehicles		28,955.00		28,955.00
Total Noncurrent Assets:	938,528.00	1,409,052.00	-	2,347,580.00
Total Assets	1,240,802.71	1,506,027.05	150,608.33	2,897,438.09
<b><u>LIABILITIES</u></b>				
<b><u>Current Liabilities:</u></b>				
Loans Payable	32,979.88			32,979.88
Revenue Bonds Payable	6,945.91	19,308.04		26,253.95
Total Current Liabilities	39,925.79	19,308.04	-	59,233.83
<b><u>Noncurrent Liabilities:</u></b>				
Loans Payable	233,828.99			233,828.99
Revenue Bonds Payable	429,312.00	725,680.86		1,154,992.86
Total Noncurrent Liabilities	663,140.99	725,680.86	-	1,388,821.85
Total Liabilities	703,066.78	744,988.90	-	1,448,055.68
<b><u>NET POSITION</u></b>				
Net Investment in Capital Assets	235,461.22	635,108.10		870,569.32
Restricted for:				
Water and Sewer Construction		501.00		501.00
Unrestricted	302,274.71	125,429.05	150,608.33	578,312.09
Total Net Position	537,735.93	761,038.15	150,608.33	1,449,382.41

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

CITY OF ELGIN  
Elgin, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2023

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Charges	271,289.16			271,289.16
Sewer Charges		92,170.35		92,170.35
Garbage Collections			104,947.92	104,947.92
Penalty	9,246.98	2,493.56		11,740.54
Total Operating Revenues	280,536.14	94,663.91	104,947.92	480,147.97
<u>Operating Expenses:</u>				
Salaries and Benefits	42,031.88	12,848.76		54,880.64
Health Insurance	11,704.94			11,704.94
Maintenance and Repairs	63,215.88	90,812.51		154,028.39
Office Supplies	4,508.40			4,508.40
Equipment and Supplies	277.59			277.59
Utilities	5,681.11	1,290.41		6,971.52
Chemicals		5,766.69		5,766.69
Fuel	3,689.75	91.75		3,781.50
Water Service	80,782.59			80,782.59
Other Services	6,450.00	11,744.00		18,194.00
Sanitation Contract			59,340.12	59,340.12
Landfill Fees			25,624.08	25,624.08
Dues and Memberships	385.62			385.62
Water Testing	652.33			652.33
Miscellaneous	10,346.79	2,444.75		12,791.54
Depreciation	53,443.00	40,842.00		94,285.00
Total Operating Expenses	283,169.88	165,840.87	84,964.20	533,974.95
Operating Income (Loss)	(2,633.74)	(71,176.96)	19,983.72	(53,826.98)
<u>Non-Operating Revenues (Expenses):</u>				
USDA-RD Grant		260,000.00		260,000.00
Community Development Block Grant		663,392.00		663,392.00
Department of Water Resources Grant		648,154.57		648,154.57
Sales Tax Grant		100,000.00		100,000.00
Interest	919.59	48.81		968.40
Reimbursements	10,325.00	10,325.00		20,650.00
Interest and Service Charges	(20,843.67)	(19,577.71)		(40,421.38)
Total Non-Operating Revenues (Expenses)	(9,599.08)	1,662,342.67	-	1,652,743.59
Income (Loss) Before Transfers	(12,232.82)	1,591,165.71	19,983.72	1,598,916.61
Transfers In	21,263.20			21,263.20
Transfers Out			(21,263.20)	(21,263.20)
Changes in Net Position	9,030.38	1,591,165.71	(1,279.48)	1,598,916.61
Net Position - January 1	537,735.93	761,038.15	150,608.33	1,449,382.41
Net Position - December 31	546,766.31	2,352,203.86	149,328.85	3,048,299.02

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

CITY OF ELGIN  
Elgin, 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 Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<b><u>Operating Revenues:</u></b>				
Charges for Sales and Services:				
Water Charges	262,459.97			262,459.97
Sewer Charges		91,903.47		91,903.47
Garbage Collections			105,220.36	105,220.36
Penalty	9,235.06	2,670.66		11,905.72
Total Operating Revenues	271,695.03	94,574.13	105,220.36	471,489.52
<b><u>Operating Expenses:</u></b>				
Salaries and Benefits	42,198.32	13,506.39		55,704.71
Health Insurance	10,763.16			10,763.16
Maintenance and Repairs	192.86	1,751.76		1,944.62
Office Supplies	5,554.29			5,554.29
Equipment and Supplies	632.37	6,762.49		7,394.86
Utilities	52,085.98	991.66		53,077.64
Chemicals		277.94		277.94
Fuel	1,422.86	11,077.43		12,500.29
Water Service	81,829.60			81,829.60
Other Services		1,225.88		1,225.88
Sanitation Contract			59,422.12	59,422.12
Landfill Fees			22,268.22	22,268.22
Dues and Memberships	2,453.25			2,453.25
Water Testing	888.78			888.78
Miscellaneous	729.68	2,753.14		3,482.82
Depreciation	53,443.00	40,842.00		94,285.00
Total Operating Expenses	252,194.15	79,188.69	81,690.34	413,073.18
Operating Income (Loss)	19,500.88	15,385.44	23,530.02	58,416.34
<b><u>Non-Operating Revenues (Expenses):</u></b>				
USDA-RD Grant		14,874.14		14,874.14
Interest	50.89	3.66		54.55
Miscellaneous Receipts	323.46			323.46
Interest and Service Charges	(22,255.91)	(20,049.83)		(42,305.74)
Total Non-Operating Revenues (Expenses)	(21,881.56)	(5,172.03)	-	(27,053.59)
Income (Loss) Before Transfers	(2,380.68)	10,213.41	23,530.02	31,362.75
Transfers In	21,138.20	501.00		21,639.20
Transfers Out	(501.00)		(21,138.20)	(21,639.20)
Changes in Net Position	18,256.52	10,714.41	2,391.82	31,362.75
Net Position - January 1	519,479.41	750,323.74	148,216.51	1,418,019.66
Net Position - December 31	537,735.93	761,038.15	150,608.33	1,449,382.41

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

CITY OF ELGIN  
Elgin, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year ended December 31, 2023

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	280,536.14	94,663.91	104,947.92	480,147.97
Payments to suppliers	(175,990.06)	(112,150.11)	(84,964.20)	(373,104.37)
Payments to employees	(53,736.82)	(12,848.76)		(66,585.58)
Net cash provided (used) by operating activities	50,809.26	(30,334.96)	19,983.72	40,458.02
<u>Cash flows from noncapital financing activities:</u>				
Transfers in	21,263.20			21,263.20
Transfers out		-	(21,263.20)	(21,263.20)
Net cash provided (used) by noncapital financing activities	21,263.20	-	(21,263.20)	-
<u>Cash flows from capital and related financing activities:</u>				
USDA-RD grant		260,000.00		260,000.00
Community development block grant		663,392.00		663,392.00
Department of Water Resources grant		648,154.57		648,154.57
Sales tax grant		100,000.00		100,000.00
Reimbursements	10,325.00	10,325.00		20,650.00
Revenue bonds issued		647,314.28		647,314.28
Sewer improvement project		(2,031,686.00)		(2,031,686.00)
Principal payments	(39,925.79)	(19,308.04)		(59,233.83)
Interest and service charges	(20,843.67)	(19,577.71)		(40,421.38)
Net cash provided (used) by capital and related financing activities	(50,444.46)	258,614.10	-	208,169.64
<u>Cash Flows from investing activities:</u>				
Interest income	919.59	48.81	-	968.40
Net increase in cash and cash equivalents	22,547.59	228,327.95	(1,279.48)	249,596.06
Cash and cash equivalents, January 1	302,274.71	96,975.05	150,608.33	549,858.09
Cash and cash equivalents, December 31	324,822.30	325,303.00	149,328.85	799,454.15
 <u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (Loss)	(2,633.74)	(71,176.96)	19,983.72	(53,826.98)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	53,443.00	40,842.00	-	94,285.00
Net cash provided (used) by operating activities	50,809.26	(30,334.96)	19,983.72	40,458.02

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

CITY OF ELGIN  
Elgin, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	271,695.03	94,574.13	105,220.36	471,489.52
Payments to suppliers	(145,789.67)	(24,840.30)	(81,690.34)	(252,320.31)
Payments to employees	(52,961.48)	(13,506.39)		(66,467.87)
Net cash provided (used) by operating activities	72,943.88	56,227.44	23,530.02	152,701.34
<u>Cash flows from noncapital financing activities:</u>				
Miscellaneous receipts	323.46			323.46
Transfers in	21,138.20	501.00		21,639.20
Transfers out	(501.00)	-	(21,138.20)	(21,639.20)
Net cash provided (used) by noncapital financing activities	20,960.66	501.00	(21,138.20)	323.46
<u>Cash flows from capital and related financing activities:</u>				
USDA-RD grant		14,874.14		14,874.14
Purchase of sewer jetter		(14,874.00)		(14,874.00)
Principal payments	(38,937.82)	(18,814.17)		(57,751.99)
Interest and service charges	(22,255.91)	(20,049.83)		(42,305.74)
Net cash provided (used) by capital and related financing activities	(61,193.73)	(38,863.86)	-	(100,057.59)
<u>Cash Flows from investing activities:</u>				
Interest income	50.89	3.66	-	54.55
Net increase in cash and cash equivalents	32,761.70	17,868.24	2,391.82	53,021.76
Cash and cash equivalents, January 1	269,513.01	79,106.81	148,216.51	496,836.33
Cash and cash equivalents, December 31	302,274.71	96,975.05	150,608.33	549,858.09
 <u>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</u>				
Operating income (Loss)	19,500.88	15,385.44	23,530.02	58,416.34
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	53,443.00	40,842.00	-	94,285.00
Net cash provided (used) by operating activities	72,943.88	56,227.44	23,530.02	152,701.34

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



CITY OF ELGIN  
Elgin, North Dakota

Statement of Fiduciary Net Position  
Modified Cash Basis - Fiduciary Fund  
December 31, 2023

	Custodial Funds
<u>Assets:</u>	
Cash and Investments	<u>5,155.97</u>
<u>Net Position:</u>	
Restricted For:	
Organizations and Other Governments	<u>5,155.97</u>

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

CITY OF ELGIN  
Elgin, North Dakota

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

	Custodial Funds
<u>Assets:</u>	
Cash and Investments	<u>5,125.80</u>
<u>Net Position:</u>	
Restricted For:	
Organizations and Other Governments	<u>5,125.80</u>

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

CITY OF ELGIN  
Elgin, North Dakota

Statement of Changes in Fiduciary Net Position  
Modified Cash Basis - Fiduciary Fund  
For the Year Ended December 31, 2023

	<u>Custodial Funds</u>
<u>Additions:</u>	
State Aid collections for other governments	4,147.09
Reimbursement from Kidz Clubhouse	480.67
Pass-through grants/contributions	<u>7,500.00</u>
 Total Additions	 <u>12,127.76</u>
 <u>Deductions:</u>	
Payments of State Aid to other governments	4,123.66
Payments made for the purpose of public service	<u>7,973.93</u>
 Total Deductions	 <u>12,097.59</u>
 Change in Net Position	 <u>30.17</u>
 Net Position - January 1	 <u>5,125.80</u>
 Net Position - December 31	 <u><u>5,155.97</u></u>

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

CITY OF ELGIN  
Elgin, North Dakota

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

	<u>Custodial Funds</u>
<u>Additions:</u>	
State Aid collections for other governments	3,875.32
Reimbursement from Kidz Clubhouse	773.48
Pass-through grants/contributions	<u>7,500.00</u>
 Total Additions	 <u>12,148.80</u>
 <u>Deductions:</u>	
Payments of State Aid to other governments	3,895.75
Payments made for the purpose of public service	 <u>8,273.48</u>
 Total Deductions	 <u>12,169.23</u>
 Change in Net Position	 <u>(20.43)</u>
 Net Position - January 1	 <u>5,146.23</u>
 Net Position - December 31	 <u><u>5,125.80</u></u>

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

CITY OF ELGIN  
Elgin, North Dakota

Notes to the Financial Statements  
December 31, 2023 and 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Elgin 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 Elgin 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 Elgin. 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 Distribution Fund.* This fund accounts for the accumulation of the highway distribution tax to be used for street repairs and maintenance. The city also accounts for utility charges for street lights and mosquito spraying as part of this fund.

*Sales Tax Fund.* This fund accounts for the city's sales tax collections, which are used for urban and economic development.

The city reports the following major enterprise funds:

*Water Fund.* This fund accounts for the activities of the city's water distribution system.

*Sewer Fund.* This fund accounts for the activities of the city's sewage collection system.

*Garbage Fund.* This fund accounts for the activities of the city's garbage collection system.

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

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

### C. Measurement Focus and Basis of Accounting

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

#### Measurement Focus

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

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

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

#### Basis of Accounting

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

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

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

#### D. Cash, Cash Equivalents and Investments

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.

Investments consist of certificates of deposit stated at cost.

#### 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	40 to 75 years
Machinery and Vehicles	7 to 10 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, 2023 the city's carrying amount of deposits was \$1,162,240 and the bank balance was \$1,184,744. Of the bank balance, \$274,776 was covered by Federal Depository Insurance. The remaining balance of \$909,968 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2022 the city's carrying amount of deposits was \$1,072,159 and the bank balance was \$1,079,952. Of the bank balance, \$274,511 was covered by Federal Depository Insurance. The remaining balance of \$805,441 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.

At December 31, 2023, the city held certificates of deposit in the amount of \$23,761, which are all considered deposits.

At December 31, 2022, the city held certificates of deposit in the amount of \$23,761, which are all considered deposits.

### 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 ECONOMIC DEVELOPMENT LOANS RECEIVABLE

Economic development loans receivable consist of loans of city sales tax funds to local businesses for urban and economic development. At December 31, 2023 and 2022 the following loans were outstanding:

	2023	2022
Our Place Cafe Lanes and Lounge	10,000.00	10,000.00
Sheep Creek Play Daycare	4,400.00	6,800.00
Sippin Chicken	10,400.00	12,800.00
Total	24,800.00	29,600.00

Note 5 CAPITAL ASSETS

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

December 31, 2023

	Balance January 1	Increases	Decreases	Balance December 31
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	300,000			300,000
Machinery and Vehicles	390,876		20,950	369,926
Total	690,876	-	20,950	669,926
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	180,000	4,000		184,000
Machinery and Vehicles	151,266	35,517	20,950	165,833
Total	331,266	39,517	20,950	349,833
Governmental Activities Capital Assets, Net	359,610	(39,517)	-	320,093

December 31, 2022

	Balance January 1	Increases	Decreases	Balance December 31
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	300,000			300,000
Machinery and Vehicles	390,876			390,876
Total	690,876	-	-	690,876
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	176,000	4,000		180,000
Machinery and Vehicles	111,657	39,609		151,266
Total	287,657	43,609	-	331,266
Governmental Activities Capital Assets, Net	403,219	(43,609)	-	359,610

December 31, 2023

	Balance January 1	Increases	Decreases	Balance December 31
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Construction in Progress		2,031,686		2,031,686
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	3,643,124			3,643,124
Machinery and Vehicles	32,172			32,172
Total	3,675,296	-	-	3,675,296

*Less accumulated depreciation for:*

Buildings and Infrastructure	1,324,499	91,068		1,415,567
Machinery and Vehicles	3,217	3,217		6,434
Total	1,327,716	94,285	-	1,422,001
Business-type Activities				
Capital Assets, Net	2,347,580	1,937,401	-	4,284,981

December 31, 2022

	Balance January 1	Increases	Decreases	Balance December 31
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**Business-type Activities:**

*Capital assets being depreciated:*

Buildings and Infrastructure	3,643,124			3,643,124
Machinery and Vehicles	17,298	14,874		32,172
Total	3,660,422	14,874	-	3,675,296

*Less accumulated depreciation for:*

Buildings and Infrastructure	1,233,431	91,068		1,324,499
Machinery and Vehicles	-	3,217		3,217
Total	1,233,431	94,285	-	1,327,716
Total capital assets being depreciated, net	2,426,991	(79,411)	-	2,347,580

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

	2023	2022
<b>Governmental Activities:</b>		
General Government	4,000	4,000
Street and Public Works	35,517	39,609
Total Depreciation Expense	39,517	43,609
<b>Business-type Activities:</b>		
Water	53,443	53,443
Sewer	40,842	40,842
Total Depreciation Expense	94,285	94,285

**Note 6 LEASE PAYABLE**

The city has entered into the following lease agreement.

\$146,676 lease-purchase of a Caterpillar 926M Wheel Loader, due in annual installments of \$19,679.28 through May 15, 2028 payments include interest at 5.69%.

83,600.08

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, 2023:

<u>Year Ending December 31</u>	<u>Minimum Lease Payments</u>
2024	19,679.28
2025	19,679.28
2026	19,679.28
2027	19,679.28
2028	19,679.28
Total minimum lease payments	98,396.40
Less: amount representing interest	(14,796.32)
Present value of future minimum lease payments	<u>83,600.08</u>

Note 7 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2023 and 2022, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities:

	<u>2023</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Lease Payable	97,097		13,497	83,600	14,922
Loan Payable	122,815		21,661	101,154	22,308
Total	<u>219,912</u>	<u>-</u>	<u>35,158</u>	<u>184,754</u>	<u>37,230</u>
	<u>2022</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Lease Payable	107,871		10,774	97,097	13,497
Loan Payable	143,880		21,065	122,815	21,660
Total	<u>251,751</u>	<u>-</u>	<u>31,839</u>	<u>219,912</u>	<u>35,157</u>

Business-type Activities (Proprietary Funds):

	<u>2023</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Loans Payable	266,809		32,980	233,829	33,918
Revenue Bonds	1,181,247	647,314	26,254	1,802,307	48,302
Total	<u>1,448,056</u>	<u>647,314</u>	<u>59,234</u>	<u>2,036,136</u>	<u>82,220</u>

			<u>2022</u>		
	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Loans Payable	298,987		32,178	266,809	32,980
Revenue Bonds	1,206,821		25,574	1,181,247	26,254
Total	<u>1,505,808</u>	<u>-</u>	<u>57,752</u>	<u>1,448,056</u>	<u>59,234</u>

Outstanding debt at December 31, 2023 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, 2023 is as follows:

Loan payable. The city has taken out a loan to provide funds for a street sweeper. Loan payable outstanding at December 31, 2023 is as follows:

\$157,750 Loan Payable with First International Bank and Trust dated April 28, 2021. This loan is due in monthly installments of \$2,067.49 through April 15, 2028; interest is at 2.75%.

101,154.24

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2024	22,307.91	2,501.97
2025	22,929.17	1,880.71
2026	23,567.75	1,242.13
2027	24,224.07	585.81
2028	8,125.34	46.27
Total	<u>101,154.24</u>	<u>6,256.89</u>

Business-type 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, 2023 is as follows:

Loans payable. The city has taken out loans to provide funds for water improvement projects. Loans payable outstanding at December 31, 2023 are as follows:

\$400,000 Loan Payable with the Bank of North Dakota dated June 25, 1990. This loan is due in annual installments of \$11,800.00 to \$17,224.72 through June 30, 2030; interest is at 3%.

109,398.80

\$251,600 Loan Payable with the First International Bank and Trust dated June 23, 2016. This loan is due in annual installments of \$17,579.99 to \$21,579.99 through June 30, 2030; interest is at 3.95%.

124,430.19

Total Loans Payable

233,828.99

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

Year Ending December 31	Principal	Interest
2024	33,918.18	7,586.95
2025	34,807.61	6,366.89
2026	35,704.74	4,654.30
2027	36,509.70	3,360.87
2028	37,422.67	2,037.74
2029 - 2030	55,466.09	1,187.52
Total	233,828.99	25,194.27

Revenue bonds payable. 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, 2023 are as follows:

\$456,000 Revenue Bonds, Series 2019A, due in annual installments of \$18,943.00 through September 17, 2059; interest is at 2.75%.

429,312.00

\$800,000 Revenue Bonds, Series 2019B, due in annual installments of \$38,864 through September 17, 2049; interest is at 2.625%.

725,680.86

\$322,000 Revenue Bonds, Series 2023B, due in annual installments of \$13,933.00 through March 18, 2063; interest is at 3.00%.

322,000.00

Total Revenue Bonds Payable

1,476,992.86

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

Year Ending December 31	Principal	Interest
2024	31,224.80	40,515.20
2025	32,069.40	39,670.60
2026	32,936.89	38,803.11
2027	33,827.90	37,912.10
2028	34,743.06	36,996.94
2029 - 2033	188,335.40	170,364.60
2034 - 2038	215,237.74	143,462.26
2039 - 2043	245,992.62	112,707.38
2044 - 2048	281,153.31	77,546.69
2049 - 2053	159,568.32	43,585.97
2054 - 2058	140,143.06	24,236.94
2059 - 2063	81,760.36	6,328.03
Total	1,476,992.86	772,129.82

As allowed by NDCC 6-09-49, the city has also received funding from the Infrastructure Revolving Loan Program from the Bank of North Dakota. The city is in the process of sewer improvement project and has issued the Water and Sewer Revenue Bonds, Series 2023A, in the amount of \$418,026.00. As of December 31, 2023, the city had requested drawdowns of \$325,314.28. The infrastructure project was not completed as of December 31, 2023 and a final debt schedule is not available since the city had not yet received the full dollar amount of drawdowns under this agreement. The outstanding balance at December 31, 2023 is \$325,314.28. The city has \$92,711.72 still available as of December 31, 2023.

**Note 8 TRANSFERS**

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2023</u>		
Reserve for Maintenance Equipment	8,000.00	
Highway Distribution		8,000.00
To set-aside funds for the purchase of equipment.		
Water Operating	21,263.20	
Garbage		21,263.20
To subsidize expenditures.		
<u>December 31, 2022</u>		
Reserve for Maintenance Equipment	8,000.00	
Highway Distribution		8,000.00
To set-aside funds for the purchase of equipment.		
Water Operating	21,138.20	
Garbage		21,138.20
To subsidize expenditures.		
USDA Water Project	501.00	
USDA Sewer Project		501.00
To reclassify funds to Sewer Project.		

**Note 9 RISK MANAGEMENT**

The City of Elgin 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 \$435,703 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 \$272,604 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

#### **Note 10 PENSION PLAN**

##### **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 year ended December 31, 2023 and 2022, the city contributed \$5,661.38 and \$5,596.09, respectively.

#### **Note 11 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, 2023 and 2022.

CITY OF ELGIN  
Elgin, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Taxes	103,976.25	99,420.43	(4,555.82)
Licenses, Permits and Fees	4,400.00	3,134.00	(1,266.00)
Intergovernmental	50,800.00	56,796.65	5,996.65
Charges for Services	3,550.00	4,443.82	893.82
Miscellaneous	9,400.00	6,879.42	(2,520.58)
<b>Total Revenues</b>	<b>172,126.25</b>	<b>170,674.32</b>	<b>(1,451.93)</b>
<u>Expenditures:</u>			
Current:			
General Government	125,900.00	78,645.98	47,254.02
Public Safety	61,000.00	60,756.00	244.00
Streets and Public Works	3,200.00		3,200.00
Culture and Recreation		29,652.09	(29,652.09)
<b>Total Expenditures</b>	<b>190,100.00</b>	<b>169,054.07</b>	<b>21,045.93</b>
<b>Net Change in Fund Balances</b>	<b>(17,973.75)</b>	<b>1,620.25</b>	<b>19,594.00</b>
<b>Fund Balance - January 1</b>	<b>155,131.05</b>	<b>155,131.05</b>	
<b>Fund Balance - December 31</b>	<b>137,157.30</b>	<b>156,751.30</b>	<b>19,594.00</b>

CITY OF ELGIN  
Elgin, 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	91,471.95	87,722.45	(3,749.50)
Licenses, Permits and Fees	3,960.00	4,283.00	323.00
Intergovernmental	45,700.00	127,288.68	81,588.68
Charges for Services	5,620.00	2,954.75	(2,665.25)
Miscellaneous	51,190.00	17,955.44	(33,234.56)
Total Revenues	197,941.95	240,204.32	42,262.37
<u>Expenditures:</u>			
Current:			
General Government	139,148.00	161,727.13	(22,579.13)
Public Safety	56,644.08	60,156.00	(3,511.92)
Streets and Public Works	2,000.00		2,000.00
Culture and Recreation		29,687.15	(29,687.15)
Total Expenditures	197,792.08	251,570.28	(53,778.20)
Net Change in Fund Balances	149.87	(11,365.96)	(11,515.83)
Fund Balance - January 1	166,497.01	166,497.01	
Fund Balance - December 31	166,646.88	155,131.05	(11,515.83)

CITY OF ELGIN  
Elgin, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Highway Distribution Fund  
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance with Final Budget
<b><u>Revenues:</u></b>			
Intergovernmental	66,500.00	117,194.21	50,694.21
Charges for Services	51,000.00	945.60	(50,054.40)
<b>Total Revenues</b>	<b>117,500.00</b>	<b>118,139.81</b>	<b>639.81</b>
<b><u>Expenditures:</u></b>			
Current:			
Streets and Public Works	65,270.00	90,096.60	(24,826.60)
Capital Outlay	44,100.00		44,100.00
Debt Service:			
Principal		35,157.07	(35,157.07)
Interest		9,332.09	(9,332.09)
<b>Total Expenditures</b>	<b>109,370.00</b>	<b>134,585.76</b>	<b>(25,215.76)</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>8,130.00</b>	<b>(16,445.95)</b>	<b>(24,575.95)</b>
<b><u>Other Financing (Uses):</u></b>			
Transfers Out	(8,000.00)	(8,000.00)	-
<b>Net Change in Fund Balances</b>	<b>130.00</b>	<b>(24,445.95)</b>	<b>(24,575.95)</b>
<b>Fund Balance - January 1</b>	<b>32,708.89</b>	<b>32,708.89</b>	
<b>Fund Balance - December 31</b>	<b>32,838.89</b>	<b>8,262.94</b>	<b>(24,575.95)</b>

CITY OF ELGIN  
Elgin, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	72,000.00	63,620.00	(8,380.00)
Charges for Services	43,500.00	35,664.76	(7,835.24)
Miscellaneous		50.00	50.00
Total Revenues	115,500.00	99,334.76	(16,165.24)
<u>Expenditures:</u>			
Current:			
Streets and Public Works	63,815.00	85,378.10	(21,563.10)
Capital Outlay	43,489.88		43,489.88
Debt Service:			
Principal		10,774.64	(10,774.64)
Interest		3,225.36	(3,225.36)
Total Expenditures	107,304.88	99,378.10	7,926.78
Excess (Deficiency) of Revenue Over (Under) Expenditures	8,195.12	(43.34)	(8,238.46)
<u>Other Financing (Uses):</u>			
Transfers Out	(8,000.00)	(8,000.00)	-
Net Change in Fund Balances	195.12	(8,043.34)	(8,238.46)
Fund Balance - January 1	40,752.23	40,752.23	
Fund Balance - December 31	40,947.35	32,708.89	(8,238.46)

CITY OF ELGIN  
Elgin, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<b><u>Revenues:</u></b>			
Intergovernmental	72,000.00	63,620.00	(8,380.00)
Charges for Services	43,500.00	35,664.76	(7,835.24)
Miscellaneous		50.00	50.00
<b>Total Revenues</b>	<b>115,500.00</b>	<b>99,334.76</b>	<b>(16,165.24)</b>
<b><u>Expenditures:</u></b>			
Current:			
Streets and Public Works	63,815.00	85,378.10	(21,563.10)
Capital Outlay	43,489.88		43,489.88
Debt Service:			
Principal		10,774.64	(10,774.64)
Interest		3,225.36	(3,225.36)
<b>Total Expenditures</b>	<b>107,304.88</b>	<b>99,378.10</b>	<b>7,926.78</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>8,195.12</b>	<b>(43.34)</b>	<b>(8,238.46)</b>
<b><u>Other Financing (Uses):</u></b>			
Transfers Out	(8,000.00)	(8,000.00)	-
<b>Net Change in Fund Balances</b>	<b>195.12</b>	<b>(8,043.34)</b>	<b>(8,238.46)</b>
<b>Fund Balance - January 1</b>	<b>40,752.23</b>	<b>40,752.23</b>	
<b>Fund Balance - December 31</b>	<b>40,947.35</b>	<b>32,708.89</b>	<b>(8,238.46)</b>

CITY OF ELGIN  
Elgin, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Sales Tax Fund  
For the Year Ended December 31, 2023

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	48,000.00	91,081.16	43,081.16
Miscellaneous	2,210.00	142.31	(2,067.69)
Total Revenues	50,210.00	91,223.47	41,013.47
<u>Expenditures:</u>			
Current:			
Urban and Economic Development	55,000.00	195,813.92	(140,813.92)
Net Change in Fund Balances	(4,790.00)	(104,590.45)	(99,800.45)
Fund Balance - January 1	192,695.92	192,695.92	
Fund Balance - December 31	187,905.92	88,105.47	(99,800.45)



CITY OF ELGIN  
Elgin, North Dakota

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

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
Intergovernmental	48,000.00	74,681.81	26,681.81
Miscellaneous	2,210.00	124.73	(2,085.27)
Total Revenues	50,210.00	74,806.54	24,596.54
<u>Expenditures:</u>			
Current:			
Urban and Economic Development	55,000.00	50,496.01	4,503.99
Net Change in Fund Balances	(4,790.00)	24,310.53	29,100.53
Fund Balance - January 1	168,385.39	168,385.39	
Fund Balance - December 31	163,595.39	192,695.92	29,100.53

CITY OF ELGIN  
Elgin, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2023 and 2022

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendments

The governing board did not amend the city's budgets during the years ended December 31, 2023 and 2022.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following fund for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
General Fund		(53,778.20)
<u>Special Revenue Fund</u>		
Highway Distribution	(25,215.76)	
Sales Tax	(140,813.92)	

No remedial action is anticipated or required by the city regarding these excess expenditures.

CITY OF ELGIN  
Elgin, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2023

	Balance 1-1-2023	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-2023
<b><u>Major Governmental Funds</u></b>						
General Fund	155,131.05	170,674.32			169,054.07	156,751.30
Highway Distribution	32,708.89	118,139.81		8,000.00	134,585.76	8,262.94
Sales Tax	163,095.92	96,023.47			195,813.92	63,305.47
Total Major Governmental Funds	350,935.86	384,837.60	-	8,000.00	499,453.75	228,319.71
<b><u>Non-major Governmental Funds</u></b>						
Airport	10,727.09	1,007.52			900.00	10,834.61
Community Center	21,144.81	13,326.91			20,317.93	14,153.79
Library	19,003.49	7,828.44			6,019.72	20,812.21
Forestry	2,349.30					2,349.30
American Rescue Plan	95,339.60	28,706.01			95,339.60	28,706.01
Legacy Earnings		20,779.28				20,779.28
Prairie Dog		81,482.03			81,482.03	-
Bench Project		6,000.00				6,000.00
Reserve for Maintenance Equipment	17,674.68		8,000.00			25,674.68
Total Nonmajor Governmental Funds	166,238.97	159,130.19	8,000.00	-	204,059.28	129,309.88
Total Governmental Funds	517,174.83	543,967.79	8,000.00	8,000.00	703,513.03	357,629.59
<b><u>Major Enterprise Funds</u></b>						
Water:						
Operating	222,887.10	285,399.41	21,263.20		290,496.34	239,053.37
Water Main Reserve	62,549.93	401.27				62,951.20
Water System Upkeep	1,371.73					1,371.73
USDA Water Project	-					-
USDA Water Reserve	15,465.95	5,980.05				21,446.00
Sewer:						
Operating	90,024.02	146,981.92			182,545.94	54,460.00
USDA Sewer Project	501.00	2,274,423.09			2,013,024.68	261,899.41
USDA Sewer Reserve	6,450.03	2,493.56				8,943.59
Garbage	150,608.33	104,947.92		21,263.20	84,964.20	149,328.85
Total Major Enterprise Funds	549,858.09	2,820,627.22	21,263.20	21,263.20	2,571,031.16	799,454.15
<b><u>Fiduciary Fund</u></b>						
<b><u>Custodial Funds</u></b>						
JDA	4,793.54	7,980.67			7,973.93	4,800.28
Park Board	332.26	4,147.09			4,123.66	355.69
Total Custodial Funds	5,125.80	12,127.76	-	-	12,097.59	5,155.97
Total Funds	1,072,158.72	3,376,722.77	29,263.20	29,263.20	3,286,641.78	1,162,239.71

CITY OF ELGIN  
Elgin, 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
<b><u>Major Governmental Funds</u></b>						
General Fund	166,497.01	240,204.32			251,570.28	155,131.05
Highway Distribution	40,752.23	99,334.76		8,000.00	99,378.10	32,708.89
Sales Tax	115,489.38	86,106.54			38,500.00	163,095.92
<b>Total Major Governmental Funds</b>	<b>322,738.62</b>	<b>425,645.62</b>	<b>-</b>	<b>8,000.00</b>	<b>389,448.38</b>	<b>350,935.86</b>
<b><u>Non-major Governmental Funds</u></b>						
Airport	10,298.83	1,003.26			575.00	10,727.09
Community Center	26,910.78	13,526.87			19,292.84	21,144.81
Library	18,584.86	7,905.27			7,486.64	19,003.49
Forestry	2,349.30					2,349.30
American Rescue Plan	47,338.03	48,001.57				95,339.60
Reserve for Maintenance Equipment	9,674.68		8,000.00			17,674.68
<b>Total Nonmajor Governmental Funds</b>	<b>115,156.48</b>	<b>70,436.97</b>	<b>8,000.00</b>	<b>-</b>	<b>27,354.48</b>	<b>166,238.97</b>
<b>Total Governmental Funds</b>	<b>437,895.10</b>	<b>496,082.59</b>	<b>8,000.00</b>	<b>8,000.00</b>	<b>416,802.86</b>	<b>517,174.83</b>
<b><u>Major Enterprise Funds</u></b>						
<b>Water:</b>						
Operating	196,071.29	265,619.95	21,138.20		259,942.34	222,887.10
Water Main Reserve	62,505.31	44.62				62,549.93
Water System Upkeep	1,371.73					1,371.73
USDA Water Project	501.00			501.00		-
USDA Water Reserve	9,063.68	6,404.81			2.54	15,465.95
<b>Sewer:</b>						
Operating	75,327.44	91,907.13			77,210.55	90,024.02
USDA Sewer Project	-	14,874.14	501.00		14,874.14	501.00
USDA Sewer Reserve	3,779.37	2,670.66				6,450.03
Garbage	148,216.51	105,220.36		21,138.20	81,690.34	150,608.33
<b>Total Major Enterprise Funds</b>	<b>496,836.33</b>	<b>486,741.67</b>	<b>21,639.20</b>	<b>21,639.20</b>	<b>433,719.91</b>	<b>549,858.09</b>
<b><u>Fiduciary Fund</u></b>						
<b><u>Custodial Funds</u></b>						
JDA	4,793.54	8,273.48			8,273.48	4,793.54
Park Board	352.69	3,875.32			3,895.75	332.26
<b>Total Custodial Funds</b>	<b>5,146.23</b>	<b>12,148.80</b>	<b>-</b>	<b>-</b>	<b>12,169.23</b>	<b>5,125.80</b>
<b>Total Funds</b>	<b>939,877.66</b>	<b>994,973.06</b>	<b>29,639.20</b>	<b>29,639.20</b>	<b>862,692.00</b>	<b>1,072,158.72</b>

CITY OF ELGIN  
Elgin, North Dakota

Schedule of Expenditures of Federal Awards  
For the Years Ended December 31, 2023 and 2022

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures	
			2023	2022
<u>U.S. Department of Agriculture</u>				
Rural Development - Direct Program:				
Water and Waste Disposal Systems for Rural Communities - Loans	10.760		322,000.00	-
Water and Waste Disposal Systems for Rural Communities - Grants	10.760		98,601.59	14,874.14
Total Water and Waste Disposal Systems for Rural Communities			420,601.59	14,874.14
<u>U.S. Department of Housing and Urban Development</u>				
Passed Through the North Dakota Department of Commerce:				
Community Development Block Grant/State's Program	14.228	5036-CD182021-PF	663,392.00	-
<u>U.S. Department of Treasury</u>				
Passed Through North Dakota State Treasurer:				
Covid - 19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	95,339.60	-
<u>U.S. Department of Homeland Security</u>				
Passed Through the State Department of Emergency Services:				
Hazard Mitigation Grant Program (HMGP)	97.039	DR4475	3,582.89	68,823.75
Total Expenditures of Federal Awards			1,182,916.08	83,697.89

Notes to Schedule of Expenditures of Federal Awards

**Note 1 - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards is prepared on the modified cash basis of accounting.

The de minimis indirect cost rate was not used.

**Note 2 - Loans Outstanding**

Program Title	Federal Assistance Listing Number	Outstanding Loan Balance
Water and Waste Disposal Systems for Rural Communities	10.760	1,476,992.86

# 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 Elgin  
Elgin, 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 Salem, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated August 9, 2024.

#### **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 audits 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 2023-001 and 2023-002, 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 audits, 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*

Rath and Mehrer, P.C.

Bismarck, North Dakota

August 9, 2024

# Rath & Mehrer, P.C.

Certified Public Accountants

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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Elgin  
Elgin, North Dakota

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

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

We have audited the City of Elgin'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 years ended December 31, 2023 and 2022. The city's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

In our opinion, the city complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2023 and 2022.

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

We conducted our audits 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 (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the city and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audits do 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**

Our objectives are 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 our audits. 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, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 we considered necessary in the circumstances.
- Obtain an understanding of the city's internal control over compliance relevant to the audits 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.

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

## **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.

Our 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 our audits we did not identify any deficiencies in internal control over compliance that we 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.

Our audits were 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 our 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.



Rath and Mehrer, P.C.

Bismarck, North Dakota

August 9, 2024

CITY OF ELGIN  
Elgin, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2023 and 2022

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major program(s):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major program(s):

Federal Assistance Listing Number

Name of Federal Program

14.228

Community Development Block Grant/State's Program

Dollar threshold used to distinguish between type A and type B Programs:

\$750,000

Auditee qualified as a low-risk auditee?

☐ Yes ☒ No

## SECTION II – FINANCIAL STATEMENT FINDINGS:

### Significant Deficiencies

#### 1. 2023-001 – 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.

*Repeat Finding from Prior Year:* Yes, prior year finding No. 2021-001

#### 2. 2023-002- 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.

*Repeat Finding from Prior Year:* Yes, prior year finding No. 2021-002

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No matters were reported

CITY OF ELGIN  
Elgin, North Dakota

Summary Schedule of Prior Audit Findings  
For the Years Ended December 31, 2023 and 2022

1. Finding No. 2021-001: Segregation of Duties

*Status:* This finding is repeated and updated in the Schedule of Findings and Responses as No. 2023-001.

*Reasons for Recurrence and Corrective Action Plan:* The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties. See Corrective Action Plan.

2. Finding No. 2021-002: Financial Statement Preparation

*Status:* This finding is repeated and updated in the Schedule of Findings and Responses as No. 2023-002.

*Reasons for Recurrence and Corrective Action Plan:* The city feels it is more cost effective to have their external auditors prepare the financial statements and note disclosures. See Corrective Action Plan.

# City of Elgin

## Council Members:

Ron Fischer  
Trisha Weishaar  
Robert Mead  
Charles Oien  
Kristian Roth

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Ronald Bartz -Mayor  
Reva Weekes-Auditor  
Richard Michels-Judge  
Wayne Iszler – Public Works  
Crane & Merriman-Attorney

CITY OF ELGIN  
Elgin, North Dakota

Corrective Action Plan  
For the Years Ended December 31, 2023 and 2022

1. Finding No. 2023-001: Segregation of Duties

*Contact Person:* Reva Weekes, City Auditor

*Corrective Action Plan:* The city has determined that it is not cost effective to employ additional personnel just to adequately segregate duties.

*Completion Date:* The City of Elgin will implement when it becomes cost effective.

2. Finding No. 2023-002: Financial Statement Preparation

*Contact Person:* Reva Weekes, City Auditor

*Corrective Action Plan:* The city feels that it is more cost effective to have their external auditors prepare the financial statements and note disclosures.

*Completion Date:* The City of Elgin will implement when it becomes cost effective.