

AUDIT REPORT

CITY OF GLADSTONE
Gladstone, North Dakota

For the Years Ended December 31, 2023 and 2022

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF GLADSTONE
Gladstone, North Dakota

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CITY OF GLADSTONE
Gladstone, North Dakota

CITY OFFICIALS
December 31, 2023

Randy Wyatt	Mayor
Paul Reinbold	Council Vice President
Nicole Larson	Council Member
Bill O'Conner	Council Member
Darrell Sadowsky	Council Member
Jordan Ridl	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

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

Specializing in Governmental Auditing

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Gladstone
Gladstone, 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 Gladstone, 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 year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgeting comparison information and the schedules of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 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

Rath and Mehrer, P.C.

Bismarck, North Dakota

August 2, 2024

CITY OF GLADSTONE
Gladstone, North Dakota

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

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Cash, Cash Equivalents and Investments	408,256.42	117,664.99	525,921.41
Capital Assets (net of accumulated depreciation):			
Land	50,000.00		50,000.00
Buildings and Infrastructure	821,052.00	1,085,430.00	1,906,482.00
Machinery and Vehicles	65,374.00		65,374.00
Total Capital Assets	936,426.00	1,085,430.00	2,021,856.00
Total Assets	1,344,682.42	1,203,094.99	2,547,777.41
<u>NET POSITION:</u>			
Net Investment in Capital Assets	936,426.00	1,085,430.00	2,021,856.00
Restricted for:			
Special Purposes	70,143.89		70,143.89
Unrestricted	338,112.53	117,664.99	455,777.52
Total Net Position	1,344,682.42	1,203,094.99	2,547,777.41
	=====		

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

CITY OF GLADSTONE
Gladstone, North Dakota

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

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	453,946.42	101,220.73	555,167.15
Capital Assets (net of accumulated depreciation):			
Land	50,000.00		50,000.00
Buildings and Infrastructure	871,796.00	1,109,877.00	1,981,673.00
Machinery and Vehicles	76,651.00		76,651.00
Total Capital Assets	998,447.00	1,109,877.00	2,108,324.00
Total Assets	1,452,393.42	1,211,097.73	2,663,491.15
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Revenue Bonds Payable	77,909.89		77,909.89
Total Liabilities	77,909.89		77,909.89
NET POSITION:			
Net Investment in Capital Assets	920,537.11	1,109,877.00	2,030,414.11
Restricted for:			
Special Purposes	50,638.33		50,638.33
Unrestricted	403,308.09	101,220.73	504,528.82
Total Net Position	1,374,483.53	1,211,097.73	2,585,581.26
	=====		

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

CITY OF GLADSTONE
Gladstone, North Dakota

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

	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
Functions/Programs					
Primary Government:					
Governmental Activities:					
General Government	222,932.52	5,989.25	567.96	(216,375.31)	(216,375.31)
Streets and Public Works	62,245.91		62,907.06	661.15	661.15
Culture and Recreation	11,499.42			(11,499.42)	(11,499.42)
Interest on Long-Term Debt	280.66			(280.66)	(280.66)
Total Governmental Activities	296,958.51	5,989.25	63,475.02	(227,494.24)	(227,494.24)
Business-Type Activities:					
Water	102,418.53	91,473.03			(10,945.50)
Sewer	8,694.40	9,150.96			456.56
Garbage	52,468.66	52,008.30			(460.36)
Street Lights	6,872.41	9,818.97			2,946.56
Total Business-Type Activities	170,454.00	162,451.26			(8,002.74)
Total Primary Government	467,412.51	168,440.51	63,475.02	(227,494.24)	(8,002.74)
=====					
General Revenues:					
Taxes:					
Property taxes; levied for general purposes				34,747.35	34,747.35
Cigarette taxes				473.99	473.99
Telecommunications taxes				923.83	923.83
Oil and gas production taxes				98,982.31	98,982.31
Intergovernmental revenue not restricted to specific programs				27,184.06	27,184.06
Earnings on investments and other revenue				35,381.59	35,381.59
Total General Revenues				197,693.13	197,693.13
Change in Net Position				(29,801.11)	(8,002.74)
Net Position - January 1				1,374,483.53	1,211,097.73
Net Position - December 31				1,344,682.42	1,203,094.99
=====					

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

CITY OF GLADSTONE
Gladstone, North Dakota

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

				Net (Expense) Revenue and Changes in Net Position		
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>						
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	204,564.97	2,813.84	1,507.47	(200,243.66)		(200,243.66)
Streets and Public Works	65,906.88		43,809.47	(22,097.41)		(22,097.41)
Culture and Recreation	10,443.97			(10,443.97)		(10,443.97)
Interest on Long-Term Debt	2,779.66			(2,779.66)		(2,779.66)
Total Governmental Activities	283,695.48	2,813.84	45,316.94	(235,564.70)		(235,564.70)
<u>Business-Type Activities:</u>						
Water	92,624.42	62,205.04			(30,419.38)	(30,419.38)
Sewer	4,695.57	8,401.53			3,705.96	3,705.96
Garbage	48,016.21	43,914.91			(4,101.30)	(4,101.30)
Street Lights	10,053.51	9,075.93			(977.58)	(977.58)
Total Business-Type Activities	155,389.71	123,597.41			(31,792.30)	(31,792.30)
Total Primary Government	439,085.19	126,411.25	45,316.94	(235,564.70)	(31,792.30)	(267,357.00)
=====						
<u>General Revenues:</u>						
Taxes:						
Property taxes; levied for general purposes				34,969.47		34,969.47
Cigarette taxes				517.78		517.78
Telecommunications taxes				923.83		923.83
Oil and gas production taxes				119,857.95		119,857.95
Intergovernmental revenue not restricted to specific programs				27,823.32		27,823.32
Earnings on investments and other revenue				5,104.33		5,104.33
Total General Revenues				189,196.68		189,196.68
Change in Net Position				(46,368.02)	(31,792.30)	(78,160.32)
Net Position - January 1				1,420,806.05	1,242,890.03	2,663,696.08
Net Position - December 31				1,374,438.03	1,211,097.73	2,585,535.76
=====						

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

CITY OF GLADSTONE
Gladstone, North Dakota

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

	Major Funds			
	General	Prairie Dog	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash, Cash Equivalents and Investments	338,112.53	40,870.13	29,273.76	408,256.42
	=====			
FUND BALANCE:				
Restricted for:				
Prairie Dog (Infrastructure)		40,870.13		40,870.13
American Recovery Plan Act			24,091.88	24,091.88
Highway Distribution (Legacy)			5,181.88	5,181.88
Unassigned	338,112.53			338,112.53
	=====			
Total Fund Balances	338,112.53	40,870.13	29,273.76	408,256.42
	=====			

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

CITY OF GLADSTONE
Gladstone, North Dakota

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

	Major Funds		
	General	American Recovery Plan Act	Total Governmental Funds
<u>ASSETS:</u>			
Cash, Cash Equivalents and Investments	403,308.09	50,638.33	453,946.42
	=====		
<u>FUND BALANCE:</u>			
Restricted for:			
American Recovery Plan Act		50,638.33	50,638.33
Unassigned	403,308.09		403,308.09
	=====		
Total Fund Balances	403,308.09	50,638.33	453,946.42
	=====		

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

CITY OF GLADSTONE
Gladstone, 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

408,256.42

Total net position reported for government activities in the statement of
net position is different because:

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

Cost of Capital Assets
Less Accumulated Depreciation

1,530,302.00
(593,876.00)

Net Capital Assets

936,426.00

Total Net Position of Governmental Activities

1,344,682.42

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

CITY OF GLADSTONE
Gladstone, 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

453,946.42

Total net position reported for government activities in the statement of
net position is different because:

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

Cost of Capital Assets
Less Accumulated Depreciation

1,530,302.00
(531,855.00)

Net Capital Assets

998,447.00

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:

Revenue Bonds Payable

(77,909.89)

Total Net Position of Governmental Activities

1,374,483.53
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The accompanying notes are an integral part of these financial statements.

CITY OF GLADSTONE
Gladstone, 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			Total Governmental Funds
	General	Prairie Dog	Other Governmental Funds	
<u>Revenues:</u>				
Taxes	35,671.18			35,671.18
Special Assessments	567.96			567.96
Licenses, Permits and Fees	4,164.25			4,164.25
Intergovernmental	143,699.19	40,870.13	5,181.88	189,751.20
Charges for Services	1,825.00			1,825.00
Miscellaneous	35,177.81			35,177.81
Total Revenues	221,105.39	40,870.13	5,181.88	267,157.40
<u>Expenditures:</u>				
Current:				
General Government	186,903.07		26,546.45	213,449.52
Streets and Public Works	10,707.91			10,707.91
Culture and Recreation	10,499.42			10,499.42
Debt Service:				
Principal	77,909.89			77,909.89
Interest	280.66			280.66
Total Expenditures	286,300.95		26,546.45	312,847.40
Net Change in Fund Balances	(65,195.56)	40,870.13	(21,364.57)	(45,690.00)
Fund Balance - January 1	403,308.09		50,638.33	453,946.42
Fund Balance - December 31	338,112.53	40,870.13	29,273.76	408,256.42
	=====			

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

CITY OF GLADSTONE
Gladstone, North Dakota

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

	Major Funds		
	General	American Recovery Plan Act	Total Governmental Funds
<u>Revenues:</u>			
Taxes	35,893.30		35,893.30
Special Assessments	1,507.47		1,507.47
Licenses, Permits and Fees	2,813.84		2,813.84
Intergovernmental	164,505.36	27,702.40	192,207.76
Miscellaneous	4,905.09		4,905.09
 Total Revenues	 209,625.06	 27,702.40	 237,327.46
<u>Expenditures:</u>			
Current:			
General Government	190,698.43	4,383.54	195,081.97
Streets and Public Works	14,323.38		14,323.38
Culture and Recreation	9,443.97		9,443.97
Debt Service:			
Principal	248,995.74		248,995.74
Interest	2,779.66		2,779.66
 Total Expenditures	 466,241.18	 4,383.54	 470,624.72
 Net Change in Fund Balances	 (256,616.12)	 23,318.86	 (233,297.26)
 Fund Balance - January 1	 659,924.21	 27,319.47	 687,243.68
 Fund Balance - December 31	 403,308.09	 50,638.33	 453,946.42
	=====		=====

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

CITY OF GLADSTONE
Gladstone, 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		(45,690.00)
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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	(62,021.00)		(62,021.00)

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	77,909.89		77,909.89

Change in Net Position of Governmental Activities		(29,801.11)
		=====

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

CITY OF GLADSTONE
Gladstone, 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		(233,297.26)
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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	(62,021.00)	(62,021.00)

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	248,995.74	248,995.74

Change in Net Position of Governmental Activities		(46,322.52)
		=====

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

CITY OF GLADSTONE
Gladstone, North Dakota

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

	Major Enterprise Funds			
	Water	Garbage	Other Enterprise Funds	Total Enterprise Funds
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash and Cash Equivalents	34,167.91	990.93	82,506.15	117,664.99
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	1,085,430.00			1,085,430.00
Total Assets	1,119,597.91	990.93	82,506.15	1,203,094.99
<u>NET POSITION</u>				
Net Investment in Capital Assets	1,085,430.00			1,085,430.00
Unrestricted	34,167.91	990.93	82,506.15	117,664.99
Total Net Position	1,119,597.91	990.93	82,506.15	1,203,094.99
	=====			

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

CITY OF GLADSTONE
Gladstone, North Dakota

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

	Major Enterprise Funds			
	Water	Garbage	Other Enterprise Funds	Total Enterprise Funds
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash and Cash Equivalents	20,666.41	1,451.29	79,103.03	101,220.73
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	1,109,877.00			1,109,877.00
Total Assets	1,130,543.41	1,451.29	79,103.03	1,211,097.73
<u>NET POSITION</u>				
Net Investment in Capital Assets	1,109,877.00			1,109,877.00
Unrestricted	20,666.41	1,451.29	79,103.03	101,220.73
Total Net Position	1,130,543.41	1,451.29	79,103.03	1,211,097.73
	=====			

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

CITY OF GLADSTONE
Gladstone, 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		Other	Total
	Water	Garbage	Enterprise Funds	Enterprise Funds
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Collections	90,093.30			90,093.30
Sewer Collections			8,486.42	8,486.42
Garbage Collections		51,310.00		51,310.00
Street Lights			9,006.81	9,006.81
Late Fees	1,379.73	698.30	1,476.70	3,554.73
Total Operating Revenues	91,473.03	52,008.30	18,969.93	162,451.26
<u>Operating Expenses:</u>				
Water	77,971.53			77,971.53
Sewer			8,694.40	8,694.40
Garbage		52,468.66		52,468.66
Street Lights			6,872.41	6,872.41
Depreciation	24,447.00			24,447.00
Total Operating Expenses	102,418.53	52,468.66	15,566.81	170,454.00
Operating Income (Loss)	(10,945.50)	(460.36)	3,403.12	(8,002.74)
Net Position - January 1	1,130,543.41	1,451.29	79,103.03	1,211,097.73
Net Position - December 31	1,119,597.91	990.93	82,506.15	1,203,094.99

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

CITY OF GLADSTONE
Gladstone, 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		Other	Total
	Water	Garbage	Enterprise Funds	Enterprise Funds
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Collections	60,997.61			60,997.61
Sewer Collections			7,712.44	7,712.44
Garbage Collections		43,297.28		43,297.28
Street Lights			8,165.11	8,165.11
Late Fees	1,207.43	617.63	1,599.91	3,424.97
 Total Operating Revenues	 62,205.04	 43,914.91	 17,477.46	 123,597.41
<u>Operating Expenses:</u>				
Water	68,177.42			68,177.42
Sewer			4,695.57	4,695.57
Garbage		48,016.21		48,016.21
Street Lights			10,053.51	10,053.51
Depreciation	24,447.00			24,447.00
 Total Operating Expenses	 92,624.42	 48,016.21	 14,749.08	 155,389.71
 Operating Income (Loss)	 (30,419.38)	 (4,101.30)	 2,728.38	 (31,792.30)
 Net Position - January 1	 1,160,962.79	 5,552.59	 76,374.65	 1,242,890.03
 Net Position - December 31	 1,130,543.41	 1,451.29	 79,103.03	 1,211,097.73
	=====	=====	=====	=====

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

CITY OF GLADSTONE
Gladstone, North Dakota

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

	Major Enterprise Funds		Other Enterprise Funds	Total Enterprise Funds
	Water	Garbage		
<u>Cash flows from operating activities:</u>				
Receipts from customers	91,473.03	52,008.30	18,969.93	162,451.26
Payments to suppliers	(76,176.03)	(52,468.66)	(13,771.33)	(142,416.02)
Payments to employees	(1,795.50)		(1,795.48)	(3,590.98)
Net cash provided (used) by operating activities	13,501.50	(460.36)	3,403.12	16,444.26
Net increase (decrease) in cash and cash equivalents	13,501.50	(460.36)	3,403.12	16,444.26
Cash and cash equivalents, January 1	20,666.41	1,451.29	79,103.03	101,220.73
Cash and cash equivalents, December 31	34,167.91	990.93	82,506.15	117,664.99
=====				
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	(10,945.50)	(460.36)	3,403.12	(8,002.74)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	24,447.00			24,447.00
Net cash provided (used) by operating activities	13,501.50	(460.36)	3,403.12	16,444.26
=====				

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

CITY OF GLADSTONE
Gladstone, North Dakota

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

	Major Enterprise Funds		Other	Total
	Water	Garbage	Enterprise Funds	Enterprise Funds
<u>Cash flows from operating activities:</u>				
Receipts from customers	62,205.04	43,914.91	17,477.46	123,597.41
Payments to suppliers	(66,559.76)	(48,016.21)	(13,131.51)	(127,707.48)
Payments to employees	(1,617.66)		(1,617.57)	(3,235.23)
Net cash provided (used) by operating activities	(5,972.38)	(4,101.30)	2,728.38	(7,345.30)
Net increase (decrease) in cash and cash equivalents	(5,972.38)	(4,101.30)	2,728.38	(7,345.30)
Cash and cash equivalents, January 1	26,638.79	5,552.59	76,374.65	108,566.03
Cash and cash equivalents, December 31	20,666.41	1,451.29	79,103.03	101,220.73
=====				
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	(30,419.38)	(4,101.30)	2,728.38	(31,792.30)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	24,447.00			24,447.00
Net cash provided (used) by operating activities	(5,972.38)	(4,101.30)	2,728.38	(7,345.30)
=====				

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

CITY OF GLADSTONE
Gladstone, North Dakota

Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2023 and 2022

	Custodial Fund	
	2023	2022
<u>Assets:</u>		
Cash	47,708.68	48,169.50
	=====	=====
<u>Net Position:</u>		
Restricted for:		
Other Governments	47,708.68	48,169.50
	=====	=====

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

CITY OF GLADSTONE
Gladstone, North Dakota

Statement of Changes in Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
For the Year Ended December 31, 2023 and 2022

	Custodial Fund	
	2023	2022
<u>Additions:</u>		
Telecommunications taxes for other governments	55.12	55.12
State aid collections for other governments	1,499.42	1,443.97
Oil and gas production taxes	9,000.00	8,000.00
Donations and miscellaneous	2,450.00	
Total Additions	13,004.54	9,499.09
<u>Deductions:</u>		
Payments of collections to Park District	13,465.36	11,494.07
Change in Net Position	(460.82)	(1,994.98)
Net Position - January 1	48,169.50	50,164.48
Net Position - December 31	47,708.68	48,169.50
	=====	=====

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

CITY OF GLADSTONE
Gladstone, North Dakota

Notes to the Financial Statements
December 31, 2023 and 2022

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the City of Gladstone 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 Gladstone. 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 funds. 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 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.

Prairie Dog Fund. This fund accounts for funds received from the state's Municipal Infrastructure Fund.

American Recovery Plan Act. This fund accounts for monies received as part of the American Recovery Plan Act legislation.

The city reports the following major enterprise funds:

Water Fund. This fund accounts for the activities of the city's water distribution system and a water tower project.

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 Fund. This fund accounts for assets held by the city in a custodial capacity as an agent on behalf of others. The city's custodial fund is used to account for various deposits of the park district.

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, business-like and fiduciary fund 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 and Infrastructure	25 to 100 years
Machinery and Vehicles	6 to 20 years

F. Long-Term Obligations

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

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

G. Fund Equity

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

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

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

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

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

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

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

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

- * Committed
- * Assigned
- * Unassigned

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

H. Interfund Transactions

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

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

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

I. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2023 the city's carrying amount of deposits was \$573,630 and the bank balance was \$581,988. Of the bank balance, \$400,298 was covered by Federal Depository Insurance. The remaining balance of \$181,690 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 \$603,337 and the bank balance was \$621,014. Of the bank balance, \$400,298 was covered by Federal Depository Insurance. The remaining balance of \$220,716 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 \$150,298, which are all considered deposits.

At December 31, 2022 the city held certificates of deposit in the amount of \$150,298, 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 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 CAPITAL ASSETS

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

	<u>2023</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	50,000			50,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,235,200			1,235,200
Machinery and Vehicles	245,102			245,102
Total	1,480,302			1,480,302
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	363,404	50,744		414,148
Machinery and Vehicles	168,451	11,277		179,728
Total	531,855	62,021		593,876
Total capital assets being depreciated, net	948,447	62,021		886,426
Governmental Activities Capital Assets, Net	998,468	62,021	-0-	936,426
	=====	=====	=====	=====

<u>2022</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	50,000			50,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,235,200			1,235,200
Machinery and Vehicles	245,102			245,102
Total	1,480,302			1,480,302
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	312,660	50,744		363,404
Machinery and Vehicles	157,174	11,277		168,451
Total	469,834	62,021		531,855
Total capital assets being depreciated, net	1,010,468	62,021		948,447
Governmental Activities Capital Assets, Net	1,060,468	62,021	-0-	998,447
	=====	=====	=====	=====

<u>2023</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,239,000			1,239,000
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	129,123	24,447		153,570
Business-type Activities Capital Assets, Net	1,109,877	24,447	-0-	1,085,430
	=====	=====	=====	=====

2022

	Balance January 1	Increases	Decreases	Balance December 31
Business-type Activities:				
Capital assets being depreciated:				
Buildings and Infrastructure	1,239,000			1,239,000
Less accumulated depreciation for:				
Buildings and Infrastructure	104,676	24,447		129,123
Business-type Activities				
Capital Assets, Net	1,134,218	24,447	-0-	1,109,877

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

	2023	2022
<u>Governmental Activities:</u>		
General Government	9,483	9,483
Streets and Public Works	51,538	51,538
Other	1,000	1,000
Total	62,021	62,021
	=====	=====
<u>Business-type Activities:</u>		
Water	24,447	24,447
	=====	=====

Note 5 LONG-TERM DEBT

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

Governmental Activities:

<u>2023</u>					
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds	77,910		77,910	-0-	
	=====	=====	=====	=====	=====
<u>2022</u>					
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds	326,906		285,996	77,910	77,910
	=====	=====	=====	=====	=====

Note 6 DEFICIT FUND BALANCE

The following fund had a deficit balance for the years ending December 31:

	<u>2023</u>	<u>2022</u>
<u>Enterprise Fund</u>		
Street Lights	(545.79)	(3,492.35)

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

Note 7 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDRF for its general liability, automobile and public assets insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$231,182 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 \$470,363 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.

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

Note 8 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 or 2022.

CITY OF GLADSTONE
Gladstone, 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	35,602.13	35,671.18	69.05
Special Assessments		576.96	576.96
Licenses, Permits and Fees	1,750.00	4,164.25	2,414.25
Intergovernmental	167,272.03	143,699.19	(23,572.84)
Charges for Services	1,150.00	1,825.00	675.00
Miscellaneous	1,400.00	35,177.81	33,777.81
Total Revenues	207,174.16	221,114.39	13,940.23
<u>Expenditures:</u>			
Current:			
General Government	146,900.00	186,903.07	(40,003.07)
Street and Public Works	133,500.00	10,707.91	122,792.09
Culture and Recreation		10,499.42	(10,499.42)
Debt Service:			
Principal		77,909.89	(77,909.89)
Interest		280.66	(280.66)
Total Expenditures	280,400.00	286,300.95	(5,900.95)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(73,225.84)	(65,186.56)	8,039.28
<u>Other Financing (Uses):</u>			
Transfer Out	(35,000.00)		35,000.00
Total Other Financing (Uses)	(35,000.00)		35,000.00
Net Change in Fund Balances	(108,225.84)	(65,186.56)	43,039.28
Fund Balance - January 1	403,308.09	403,308.09	
Fund Balance - December 31	295,082.25	338,121.53	43,039.28

CITY OF GLADSTONE
Gladstone, 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	37,302.00	35,893.30	(1,408.70)
Special Assessments		1,507.47	1,507.47
Licenses, Permits and Fees	2,400.00	2,813.84	413.84
Intergovernmental	126,000.00	164,505.36	38,505.36
Miscellaneous	3,300.00	4,905.09	1,605.09
Total Revenues	169,002.00	209,625.06	40,623.06
<u>Expenditures:</u>			
Current:			
General Government	159,350.00	190,698.43	(31,348.43)
Street and Public Works	238,200.00	14,323.38	223,876.62
Culture and Recreation		9,443.97	(9,443.97)
Debt Service:			
Principal		248,995.74	(248,995.74)
Interest		2,779.66	(2,779.66)
Total Expenditures	397,550.00	466,241.18	(68,691.18)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(228,548.00)	(256,616.12)	(28,068.12)
<u>Other Financing (Uses):</u>			
Transfer Out	(36,900.00)		36,900.00
Net Change in Fund Balances	(265,448.00)	(256,616.12)	8,831.88
Fund Balance - January 1	659,924.21	659,924.21	
Fund Balance - December 31	394,476.21	403,308.09	8,831.88

CITY OF GLADSTONE
Gladstone, 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

The governing board did not amend the 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 ending December 31:

	<u>2023</u>	<u>2022</u>
General Fund	5,900.95	68,691.18

Excess of expenditures over budget was due to advance principal payments made on the city's street repair loan from the Bank of ND.

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

- Note 3 Formal budgets were not adopted for the Prairie Dog fund for the year ended December 31, 2023 and the American Recovery Plan Act fund for the year ended December 31, 2022 and therefore budgetary comparison schedules are not presented for these major governmental funds.

CITY OF GLADSTONE
Gladstone, North Dakota

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

	Balance 1-1-23	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-23
<u>Major Governmental Funds</u>						
General Fund	403,308.09	221,105.39			286,300.95	338,112.53
Prairie Dog		40,870.13				40,870.13
Total Major Governmental Funds	403,308.09	261,975.52			286,300.95	378,982.66
<u>Non-Major Governmental Fund</u>						
American Recovery Plan Act	50,638.33				26,546.45	24,091.88
Highway Distribution (Legacy)		5,181.88				5,181.88
Total Non-Major Governmental Funds	50,638.33	5,181.88			26,546.45	29,273.76
Total Governmental Funds	453,946.42	267,157.40			312,847.40	408,256.42
<u>Major Enterprise Funds</u>						
Water	20,666.41	91,473.03			77,971.53	34,167.91
Garbage	1,451.29	52,008.30			52,468.66	990.93
Total Major Enterprise Funds	22,117.70	143,481.33			130,440.19	35,158.84
<u>Non-Major Enterprise Funds</u>						
Sewer	82,595.38	9,150.96			8,694.40	83,051.94
Street Lights	(3,492.35)	9,818.97			6,872.41	(545.79)
Total Non-Major Enterprise Funds	79,103.03	18,969.93			15,566.81	82,506.15
Total Enterprise Funds	101,220.73	162,451.26			146,007.00	117,664.99
<u>Fiduciary Fund</u>						
<u>Custodial Fund</u>						
Park District	48,169.50	13,004.54			13,465.36	47,708.68
Total All Funds	603,336.65	442,613.20			472,319.76	573,630.09
=====						

CITY OF GLADSTONE
Gladstone, North Dakota

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

	Balance 1-1-22	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-22
<u>Major Governmental Funds</u>						
General Fund	659,924.21	209,625.06			466,241.18	403,308.09
American Recovery Plan Act	27,319.47	27,702.40			4,383.54	50,638.33
Total Major Governmental Funds	687,243.68	237,327.46			470,624.72	453,946.42
Total Governmental Funds	687,243.68	237,327.46			470,624.72	453,946.42
<u>Major Enterprise Funds</u>						
Water	26,638.79	62,205.04			68,177.42	20,666.41
Garbage	5,552.59	43,914.91			48,016.21	1,451.29
Total Major Enterprise Funds	32,191.38	106,119.95			116,193.63	22,117.70
<u>Non-Major Enterprise Funds</u>						
Sewer	78,889.42	8,401.53			4,695.57	82,595.38
Street Lights	(2,514.77)	9,075.93			10,053.51	(3,492.35)
Total Non-Major Enterprise Funds	76,374.65	17,477.46			14,749.08	79,103.03
Total Enterprise Funds	108,566.03	123,597.41			130,942.71	101,220.73
<u>Fiduciary Fund</u>						
<u>Custodial Fund</u>						
Park District	50,164.48	9,499.09			11,494.07	48,169.50
Total All Funds	845,974.19	370,423.96			613,061.50	603,336.65
	=====	=====			=====	=====

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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 Gladstone
Gladstone, 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 Gladstone, 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 2, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

Purpose of this Report

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

August 2, 2024

CITY OF GLADSTONE
Gladstone, 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	_____ <u>X</u> No
* Significant deficiency(ies) identified?	_____ <u>X</u> Yes	_____ None Reported
Noncompliance Material to financial statements noted?	_____ Yes	_____ <u>X</u> 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.

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

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

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

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