

CITY OF REILES ACRES
REILES ACRES, NORTH DAKOTA

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2018

CITY OF REILES ACRES
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CITY OF REILES ACRES
LIST OF OFFICIALS
DECEMBER 31, 2017 AND 2018

CITY COUNCIL

Office

Shane Amundson
Ed Wilson
Tyler Kirchner
Joel Prudhomme
Carol McCamy

Mayor

EMPLOYEES:

Nic Miller

City Auditor

Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

City Council
City of Reiles Acres
Reiles Acres, North Dakota

I have audited the accompanying cash basis financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Reiles Acres as of and for the year ended December 31, 2017 and 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Reiles Acres as of December 31, 2017 and 2018, and the changes in cash basis financial position and cash flows, where applicable, thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated December 20, 2019, on my considerations of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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.



West Fargo, North Dakota
December 20, 2019

CITY OF REILE'S ACRES
 STATEMENT OF NET POSITION- CASH BASIS
 DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	394,611.55	148,246.04	542,857.59
			-
			-
			-
			-
Total Assets	394,611.55	148,246.04	542,857.59
LIABILITIES			
Accounts Payable			-
Total liabilities	-	-	-
NET POSITION			
Net investment in capital assets	-	-	-
Restricted for:			-
Capital projects			-
Debt service			-
Unrestricted	394,611.55	148,246.04	542,857.59
Total net position	394,611.55	148,246.04	542,857.59

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

CITY OF REILE'S ACRES
 STATEMENT OF ACTIVITIES- CASH BASIS
 YEAR ENDED DECEMBER 31, 2018

	Expenses	Program Revenues		Revenue & Changes
		Charges for Services	Operating grants and Contributions	in Net Position Governmental Activities
Governmental activities:				
General government	181,580.38			(181,580.38)
Public safety	4,270.00			(4,270.00)
Highways and streets	27,361.89		-	(27,361.89)
Park	51,639.32			(51,639.32)
Other capital outlays	15,428.16			(15,428.16)
Interest expense	107,540.68			(107,540.68)
Total Governmental Activities	387,820.43	-	-	(387,820.43)
Business-type activities				
				-
Sewer	83,827.40	83,806.98		(20.42)
Garbage	44,101.27	45,575.23		1,473.96
Total Business-type activities	127,928.67	129,382.21	-	1,453.54
Total	515,749.10	129,382.21	-	(386,366.89)
Net expense		Governmental (387,820.43)	Business-type 1,453.54	Total (386,366.89)
General Revenues				
Property taxes		147,967.48		147,967.48
Bond proceeds		14,417.99		14,417.99
Special assessments		116,245.13		116,245.13
Licenses and permits		67,258.52		67,258.52
Intergovernmental		85,748.83		85,748.83
Interest income		2,050.22		2,050.22
Other revenue		74,738.47	4,692.60	79,431.07
Total general revenues		508,426.64	4,692.60	513,119.24
Transfers in (out)		-	-	-
Change in Net Position		120,606.21	6,146.14	126,752.35
Net Position- January 1		274,005.34	142,099.90	416,105.24
Net Position- December 31		394,611.55	148,246.04	542,857.59

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

CITY OF REILE'S ACRES
 BALANCE SHEET- GOVERNMENTAL FUNDS- CASH BASIS
 DECEMBER 31, 2018

	GENERAL	ROAD	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	87,715.59	104,540.68	202,355.28	394,611.55
Total Assets	87,715.59	104,540.68	202,355.28	394,611.55
LIABILITIES				
Accounts Payable				
Total liabilities	-	-	-	-
FUND BALANCE				
Restricted for Capital Projects				
Restricted for Debt Service				
Restricted for other purposes			202,355.28	
Unassigned	87,715.59	104,540.68	-	394,611.55
Total fund balance	87,715.59	104,540.68	202,355.28	394,611.55
Total liabilities and fund balance	87,715.59	104,540.68	202,355.28	394,611.55

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

CITY OF REILE'S ACRES
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- CASH BASIS
 YEAR ENDED DECEMBER 31, 2018

	GENERAL	ROAD	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	147,967.48		-	147,967.48
Permits	67,258.52		-	67,258.52
Special Assessments		116,245.13	-	116,245.13
Intergovernmental	85,748.83		-	85,748.83
Interest	2,050.22		-	2,050.22
Charges for services	-		2,205.00	2,205.00
Other	12,533.47		60,000.00	72,533.47
Total Revenues	315,558.52	116,245.13	62,205.00	494,008.65
Current:				
General government	146,503.23	-	35,077.15	181,580.38
Public safety	4,270.00		-	4,270.00
Highways and streets	27,361.89		-	27,361.89
Park	51,639.32		-	51,639.32
Capital outlays		15,428.16	-	15,428.16
Debt Service				-
Principal		66,034.65	-	66,034.65
Interest expense		41,506.03	-	41,506.03
Total Expenditures	229,774.44	122,968.84	35,077.15	387,820.43
Excess revenues (expenditures)	85,784.08	(6,723.71)	27,127.85	106,188.22
Other Financing Sources (Uses):				
Transfers in	-	82,241.30	22,800.00	105,041.30
Transfers out	(105,041.30)		-	(105,041.30)
Bond proceeds		14,417.99	-	14,417.99
Total other financing sources and uses	(105,041.30)	96,659.29	22,800.00	14,417.99
Net change in fund balances	(19,257.22)	89,935.58	49,927.85	120,606.21
Fund balance- beginning	106,972.81	14,605.10	152,427.43	274,005.34
Fund balance- ending	87,715.59	104,540.68	202,355.28	394,611.55

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

CITY OF REILE'S ACRES
 STATEMENT OF NET POSITION- CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2018

	Sewer	Sanitation	Total
ASSETS			
Cash and investments	131,896.89	16,349.15	148,246.04
			-
			-
			-
			-
Total Assets	131,896.89	16,349.15	148,246.04
LIABILITIES			
Accounts Payable			-
			-
			-
			-
			-
Total liabilities	-	-	-
NET POSITION			
Net investment in capital assets	-	-	-
Restricted for:			
Capital projects			-
Debt service			-
Unrestricted	131,896.89	16,349.15	148,246.04
Total net position	131,896.89	16,349.15	148,246.04

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

CITY OF REILE'S ACRES
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- CASH BASIS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2018

	Sewer	Sanitation	Total
OPERATING REVENUE			
Charges for services	83,806.98	45,575.23	129,382.21
OPERATING EXPENSES			
Salaries and benefits	2,400.00	1,160.00	3,560.00
Professional fees			-
Insurance	1,000.00		1,000.00
City of Fargo	56,378.85		56,378.85
Electricity	-		-
Miscellaneous	2,256.00		2,256.00
Repairs and maintenance	19,750.00		19,750.00
Contract services		42,941.27	42,941.27
Office expense	2,042.55		2,042.55
Total operating expenses	83,827.40	44,101.27	127,928.67
Operating income (loss)	(20.42)	1,473.96	1,453.54
NON-OPERATING REVENUE (EXPENSE)			
Property taxes			-
Interest income	-	-	-
Grant income			-
Interest expense			-
Capital outlay			-
Other	4,692.60	-	4,692.60
Total non-operating rev (exp)	4,692.60	-	4,692.60
Income (loss) before transfers	4,672.18	1,473.96	6,146.14
Transfers in	-	-	-
Transfers out	-	-	-
Change in net position	4,672.18	1,473.96	6,146.14
Net Position- January 1	127,224.71	14,875.19	142,099.90
Net Position- December 31	131,896.89	16,349.15	148,246.04

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

CITY OF REILE'S ACRES
STATEMENT OF CASH FLOWS- CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	83,806.98	45,575.23	129,382.21
Payments to suppliers	(81,427.40)	(42,941.27)	(124,368.67)
Payments to employees	(2,400.00)	(1,160.00)	(3,560.00)
Other receipts	4,692.60	-	4,692.60
Net cash provided by (used in) operating activities	4,672.18	1,473.96	6,146.14
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	-	-
Transfers from other funds	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Debt proceeds	-	-	-
Net cash provided by (used in) capital and related financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	-	-
Net cash provided by (used in) investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	4,672.18	1,473.96	6,146.14
Balance- beginning of year	127,224.71	14,875.19	142,099.90
Balance- end of year	131,896.89	16,349.15	148,246.04
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(20.42)	1,473.96	1,453.54
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense			-
Change in assets and liabilities:			-
Refundable deposits			-
Miscellaneous receipts (expense)	4,692.60	-	4,692.60
Net cash provided by operating activities	4,672.18	1,473.96	6,146.14

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

CITY OF REILE'S ACRES
 STATEMENT OF NET POSITION- CASH BASIS
 DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	274,005.34	142,099.90	416,105.24
			-
			-
			-
			-
Total Assets	274,005.34	142,099.90	416,105.24
LIABILITIES			
Accounts Payable			-
Total liabilities			
	-	-	-
NET POSITION			
Net investment in capital assets	-	-	-
Restricted for:			-
Capital projects			-
Debt service			-
Unrestricted	274,005.34	142,099.90	416,105.24
Total net position	274,005.34	142,099.90	416,105.24

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

CITY OF REILE'S ACRES
 STATEMENT OF ACTIVITIES- CASH BASIS
 YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues Charges for Services	Operating grants and Contributions	Revenue & Changes in Net Position Governmental Activities
Governmental activities:				
General government	144,238.23			(144,238.23)
Public safety	3,917.00			(3,917.00)
Highways and streets	67,287.30		-	(67,287.30)
Park	163,247.47			(163,247.47)
Other capital outlays	1,708,912.15			(1,708,912.15)
Interest expense	-			-
Total Governmental Activities	2,087,602.15	-	-	(2,087,602.15)
Business-type activities				
Sewer	129,407.15	83,240.75		(46,166.40)
Garbage	41,106.16	42,229.26		1,123.10
Total Business-type activities	170,513.31	125,470.01	-	(45,043.30)
Total	2,258,115.46	125,470.01	-	(2,132,645.45)
Net expense		Governmental (2,087,602.15)	Business-type (45,043.30)	Total (2,132,645.45)
General Revenues				
Property taxes		112,463.83		112,463.83
Bond proceeds		1,787,136.14		1,787,136.14
Special assessments		26,000.00		26,000.00
Licenses and permits		37,298.47		37,298.47
Intergovernmental		80,358.62		80,358.62
Interest income		490.73	1,000.00	1,490.73
Other revenue		107,976.04	4,157.28	112,133.32
Total general revenues		2,151,723.83	5,157.28	2,156,881.11
Transfers in (out)		-	-	-
Change in Net Position		64,121.68	(39,886.02)	24,235.66
Net Position- January 1		209,883.66	181,985.92	391,869.58
Net Position- December 31		274,005.34	142,099.90	416,105.24

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

CITY OF REILE'S ACRES
 BALANCE SHEET- GOVERNMENTAL FUNDS- CASH BASIS
 DECEMBER 31, 2017

	GENERAL	ROAD	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	106,972.81	14,605.10	152,427.43	274,005.34
Total Assets	106,972.81	14,605.10	152,427.43	274,005.34
LIABILITIES				
Accounts Payable				
Total liabilities	-	-	-	-
FUND BALANCE				
Restricted for Capital Projects				
Restricted for Debt Service				
Restricted for other purposes			152,427.43	
Unassigned	106,972.81	14,605.10	-	274,005.34
Total fund balance	106,972.81	14,605.10	152,427.43	274,005.34
Total liabilities and fund balance	106,972.81	14,605.10	152,427.43	274,005.34

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

CITY OF REILE'S ACRES
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- CASH BASIS
 YEAR ENDED DECEMBER 31, 2017

	GENERAL	ROAD	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	112,463.83		-	112,463.83
Permits	37,298.47			37,298.47
Special Assessments			26,000.00	26,000.00
Intergovernmental	80,358.62		-	80,358.62
Interest	390.73		100.00	490.73
Charges for services	-		815.00	815.00
Other	95,161.04		12,000.00	107,161.04
Total Revenues	325,672.69	-	38,915.00	364,587.69
Current:				
General government	100,276.68	-	43,961.55	144,238.23
Public safety	3,917.00		-	3,917.00
Highways and streets	67,287.30		-	67,287.30
Park	163,247.47			163,247.47
Capital outlays		1,708,912.15	-	1,708,912.15
Debt Service				-
Principal			-	-
Interest expense			-	-
Total Expenditures	334,728.45	1,708,912.15	43,961.55	2,087,602.15
Excess revenues (expenditures)	(9,055.76)	(1,708,912.15)	(5,046.55)	(1,723,014.46)
Other Financing Sources (Uses):				
Transfers in	-	14,605.10	22,660.98	37,266.08
Transfers out	(37,266.08)		-	(37,266.08)
Bond proceeds		1,787,136.14	-	1,787,136.14
Total other financing sources and uses	(37,266.08)	1,801,741.24	22,660.98	1,787,136.14
Net change in fund balances	(46,321.84)	92,829.09	17,614.43	64,121.68
Fund balance- beginning	153,294.65	(78,223.99)	134,813.00	209,883.66
Fund balance- ending	106,972.81	14,605.10	152,427.43	274,005.34

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

CITY OF REILE'S ACRES
 STATEMENT OF NET POSITION- CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2017

	Sewer	Sanitation	Total
ASSETS			
Cash and investments	127,224.71	14,875.19	142,099.90
			-
			-
			-
			-
Total Assets	127,224.71	14,875.19	142,099.90
LIABILITIES			
Accounts Payable			-
			-
			-
			-
			-
Total liabilities	-	-	-
NET POSITION			
Net investment in capital assets	-	-	-
Restricted for:			
Capital projects			-
Debt service			-
Unrestricted	127,224.71	14,875.19	142,099.90
Total net position	127,224.71	14,875.19	142,099.90

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

CITY OF REILE'S ACRES
 STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- CASH BASIS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2017

	Sewer	Sanitation	Total
OPERATING REVENUE			
Charges for services	83,240.75	42,229.26	125,470.01
OPERATING EXPENSES			
Salaries and benefits	2,100.00	900.00	3,000.00
Professional fees			-
Insurance	1,000.00		1,000.00
City of Fargo	52,423.80		52,423.80
Electricity	-		-
Miscellaneous	10,789.85		10,789.85
Repairs and maintenance	62,220.00		62,220.00
Contract services		40,206.16	40,206.16
Office expense	873.50		873.50
Total operating expenses	129,407.15	41,106.16	170,513.31
Operating income (loss)	(46,166.40)	1,123.10	(45,043.30)
NON-OPERATING REVENUE (EXPENSE)			
Property taxes			-
Interest income	825.00	175.00	1,000.00
Grant income			-
Interest expense			-
Capital outlay			-
Other	4,157.28	-	4,157.28
Total non-operating rev (exp)	4,982.28	175.00	5,157.28
Income (loss) before transfers	(41,184.12)	1,298.10	(39,886.02)
Transfers in	-	-	-
Transfers out	-	-	-
Change in net position	(41,184.12)	1,298.10	(39,886.02)
Net Position- January 1	168,408.83	13,577.09	181,985.92
Net Position- December 31	127,224.71	14,875.19	142,099.90

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

CITY OF REILE'S ACRES
STATEMENT OF CASH FLOWS- CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	83,240.75	42,229.26	125,470.01
Payments to suppliers	(127,307.15)	(40,206.16)	(167,513.31)
Payments to employees	(2,100.00)	(900.00)	(3,000.00)
Other receipts	4,157.28	-	4,157.28
Net cash provided by (used in) operating activities	(42,009.12)	1,123.10	(40,886.02)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	-	-
Transfers from other funds	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Debt proceeds	-	-	-
Net cash provided by (used in) capital and related financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	825.00	175.00	1,000.00
Net cash provided by (used in) investing activities	825.00	175.00	1,000.00
Net increase (decrease) in cash and cash equivalents	(41,184.12)	1,298.10	(39,886.02)
Balance- beginning of year	168,408.83	13,577.09	181,985.92
Balance- end of year	127,224.71	14,875.19	142,099.90
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(46,166.40)	1,123.10	(45,043.30)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense			-
Change in assets and liabilities:			
Refundable deposits			-
Miscellaneous receipts (expense)	4,157.28	-	4,157.28
Net cash provided by operating activities	(42,009.12)	1,123.10	(40,886.02)

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

CITY OF REILES ACRES
REILES ACRES, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Based on the above criteria the city no component units.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

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

CITY OF REILES ACRES
NOTES TO FINANCIAL STATEMENTS- CONTINUED

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

Sewer- accounts for operating activities of the City's sewer utility services.

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

CITY OF REILES ACRES
NOTES TO FINANCIAL STATEMENTS- CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting as defined below.

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

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

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (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 assets.

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

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

CITY OF REILES ACRES
NOTES TO FINANCIAL STATEMENTS- CONTINUED

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

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

D. Budgets

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

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

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Investments consist of certificates of deposits stated at cost.

CITY OF REILES ACRES
NOTES TO FINANCIAL STATEMENTS- CONTINUED

F. Capital Assets

The City does not maintain fixed asset records.

G. Long-Term Obligations

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

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

H. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

I. Interfund Transactions

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

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

CITY OF REILES ACRES
NOTES TO FINANCIAL STATEMENTS- CONTINUED

J. Use of estimates

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Council did not amend the City budget for 2017 and 2018.

EXPENDITURES OVER APPROPRIATIONS

The City did not overspend any budgets

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

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

CITY OF REILES ACRES
NOTES TO FINANCIAL STATEMENTS- CONTINUED

At December 31, 2017 and 2018, the City's carrying amount of deposits was \$391,870. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$141,870 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

Concentration of Credit Risk

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

NOTE 4: PROPERTY TAXES

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable. The County treasurer acts as and agent to collect property taxes levied in the County for all taxing authorities. Any material tax collections are distributed after the end of each month.

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

CITY OF REILES ACRES
 NOTES TO FINANCIAL STATEMENTS- CONTINUED

NOTE 5: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2017 and 2018, the following changes occurred in liabilities reported in long-term debt:

	Payable 2017	Increases	Decreases	Payable 2018	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	1,787,136	14,418	66,035	1,735,519	

NOTE 6: TRANSFERS

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

The City transferred from General to Equipment- \$8,000. The City transferred from the General fund to Light fund- \$9,800. The City transferred from the Sewer to the Sewer Replacement Fund- \$15,000. The City transferred from the General Fund to the Building Fund- \$5,000. The City transferred from the General Fund to the Road Fund- \$82,241.

CITY OF REILES ACRES
NOTES TO FINANCIAL STATEMENTS- CONTINUED

NOTE 7: RISK MANAGEMENT

The City is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), 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 NDRIF for its general liability and automobile insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence. The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage. The City has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

CITY OF REILES ACRES

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2017 AND 2018

City of Reiles Acres
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Harold J. Rotunda

Certified Public Accountant

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

City Council
City of Reiles Acres
Reiles Acres, North Dakota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Reiles Acres as of and for the year ended December 31, 2017 and 2018, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Reiles Acres's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I do not express an opinion on the effectiveness of internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2017 and 2018-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Reiles Acres's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

City's Response to Findings

City of Reiles Acres's response to the finding identified in my audit is described in the accompanying schedule of findings. City of Reiles Acres's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Harold Rotunda, CPA
December 20, 2019

CITY OF REILES ACRES
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	___X___	No
Significant deficiencies identified not Considered to be material weaknesses?	___X___	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	___X___	No

Section II- Financial Statement Findings

Finding No. 2017 and 2018-1

Condition

The limited number of staff prevents a proper segregation of duties.

Criteria

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect

Inadequate segregation of duties could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

CITY OF REILES ACRES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2018

Recommendation

While I recognize that the City office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal accounting control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve the efficiency and effectiveness of the City.

Client Response

At the present time, the City has segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.