

**CITY OF STREETER
STREETER, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2014

TABLE OF CONTENTS

	Page
City Officials	1
INDEPENDENT AUDITOR'S REPORT	2
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	7
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	9
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the Government-Wide Statement of Activities	10
Statement of Net Position - Proprietary Funds	11
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	12
Statement of Cash Flows - Proprietary Funds	13
Statement of Fiduciary Net Position	14
Notes to the Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Statement – General Fund	32

SUPPLEMENTARY INFORMATION

Combining and Individual Nonmajor Funds - Balance Sheet – Governmental Funds	33
Combining and Individual Nonmajor Funds– Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	34
Schedule of Expenditures of Federal Awards	35
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDIT STANDARDS</i>	36
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	38
Schedule of Findings and Questioned Costs	41
Corrective Action Plan	49

**CITY OF STREETER
STREETER, NORTH DAKOTA**

City Officials

December 31, 2014

Jeff Williams

Mayor

Doug Wittmier
Lloyd Viel
Harold Goldsmith
Audrey Ruff

General Member
General Member
General Member
General Member

Tracy Voldness

City Auditor

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Streeter, North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Streeter, North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the City's basic government 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 accounting principles generally accepted in the United States of America; this includes 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 of 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Waterline Fund	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified
Garbage Fund	Qualified
Streeter Apartments	Qualified
Aggregate remaining funds	Unmodified

Basis for Qualified Opinion on Governmental Activities, Business-Type Activities and Enterprise Funds

Management has elected to record capital assets at their insured values. Accounting principles generally accepted in the United States of America require that capital assets be recorded at cost. The amount by which this departure would affect the capital assets of governmental activities, business-type activities and enterprise funds has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities, Business-Type Activities and Enterprise Funds” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and enterprise funds (Water, Sewer, Garbage and Streeter Apartments), except as disclosed in Basis for Qualified Opinion on Governmental Activities, Business-Type Activities and Enterprise Funds paragraph, of the City of Streeter, North Dakota, as of December 31, 2014, and, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Waterline Fund and the aggregate remaining fund information of the City of Streeter, North Dakota, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis and budgetary comparison information for general fund and major special revenue funds be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the budgetary comparison statement – general fund in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Our opinion on the basic financial statements is not affected by this matter.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Streeter, North Dakota’s basic financial statements. The listing of city officials, combining and individual nonmajor fund financial statements, and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, Audits of *States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement 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 combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2020, on our consideration of the City of Streeter’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 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 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 of Streeter’s internal controls over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA**

July 13, 2020

CITY OF STREETER
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 265,649	\$ 44,811	\$ 310,460
Accounts receivable	450	10,568	11,018
Grant receivable	65,914	-	65,914
Internal receivables (payables)	(55,586)	55,586	-
Total current assets	<u>276,427</u>	<u>110,965</u>	<u>387,392</u>
Capital assets			
Nondepreciable			
Construction in progress	2,348,574	-	2,348,574
Depreciable			
Buildings	713,275	487,530	1,200,805
Infrastructure	-	484,530	484,530
Equipment	183,675	411,091	594,766
Less accumulated depreciation	(100,030)	(182,259)	(282,289)
Total capital assets, net of depreciation	<u>796,920</u>	<u>1,200,892</u>	<u>1,997,812</u>
Total capital assets	<u>3,145,494</u>	<u>1,200,892</u>	<u>4,346,386</u>
TOTAL ASSETS	<u>3,421,921</u>	<u>1,311,857</u>	<u>4,733,778</u>
LIABILITIES			
Current liabilities			
Accounts payable	27,734	4,542	32,276
Payroll liabilities	3,078	-	3,078
Interest payable	14,393	-	14,393
Due to agency fund	11,524	-	11,524
Retainage payable	193,678	-	193,678
Deferred revenues	8,010	-	8,010
Long-term liabilities due within one year			
Bonds payable	1,270,000	-	1,270,000
Total current liabilities	<u>1,528,417</u>	<u>4,542</u>	<u>1,532,959</u>
NET POSITION			
Net investment in capital assets	1,681,816	1,200,892	2,882,708
Restricted for county/state roads	2,830	-	2,830
Unrestricted	208,858	106,423	318,111
Total net position	<u>\$ 1,893,504</u>	<u>\$ 1,307,315</u>	<u>\$ 3,200,819</u>

See Notes to the Financial Statements

CITY OF STREETER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 47,402	\$ 2,534	\$ 4,000	\$ 926,283	\$ 885,415	\$ -	\$ 885,415
Highways and streets	50,015	-	-	-	(50,015)	-	(50,015)
Public services	52,186	-	-	-	(52,186)	-	(52,186)
Interest and fiscal charges	15,092	-	-	-	(15,092)	-	(15,092)
Total governmental activities	164,695	2,534	4,000	926,283	768,122	-	768,122
Business-type activities:							
Water operating fund	80,424	47,505	-	-	-	(32,919)	(32,919)
Garbage operating fund	30,532	31,239	-	-	-	707	707
Sewer operating fund	26,536	8,765	-	-	-	(17,771)	(17,771)
Streeter apartments fund	41,223	27,286	-	-	-	(13,937)	(13,937)
Total business-type activities	178,715	114,795	-	-	-	(63,920)	(63,920)
Total primary government	\$ 343,410	\$ 117,329	\$ 4,000	\$ 926,283	\$ 768,122	\$ (63,920)	\$ 704,202
General Revenues							
Taxes:							
Property taxes					\$ 37,927	\$ -	\$ 37,927
Sales taxes					30,479	-	30,479
Highway tax					14,626	-	14,626
State aid					19,058	-	19,058
Miscellaneous					9,671	-	9,671
Investment earnings					892	-	892
Total general revenues					112,653	-	112,653
Change in net position					880,775	(63,920)	816,855
Net position - January 1					1,012,729	1,371,235	2,383,964
Net position - December 31					\$ 1,893,504	\$ 1,307,315	\$ 3,200,819

See Notes to the Financial Statements

CITY OF STREETER
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Waterline	Nonmajor Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 185,241	\$ 80,408	-	\$ 265,649
Accounts receivable	450	-	-	450
Due from other funds	78,908	-	3,667	82,575
Total assets	<u>\$ 264,599</u>	<u>\$ 80,408</u>	<u>\$ 3,667</u>	<u>\$ 348,674</u>
LIABILITIES				
Accounts payable	\$ 3,372	\$ 6,037	\$ 837	\$ 10,246
Payroll liabilities	3,078	-	-	3,078
Due to other funds	35,747	101,129	1,285	138,161
Due to agency fund	11,524	-	-	11,524
Retainage payable	-	-	-	-
Deferred revenues	8,010	-	-	8,010
Total liabilities	<u>61,731</u>	<u>107,166</u>	<u>2,122</u>	<u>171,019</u>
FUND BALANCES				
Restricted:				
State/county roads	-	-	2,830	2,830
Unassigned	202,868	(26,758)	(1,285)	174,825
Total fund balances	<u>202,868</u>	<u>(26,758)</u>	<u>1,545</u>	<u>177,655</u>
Total liabilities and fund balances	<u>\$ 264,599</u>	<u>\$ 80,408</u>	<u>\$ 3,667</u>	<u>\$ 348,674</u>

See Notes to the Financial Statements

CITY OF STREETER
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Total Governmental Funds Balance		\$ 177,655
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.</p>		3,145,494
<p>On governmental fund financial statements, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Government-wide financial statements are reported using the accrual basis of accounting. Therefore, revenues applicable to the current year, but received after 60 days subsequent to year-end are only reported on government-wide financial statements.</p>		65,914
<p>Retainage and accounts payable paid after 60 days of the end of the fiscal year are not recorded on governmental fund financials in accordance with the current financials resources measurement focus. Government-wide financial statements recognize expenses on the full accrual basis.</p>		
Accounts payable	(17,488)	
Retainage payable	<u>(193,678)</u>	(211,166)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
<p>Balances at December 31, 2014 are:</p>		
Bonds payable	(1,270,000)	
Interest payable	<u>(14,393)</u>	
Total long-term liabilities		<u>(1,284,393)</u>
Net Position of Governmental Activities		<u>\$ 1,893,504</u>

See Notes to the Financial Statements

CITY OF STREETER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Waterline	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 55,232	-	\$ 15,360	\$ 70,592
Special assessments	12,440	-	-	12,440
Licenses and permits	2,235	-	-	2,235
Intergovernmental	18,893	860,370	166	879,429
Interest income	117	735	40	892
Donations	4,000	-	-	4,000
Miscellaneous	10,305	299	1,280	11,884
Total revenues	<u>103,222</u>	<u>861,404</u>	<u>16,846</u>	<u>981,472</u>
EXPENDITURES				
Current:				
General government	49,194	122	-	49,316
Public services	5,950	4,579	41,658	52,187
Debt service:				
Principal retirement	-	-	14,325	14,325
Interest and fiscal charges	-	-	711	711
Fees	-	-	-	-
Capital outlay	-	1,983,817	-	1,983,817
Total expenditures	<u>55,144</u>	<u>1,988,518</u>	<u>56,694</u>	<u>2,100,356</u>
Excess of revenues over (under) expenditures	<u>48,078</u>	<u>(1,127,114)</u>	<u>(39,848)</u>	<u>(1,118,884)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,617	-	-	11,617
Transfers out	-	-	(11,617)	(11,617)
Total other financing sources	<u>11,617</u>	<u>-</u>	<u>(11,617)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures	59,695	(1,127,114)	(51,465)	(1,118,884)
Fund balance - January 1	143,173	1,100,356	53,010	1,296,539
Fund balance - December 31	<u>\$ 202,868</u>	<u>\$ (26,758)</u>	<u>\$ 1,545</u>	<u>\$ 177,655</u>

See Notes to the Financial Statements

CITY OF STREETER
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Net Change in Fund Balance - Governmental Funds \$ (1,118,884)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	2,194,983	
Depreciation expense	<u>(50,015)</u>	
Excess of capital outlay over depreciation expense		2,144,968

Government wide statements recognize revenues on the accrual basis while governmental funds recognize revenues in accordance with the current financial resources measurement focus. Accordingly, revenues received after 60 days of year end are only recognized on government-wide financials statements. 65,914

Government wide statements recognize expenditures on the accrual basis while governmental funds recognize expenditures in accordance with the current financial resources measurement focus. Accordingly, expenditures applicable to the fiscal year, but paid subsequent to 60 days after year end are only recognized on government-wide financials statements. (211,167)

Government wide statements recognize interest expense for interest accrued on bonds payable, while governmental funds recognize interest expense when paid. (14,381)

Governmental funds report repayment of principal on long-term liabilities as an expenditure because the repayments use current financial resources. In contrast, the repayments reduce the balance of the long-term liabilities in the Statement of Net Position. 14,325

Change in Net Position \$ 880,775

See Notes to the Financial Statements

CITY OF STREETER
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds				Total Enterprise Funds
	Water	Garbage	Sewer	Streeter Apartments	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 17,276	\$ 27,535	\$ 44,811
Accounts receivable	4,287	5,570	711	-	10,568
Due from other funds	9,701	23,039	22,846	-	55,586
Total current assets	<u>13,988</u>	<u>28,609</u>	<u>40,833</u>	<u>27,535</u>	<u>110,965</u>
Capital assets:					
Buildings	89,308	-	43,027	355,195	487,530
Infrastructure	484,530	-	-	-	484,530
Equipment	243,299	-	167,792	-	411,091
Less accumulated depreciation	<u>(107,770)</u>	<u>-</u>	<u>(50,809)</u>	<u>(23,680)</u>	<u>(182,259)</u>
Total capital assets, net of accumulated depreciation	<u>709,367</u>	<u>-</u>	<u>160,010</u>	<u>331,515</u>	<u>1,200,892</u>
Total assets	<u>\$ 723,355</u>	<u>\$ 28,609</u>	<u>\$ 200,843</u>	<u>\$ 359,050</u>	<u>\$ 1,311,857</u>
LIABILITIES					
Accounts payable	<u>\$ 2,378</u>	<u>\$ 2,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,542</u>
NET POSITION					
Net investment in capital assets	709,367	-	160,010	331,515	1,200,892
Unrestricted	<u>11,610</u>	<u>26,445</u>	<u>40,833</u>	<u>27,535</u>	<u>106,423</u>
Total net position	<u>720,977</u>	<u>26,445</u>	<u>200,843</u>	<u>359,050</u>	<u>1,307,315</u>
Total liabilities and net position	<u>\$ 723,355</u>	<u>\$ 28,609</u>	<u>\$ 200,843</u>	<u>\$ 359,050</u>	<u>\$ 1,311,857</u>

See Notes to the Financial Statements

CITY OF STREETER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds				Total Enterprise Funds
	Water	Garbage	Sewer	Streeter Apartments	
OPERATING REVENUES					
Charges for sales and services:					
Charges for services	\$ 47,448	\$ 31,239	\$ 8,732	\$ 27,286	\$ 114,705
OPERATING EXPENDITURES					
Water	23,962	-	-	-	23,962
Sewer	-	-	1,131	-	1,131
Garbage	-	30,532	-	-	30,532
Rental	-	-	-	29,383	29,383
Depreciation	53,885	-	25,405	11,840	91,130
Total operating expenses	77,847	30,532	26,536	41,223	176,138
Operating income (loss)	(30,399)	707	(17,804)	(13,937)	(61,433)
NON-OPERATING INCOME					
Interest income	57	-	33	-	90
Interest expense	(2,577)	-	-	-	(2,577)
Total non-operating income (expenses)	(2,520)	-	33	-	(2,487)
Change in net position	(32,919)	707	(17,771)	(13,937)	(63,920)
Net position - January 1	753,896	25,738	218,614	372,987	1,371,235
Net position - December 31	\$ 720,977	\$ 26,445	\$ 200,843	\$ 359,050	\$ 1,307,315

See Notes to the Financial Statements

CITY OF STREETER
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Water	Garbage	Sewer	Streeter Apartments	Total
Cash flows from operating activities:					
Receipts from operating activities	\$ 48,746	\$ 28,251	\$ 8,609	\$ 27,286	\$ 112,892
Payments to suppliers	(19,434)	(26,218)	(1,131)	(29,383)	(76,166)
Payments to employees	(2,150)	(2,150)	-	-	(4,300)
Net cash provided (used) by operating activities	27,162	(117)	7,478	(2,097)	32,426
Cash flows from capital and related financing activities:					
Principal payments on long term debt	(81,420)	-	-	-	(81,420)
Cash flows from noncapital and related financing activities:					
Interest paid	(2,577)	-	-	-	(2,577)
Interest collected	57	-	33	-	90
Interfund receivable	41,902	(23,039)	(40,103)	-	(21,240)
Net cash provided (used) by noncapital and related financing activities	39,382	(23,039)	(40,070)	-	(23,727)
Net change in cash and cash equivalents	(14,876)	(23,156)	(32,592)	(2,097)	(72,721)
Cash and cash equivalents - January 1	14,876	23,156	49,868	29,632	87,900
Cash and cash equivalents - December 31	\$ -	\$ -	\$ 17,276	\$ 27,535	\$ 44,811
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income	\$ (30,399)	\$ 707	\$ (17,804)	\$ (13,937)	\$ (61,433)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	53,885	-	25,405	11,840	91,130
Accounts receivable	1,298	(2,988)	(123)	-	(1,813)
Accounts payable	2,378	2,164	-	-	4,542
Total adjustments	57,561	(824)	25,282	11,840	93,859
Net cash provided (used) by operating activities	\$ 27,162	\$ (117)	\$ 7,478	\$ (2,097)	\$ 32,426

See Notes to the Financial Statements

CITY OF STREETER
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Park District</u>
ASSETS	
Due from other funds	<u>\$ 11,524</u>
LIABILITIES	
Funds held for others	<u>\$ 11,524</u>

See Notes to the Financial Statements

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Streeter, North Dakota, is a municipal corporation governed by an elected mayor and four-member commission, and operates under a Home Rule Charter. The City has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are as follows:

Financial Reporting Entity

For financial reporting purposes, the City has included all funds and activities that make up its legal entity. The City has also included all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are 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. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all non-fiduciary activities of the City. The City's activities are distinguished between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees and charges for services.

The statement of net position presents the reporting entity's non-fiduciary assets, and liabilities with the difference reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund (agency funds are excluded as they have no measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Major revenues that are determined to be susceptible to accrual include taxes, intergovernmental, and special assessments. Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column. There are three categories of funds: governmental, proprietary and fiduciary. The funds of the financial entity are described below:

The City reports the following fund types:

Governmental Fund Types

General Fund accounts for all governmental financial resources, except for those required to be accounted for in other funds.

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

Capital project funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organization, or other governments.

Proprietary Fund Types

Enterprise funds are used to account for business-type activities provided to the general public and distinguish operating revenues and expenses from nonoperating items. Operating items result from providing services in connection with the proprietary fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues or expense.

Fiduciary Fund Types

Agency funds account for assets held by the City as an agent for other governmental units, or other organizations, and do not involve measurement of results of operations.

The City reports the following major governmental funds:

General Fund – This fund is the principal operating fund of the City. It is used to account for all financial resources that are not accounted for in other funds. Included are transactions for services such as general government, and public safety.

Waterline Fund – This fund accounts for the acquisition, construction, enlargement and capital improvement of the water system to serve the local jurisdiction of the City of Streeter.

The City reports the following major enterprise funds:

Water Fund - Accounts for the activities in providing water services to the public users.

Garbage Fund – Accounts for garbage pickup services provided to the residents of the City, and transfer station and recycling services provided to the public.

Sewer Fund – Accounts for the activities in providing sewer services to the public users.

Streeter Apartments – Accounts for the rental activities of the Streeter Apartments owned by the City.

Budgets and Budgetary Accounting

The City Council follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year.

The governing board reviews the preliminary budget, may make revisions, and approves it on or before September 10. On or about October 7, a public hearing is held for taxpayers to discuss any budgeted items. The governing body reviews the preliminary budget at the hearing, and may make

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

revisions that do not increase the total budget and prepares the final budget. The governing board adopts an ordinance approving the tax levy requested in the final budget. The final budget must be filed with the county auditor by October 10.

The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10.

Except as provided by North Dakota Century Code, the balance of each appropriation becomes a part of the unappropriated fund balance at year-end.

The City prepares its budget and reports its governmental funds on the same basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents for reporting purposes includes cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of change in value because of changes in interest rates. This includes investments with original maturity of three months or less.

Accounts Receivable

Accounts receivable consists of amounts owed on open accounts from private individuals or organizations for goods or services furnished by the City. Management has determined that all receivables are materially collectible, and therefore no allowance is recorded.

Capital Assets

Capital assets, which include infrastructure, construction in progress, property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All governmental and business-type activities capital assets are recorded based upon their appraised values as of 2014. The assets are updated for additions and retirements during the City's fiscal year. Improvements that significantly extend the useful life of the asset are also capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City's capitalization policy is \$5,000 and an estimated useful life in excess of one year or more.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All capital asset additions are depreciated over their estimated useful lives on a straight-line basis. The City has established the following useful lives:

Buildings	30 years
Building improvements	15 years
Equipment	7 years
Vehicles	5 years

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

Interfund Balances

Interfund receivables and payables have been eliminated from the statement of net position, except for the residual amounts due between governmental and business-type activities are reported in the government-wide financial statements as “due to/from other funds”.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment.

Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and are deferred and amortized over the life of the bonds on a straight-line basis over the term of the related issue. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position / Fund Balance

The difference between assets and liabilities is “Net Position” on the government-wide, proprietary, and fiduciary fund financial statements and “Fund Balance” on governmental fund financial statements.

Net position is reported in three categories:

- 1) Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, and other debt that are attributed to the acquisition, construction, or improvements of those assets.
- 2) Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

- 3) Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

In the fund financial statements, fund balance for governmental funds are reported in five 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 amount in those funds can be spent:

Nonspendable includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

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

Restricted amounts result when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (simple majority vote) of the City's highest level of decision-making authority (City commission) and cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit the amounts.

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

Unassigned is the residual classification for the General Fund and represents the amount that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the City's preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

Revenues and Expenditures/Expenses

In the government-wide statement of activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function for governmental activities. Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes.

In the government-wide financial statements, revenues are reported by source and are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction, available only for specified purposes. Unused restricted revenues at year-end are recorded as restricted fund balance. When revenues are not restricted or do not have constraints placed on their use, the funds are considered by the City's commission to be committed or set aside for a specific purpose. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first.

Property Taxes

All real estate is assessed as of the current value in April of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1st of the year following the assessment date.

A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15th. Penalty and interest are added on March 1st if the first half of the taxes is not paid. Additional penalty and interest are added on a quarterly basis to those taxes that are not paid.

Taxes are collected by the county and remitted monthly to the City.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting 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

Custodial Credit Risk

The City minimizes custodial credit risk by restrictions set forth in state statute. Custodial credit risk is the risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure the City would not be able to recover its deposits or collateralized securities that are in possession of outside parties. The City does not have a formal policy that addresses custodial credit risk for deposits. However, in accordance with state statutes, the City's commission requires that all City funds be deposited at financial institutions that are covered by

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

deferral deposit insurance. State statutes also require that the deposits be protected by insurance, collateral or a surety bond. The fair value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. The only exception is for funds that are deposited with the Bank of North Dakota, which is owned and backed by the full faith and credit of the State of North Dakota.

The City maintains cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000. At December 31, 2014, none of the City's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. All of the City's deposits are covered by pledged securities held in the City's name. These pledged securities exceed 110% of the uninsured balance.

NOTE 3 INTERFUND ACCOUNTS AND TRANSFERS

Interfund balances at December 31, 2014, consist of the following:

Interfund Due From / To

Fund	Due From	Due To
General Fund	\$ 78,908	\$ 35,747
Waterline	-	101,129
Nonmajor governmental funds	3,667	1,285
Water	9,701	-
Garbage	23,039	-
Sewer	22,846	-
	<u>\$ 138,161</u>	<u>\$ 138,161</u>

These balances are a result when a fund has a cash deficit. The interfund balances will be repaid in 2015.

Interfund Transfers

Fund	Transfer In	Transfer Out
General Fund	\$ 11,617	\$ -
Nonmajor governmental funds	-	11,617
	<u>\$ 11,617</u>	<u>\$ 11,617</u>

Transfers are used for various budgetary and financial management purposes.

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

NOTE 4 CAPITAL ASSETS

The following is a summary of capital assets during the fiscal year ending December 31, 2014:

	Balance 1/1/2014	Additions	Deletions	Balance 12/31/2014
Governmental Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 153,591	\$ 2,194,983	\$ -	\$ 2,348,574
Capital assets being depreciated:				
Buildings	713,275	-	-	713,275
Equipment	183,675	-	-	183,675
Total capital assets being depreciated:	<u>896,950</u>	<u>-</u>	<u>-</u>	<u>896,950</u>
Less accumulated depreciation for:				
Buildings	23,776	23,776	-	47,552
Equipment	26,239	26,239	-	52,478
Total accumulated depreciation	<u>50,015</u>	<u>50,015</u>	<u>-</u>	<u>100,030</u>
Total capital assets being depreciated, net	<u>846,935</u>	<u>(50,015)</u>	<u>-</u>	<u>796,920</u>
Total capital assets, net	<u>\$ 1,000,526</u>	<u>\$ 2,144,968</u>	<u>\$ -</u>	<u>\$ 3,145,494</u>
Business-type Activities:				
Capital assets being depreciated:				
Buildings	\$ 487,530	\$ -	\$ -	\$ 487,530
Infrastructure	484,530	-	-	484,530
Equipment	411,091	-	-	411,091
Total capital assets being depreciated:	<u>1,383,151</u>	<u>-</u>	<u>-</u>	<u>1,383,151</u>
Less accumulated depreciation for:				
Buildings	16,251	16,251	-	32,502
Infrastructure	16,151	16,151	-	32,302
Equipment	58,727	58,728	-	117,455
Total accumulated depreciation	<u>91,129</u>	<u>91,130</u>	<u>-</u>	<u>182,259</u>
Total capital assets, net	<u>\$ 1,292,022</u>	<u>\$ (91,130)</u>	<u>\$ -</u>	<u>\$ 1,200,892</u>

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

Governmental Activities:	
Highways and streets	<u>\$ 50,015</u>
Business-type Activities:	
Water	\$ 53,885
Sewer	25,405
Streeter Apartments	<u>11,840</u>
Total Business-type Activities Depreciation Expense	<u>\$ 91,130</u>

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

NOTE 5 LONG TERM DEBT

The following is a summary of long term debt transactions of the City of Streeter for the year ended December 31, 2014:

	Balance 1/1/14	Additions	Reductions	Balance 12/31/14	Due Within One Year
Governmental activities					
Revenue bonds payable	\$ 1,284,325	\$ -	\$ (14,325)	\$ 1,270,000	\$ 1,270,000
Business-type activities					
Notes payable	\$ 81,420	\$ -	\$ (81,420)	\$ -	\$ -

Long term debt at December 31, 2014 consists of the following individual issues:

Governmental activities:

<u>Revenue bonds payable:</u>	Balance 12/31/14
\$1,270,000 Temporary Revenue Bonds of 2013 (Water Main Replacement Project), \$1,270,000 issued as of December 15, 2013 - principal and interest due in lump sum on 4/15/15; interest rate of 0.85%. Paid by the Paving Fund.	<u>\$ 1,270,000</u>

The future expected requirements to amortize long-term debt, including interest, as of December 31, 2014 are as follows:

	Revenue Bonds Payable	
	Principal	Interest
2015	\$ 1,270,000	\$ 14,393

NOTE 6 DEFICIT FUND BALANCES

The following funds had a deficit fund balance as of December 31, 2014:

Fund	Amount
Waterline	\$ (26,758)
Cemetery	(1,285)

NOTE 7 RISK MANAGEMENT

The City is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. Settlements, resulting from these risks, have not exceeded insurance coverage in any of the past three fiscal years.

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

North Dakota Insurance Reserve Fund

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 2,500 political subdivisions. The City pays an annual premium to NDRIF for its general liability, auto, and public asset insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability, \$2,000,000 per accident for automobile coverage and to \$2,105,100 for public assets (mobile equipment and portable property) coverage.

State Fire and Tornado Fund

The City participates in the State Fire and Tornado Fund. The City pays an annual premium for the Fund to cover damage to buildings and contents. Replacement cost is estimated in consultation with the Fund to provide replacement cost coverage. The Fund currently provides the City with an aggregate coverage limit of \$250,000,000 with specific special limits varying from \$500 to \$500,000.

State Bonding Fund

The City participates in the State Bonding Fund. The Fund currently provides the City with blanket fidelity bond coverage in the amount of \$2,000,000 for its public employees and public officials. The Fund does not currently charge any premium for this coverage.

Workforce Safety & Insurance

The City participates in the Workforce Safety & Insurance (WSI). WSI is a state insurance fund and a “no fault” insurance system, covering employers and employees. WSI is financed by premiums assessed to employers. The premiums are available primarily for the payment of claims to employees injured in the course of employment.

NOTE 8 COMMITMENTS

At December 31, 2014, the City of Streeter had incurred a total of approximately \$2,350,000 of the total \$2,595,000 project costs for the water main improvement project. The remaining \$245,000 was paid during the year ending December 31, 2015.

NOTE 9 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This statement establishes a definition of a pension plan that Reflects the primary activities associated with the pension arrangement—Determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB 68 is effective for periods beginning after June 15, 2014.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning new pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, *Pensions provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units and amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the entity's financial statements.

CITY OF STREETER
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2014

NOTE 10 SUBSEQUENT EVENTS

On April 7, 2015, the temporary 2013 bonds were replaced with revenue bond of 2015 in the amount of \$1,270,000.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Federal state and local governments have since implemented various restrictions on travel, public gatherings, and business operations. Restrictions and government social distancing recommendations have significantly impacted the activities of the City. While the City expects this matter to negatively impact its results of operations and financial condition, the extent of the impact is uncertain.

Subsequent events have been evaluated through July 13, 2020, which is the date these financial statement were available to be issued.

CITY OF STREETER
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes	\$ 15,050	\$ 15,050	\$ 55,232	\$ 40,182
Licenses and permits	1,220	1,220	2,235	1,015
Intergovernmental	18,430	18,430	18,893	463
Special assessments	-	-	12,440	12,440
Interest	-	-	117	117
Donations	-	-	4,000	4,000
Miscellaneous	9,220	9,220	10,305	1,085
Total revenues	<u>43,920</u>	<u>43,920</u>	<u>103,222</u>	<u>59,302</u>
EXPENDITURES				
Current:				
Salaries	10,900	10,900	-	10,900
General	41,070	41,070	49,194	(8,124)
Public services	10,800	10,800	5,950	4,850
Miscellaneous	1,300	1,300	-	1,300
Total expenditures	<u>64,070</u>	<u>64,070</u>	<u>55,144</u>	<u>8,926</u>
Excess of revenues over (under) expenditures	<u>(20,150)</u>	<u>(20,150)</u>	<u>48,078</u>	<u>68,228</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,617	11,617
Excess of revenues and other sources over (under) expenditures	<u>\$ (20,150)</u>	<u>\$ (20,150)</u>	59,695	<u>\$ 79,845</u>
Fund balance - beginning of year			<u>143,173</u>	
Fund balance - end of year			<u>\$ 202,868</u>	

CITY OF STREETER
COMBINING AND INDIVIDUAL NONMAJOR FUNDS –
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	State/ County Road	Paving	Social Security	Cemetery	Total
ASSETS					
Due from other funds	\$ 3,667	\$ -	\$ -	\$ -	\$ 3,667
Total assets	<u>\$ 3,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,667</u>
LIABILITIES					
Accounts payable	\$ 837	\$ -	\$ -	\$ -	\$ 837
Due to other funds	-	-	-	1,285	1,285
Total liabilities	<u>837</u>	<u>-</u>	<u>-</u>	<u>1,285</u>	<u>2,122</u>
FUND BALANCES					
Restricted	2,830	-	-	-	2,830
Unassigned	-	-	-	(1,285)	(1,285)
Total fund balances	<u>2,830</u>	<u>-</u>	<u>-</u>	<u>(1,285)</u>	<u>1,545</u>
Total liabilities and fund balances	<u>\$ 3,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,667</u>

CITY OF STREETER
COMBINING AND INDIVIDUAL NONMAJOR FUNDS –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	State/ County Road	Paving	Social Security	Cemetery	Total
REVENUES					
Taxes	\$ 14,626	\$ 9	\$ -	\$ 725	\$ 15,360
Intergovernmental	166	-	-	-	166
Interest income	-	40	-	-	40
Miscellaneous	-	-	-	1,280	1,280
Total revenues	<u>14,792</u>	<u>49</u>	<u>-</u>	<u>2,005</u>	<u>16,846</u>
EXPENDITURES					
Current:					
Public services	37,658	-	-	4,000	41,658
Debt service:					
Principal retirement	-	14,325	-	-	14,325
Interest	-	711	-	-	711
Total expenditures	<u>37,658</u>	<u>15,036</u>	<u>-</u>	<u>4,000</u>	<u>56,694</u>
Excess of revenues over (under) expenditures	(22,866)	(14,987)	-	(1,995)	(39,848)
Other financing sources:					
Transfers out	-	(10,281)	(1,336)	-	(11,617)
Excess of revenues and other sources over (under) expenditures	(22,866)	(25,268)	(1,336)	(1,995)	(28,599)
Fund balance - January 1	<u>25,696</u>	<u>25,268</u>	<u>1,336</u>	<u>710</u>	<u>53,010</u>
Fund balance - December 31	<u>\$ 2,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,285)</u>	<u>\$ 1,545</u>

CITY OF STREETER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Federal Grantor/Federal Agency</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Direct Programs			
Water and Waste Disposal Systems for Rural Communities	10.760		<u>\$ 1,807,986</u>
Total U.S. Department of Agriculture			<u>1,807,986</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through South Central Dakota Regional Council			
Community Development Block Grants	14.228	B-12-DC-38-0001	<u>174,310</u>
Total U.S. Department of Housing and Urban Development			<u>174,310</u>
Total federal financial assistance			<u>\$ 1,982,296</u>

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Streeter. The information in this schedule is presented in accordance with requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule differ from amounts presented in, or used in the presentation of the basic financial statements.

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

To the City Council
City of Streeter, 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 Streeter, North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Streeter's basic financial statements and have issued our report thereon dated July 13, 2020, which contained a qualified opinion on governmental activities. In our report, our opinion was modified due to the District using a basis for reporting capital assets that is not in accordance with generally accepted accounting principles in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Streeter's internal control over financial reporting (internal control) to determine the auditing 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 City of Streeter's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Streeter's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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. We consider deficiencies 2014-001 through 2014-005 as described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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. We consider deficiencies 2014-006 and 2014-007 as described in the accompany schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Streeter'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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-006 through 2014-010.

City of Streeter's Responses to Findings

The City of Streeter's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Streeter's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 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.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

July 13, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council
City of Streeter, North Dakota

Report on Compliance for Each Major Federal Program

We have audited City of Streeter, North Dakota's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of City of Streeter, North Dakota's major federal programs for the year ended December 31, 2014. City of Streeter, North Dakota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Streeter, North Dakota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Streeter, North Dakota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Streeter, North Dakota's compliance.

Basis for Qualified Opinion on CFDA #10.760

As described in the accompanying schedule of findings and questioned costs, City of Streeter, North Dakota did not comply with requirements regarding reporting as identified in findings number 2014-008 and 2014-009. Compliance with such requirements is necessary, in our opinion, for City of Streeter, North Dakota to comply with the requirements applicable to that program.

Qualified Opinion on CFDA #10.760

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on CFDA #10.760 paragraph, City of Streeter, North Dakota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Water and Waste Disposal Systems for Rural Communities (CFDA #10.760) for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-010. Our opinion on each major federal program is not modified with respect to these matters.

City of Streeter, North Dakota's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Streeter, North Dakota's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of City of Streeter, North Dakota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Streeter, North Dakota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Streeter, North Dakota's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such

that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-008 and 2014-009 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-010 to be a significant deficiency.

City of Streeter, North Dakota's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Streeter, North Dakota's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

July 13, 2020

CITY OF STREETER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Qualified /
Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 x yes no

Significant deficiency(ies) identified?

 x yes none reported

Noncompliance material to financial statements noted?

 x yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 x yes no

Significant deficiency(ies) identified?

 x yes none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are Required to be reported in accordance with Circular A-133, Section .510(a)?

 x yes no

CFDA Number(s) Name of Federal Program or Cluster

10.760 Waste and Water Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

 yes x no

CITY OF STREETER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

Section II – Financial Statement Findings

2014-001 – Preparation of Financial Statements – Material Weakness

Criteria

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

Condition

The City has engaged its auditors to prepare the financial statements including all disclosures.

Cause

The City elected to not allocate resources for the preparation of the financial statements.

Effect

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

Recommendation

We recommend the City consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials

The City of Streeter is a small city and it is not cost effective to internally prepare full disclosure financial statements. The City will establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

2014-002 – Journal Entries - Material Weakness

Criteria

The City is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected on the modified cash basis of accounting.

Condition

During our audit, current year adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

Cause

The City's internal controls have not been designed to address the specific training needs required of its personnel to identify the adjustments necessary to properly reflect the financial statements in accordance with GAAP.

Effect

An appropriate system of internal controls is not present to make a determination that the general ledger accounts are properly adjusted in compliance with the modified cash basis of accounting.

CITY OF STREETER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Views of responsible officials

The City Auditor will review reports to identify mistakes prior to running Clerkbooks journal entries monthly/yearly to adjust entries to the proper funds. The City Auditor will determine the proper balance in each general ledger account prior to the audit being done each year.

2014-003 – Preparation of Schedule of Expenditures of Federal Awards – Material Weakness

Criteria

An appropriate system of internal controls requires the City to determine that the schedule of expenditures of federal awards (SEFA) is prepared in accordance with U.S. Office of Management Budget Circular A-133.

Condition

The City engaged its auditors to prepare the SEFA and determine all federal awards subject to Circular A-133.

Cause

The City engaged its auditor to prepare the SEFA due to budget and time constraints.

Effect

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

Recommendation

We recommend the City review its current training system for its accounting personnel and determine if it is cost effective for the City to prepare the SEFA internally.

Views of Responsible Officials

The City has not had funding since the 2014 project. Going forward we will maintain proper documentation and prepare the SEFA internally.

2014-004 – Lack of Segregation of Duties – Material Weakness

Criteria

A system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

Size and budget constraints limiting the number of personnel within the accounting department are the causes of this deficiency.

CITY OF STREETER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

Effect

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

Recommendation

We recognize that the current structure, size and budget of the City does not allow for proper segregation of duties. However, the Board should constantly be aware of this condition. Compensating controls that mitigate the related risk could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials

The City of Streeter is a small City and it is not costs effective to have multiple staff to segregate duties. All bills will be presented to the City Council monthly for approval and all financial reports and bank statements will be reviewed at each meeting.

2014-005 – Streeter Apartments – Material Weakness

Criteria

The City is required to identify all operations to be reported within the city's basic financial statements.

Condition

During our audit, it was determined that the Streeter Apartments are owned by the City of Streeter. As such, activities of the Streeter Apartments are required to be accounted for under a separate enterprise fund of the City of Streeter.

Cause

The City did not properly evaluate its relationship to the Streeter Apartments.

Effect

Without inclusion of the Streeter Apartments, the City's basic financial statements would be materially misstated.

Recommendation

We recommend that the City annual perform a review of all related activities and organizations to determine whether these activities need to be included within the city's basic financial statements as part of the general fund, a separate fund or as a component unit.

Views of Responsible Officials

Streeter Suites and Apartments will present bills along with a report of all activity and fund balance for City Council approval monthly. The City Auditor will review books from Streeter Suites and Apartments at the end of each year and prepare all necessary reports to properly include the activities of the Streeter Suites and Apartments as a separate enterprise fund of the City of Streeter.

CITY OF STREETER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

2014-006 – Budgets – Significant Deficiency

Criteria

The City is required to complete a preliminary budget on or before September 10 in accordance with NDCC 40-40-04. The City must certify any taxes or amend its current budget on or before the tenth day of October of each year in accordance with NDCC 57-15-31.1.

Condition

Preliminary budget was not prepared and approved by the City Council on or before September 10th. Support for approved final budget could not be provided by the City.

Cause

An appropriate system of internal controls is not present to ensure the City is in compliance with budget laws and regulations as established by North Dakota Century Code.

Effect

The City is not in compliance with budget requirements as established by North Dakota Century Code.

Recommendation

We recommend that the City implement a process to monitor this to ensure NDCC is adhered to as it relates to the city's budgets.

Views of Responsible Officials

The City has implemented a process to monitor the timing of the preliminary budget and final budget to ensure NDCC is adhered to as it relates to the City's budget.

2014-007 – Depositories – Significant Deficiency

Criteria

The City Council shall designate depositories of public funds in accordance with the provisions of NDCC 21-04-13 at its regular meeting in January of each even-numbered year.

Condition

A depository was not approved in accordance with NDCC 21-04-13 by the required January 2014 meeting.

Cause

An appropriate system of internal controls is not present to ensure the City's depositories were properly designated by the required date.

Effect

The City is not in compliance with NDCC 21-04-13.

CITY OF STREETER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

Recommendation

We recommend that the City implement a process to monitor this to ensure the depositories are approved by the required date.

Views of Responsible Officials

The City will designate depositories and approve them by the required date in January of every even-numbered year.

Section III – Federal Award Findings and Questioned Costs

2014-008 Reporting – Material Weakness

Federal Program

All Federal programs

Questioned Costs

None

Criteria

OMB Circular A-133 requires all entities that expend in excess of \$500,000 to file audited financial statements within 9 months of year-end.

Condition

The City's December 31, 2014 audited financial statements were not filed with the Federal Audit Clearinghouse within nine months of the City's year-end.

Cause

The City was unaware of the single audit requirement.

Effect

The City is not in compliance with OMB Circular A-133 requirements.

Recommendation

We recommend that the City ensure records are reconciled and available for audit within a timely manner of year end.

Views of Responsible Officials

The City will be preparing the audits for the 2015 to present upon completion of this audit of 2014. Audits will then be completed by the deadline each year. Single Audit requirements for future funding will be done in a timely manner.

2014-009 Reporting – Material Weakness

Federal Program

CFDA #10.760 Waste and Water Disposal Systems for Rural Communities

Questioned Costs

None

CITY OF STREETER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

Criteria

The program requires the City to submit Form RD 442-2, *Statement of Budget, Income and Equity* (OMB No. 0575-0015) and Form RD 442-3, *Balance Sheet* (OMB No. 0575-0015). The City did not prepare or submit either form.

Condition

The City is not been able to provide us with supporting documentation that Form RD 442-2, *Statement of Budget, Income and Equity* (OMB No. 0575-0015) and Form RD 442-3, *Balance Sheet* (OMB No. 0575-0015) were filed.

Context

We reviewed supporting documentation for the required reports for CFDA #10.760.

Effect

The failure to maintain adequate recordkeeping may result in the City not being in compliance with grant requirements.

Cause

Due to inadequate recordkeeping, the City failed to keep the required documentation that Form RD 442-2, *Statement of Budget, Income and Equity* (OMB No. 0575-0015) and Form RD 442-3, *Balance Sheet* (OMB No. 0575-0015) were timely filed.

Recommendation

The City should implement controls to ensure that adequate compliance documentation is maintained.

Views of Responsible Officials

Management was not trained or aware of the requirements for reporting of the 2014 project. The City will implement controls to ensure that adequate compliance documentation is maintained.

2018-010 Allowable Costs – Significant Deficiency

Federal Program

CFDA #10.760 Waste and Water Disposal Systems for Rural Communities

Questioned Costs

\$2,410

Criteria

The City should maintain supporting documentation for all disbursements.

Condition

During our testing of disbursements, we noted two instances where amounts paid did not agree to the invoice, resulting in a net overstatement of expenses.

Context

We sampled a total of 11 disbursements.

CITY OF STREETER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

Effect

The disbursements could potentially result in unallowable costs for the program.

Cause

Lack of a proper review and approval process.

Recommendation

We recommend the City maintain supporting documentation for the amount paid. If a different amount is paid than the amount on the invoice, the City should maintain additional supporting documentation for the difference.

Views of Responsible Officials

The City will maintain supporting documentation for all invoices paid. If a different amount is paid than the amount on the invoice, the City shall maintain additional supporting documentation for the difference.

July 28, 2020

Brady, Martz & Associates, P.C.
207 East Broadway Ave
Bismarck, ND 58502-1297

Please note the corrective action plan for each section:

2014-001

The City of Streeter is a small City and it is not cost effective to internally prepare full disclosure financial statements. The City will establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

2014-002

The City Auditor will review reports to identify mistakes prior to running Clerkbooks journal entries monthly/yearly to adjust entries to the proper funds. The City Auditor will determine the proper balance in each general ledger account prior to the audit being done each year.

2014-003

The City has not had funding since the 2014 project. Going forward we will maintain proper documentation and prepare the SEFA internally.

2014-004

The City of Streeter is a small City and it is not cost effective to have multiple staff to segregate duties. All bills will be presented to the City Council monthly for approval and all financial reports and bank statements will be reviewed at each meeting.

2014-005

Streeter Suites & Apartments will present bills along with a report of all activity and fund balance for City Council approval monthly. The City Auditor will review the books from Streeter Suites & Apartments at the end of each year and prepare all necessary reports to properly include the activities of the Streeter Suites & Apartments as a separate enterprise fund of the City of Streeter.

The City of Streeter is an equal opportunity provider

CITY OF STREETER
PO BOX 127
STREETER, ND 58483

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Email: cityofstreeter@yahoo.com

2014-006

The City has implemented a process to monitor the timing of the preliminary budget and final budget to ensure NDCC is adhered to as it relates to the city's budget.

2014-007

The City will designate depositories and approve them by the required date in January of every even-numbered year.

2014-008

The City will be preparing the audits for 2015 to present upon completion of this audit of 2014. Audits will then be completed by the deadline each year. Single Audit requirements for future funding will be done in a timely manner.

2014-009

Management was not trained or aware of the requirements for reporting of the 2014 project. The City will implement controls to ensure that adequate compliance documentation is maintained.

2014-010

The City will maintain supporting documentation for all invoices paid. If a different amount is paid than the amount on the invoice, the City shall maintain additional supporting documentation for the difference.

Thank you,



Kaye Schulz
City Auditor
City of Streeter

The City of Streeter is an equal opportunity provider