

**CITY OF BOTTINEAU**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**WITH INDEPENDENT AUDITOR'S REPORT**

**CITY OF BOTTINEAU**  
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**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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**CITY OF BOTTINEAU**  
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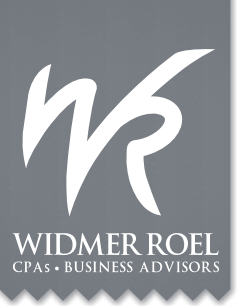
**CITY OF BOTTINEAU**  
**CITY OFFICIALS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**December 31, 2019**

<b><u>Official</u></b>	<b><u>Position</u></b>
Perry Schoenborn	Mayor
Greg Bernstien	Council Member
Harlan Getzlaff	Council Member
Douglas Marsden	Council Member
Gary Mortensen	Council Member
Matthew Seykora	Council Member
Greg Stewart	Council Member
Jeremy Ketterling	Council Member
Carlton Neubauer	Council Member
Jason Heitkamp	Council Member
Mitch Schmidt	Council Member
Dave Agnes	Municipal Judge
Penny Nostdahl	City Auditor

**December 31, 2018**

<b><u>Official</u></b>	<b><u>Position</u></b>
Ben Au forth	Mayor
Perry Schoenborn	Council Member/Mayor
Harlan Getzlaff	Council Member
Diane Lorenz	Council Member
Douglas Marsden	Council Member
Gary Mortensen	Council Member
Greg Bernstien	Council Member
Matthew Seykora	Council Member
Greg Stewart	Council Member
Jeremy Ketterling	Council Member
Carlton Neubauer	Council Member
Jason Heitkamp	Council Member
Dave Agnes	Municipal Judge
Penny Nostdahl	City Auditor



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## INDEPENDENT AUDITOR'S REPORT

City Council  
**City of Bottineau**  
Bottineau, North Dakota

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **City of Bottineau**, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise **City of Bottineau's** basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *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 audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **City of Bottineau**, as of December 31, 2019 and 2018, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended on the basis of accounting described in Note 1.

## ***Basis of Accounting***

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

## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **City of Bottineau's** basic financial statements. The schedules of fund activity arising from cash transactions on pages 43-46 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedules of fund activity arising from cash transactions have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2021 on our consideration of **City of Bottineau's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **City of Bottineau's** internal control over financial reporting and compliance.



Fargo, North Dakota  
September 7, 2021

**CITY OF BOTTINEAU**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 9,160,153	\$ 2,695,650	\$ 11,855,803
Loans receivable	291,627	-	291,627
Restricted cash	207,000	47,850	254,850
Capital assets, net of accumulated depreciation	<u>10,368,601</u>	<u>6,947,522</u>	<u>17,316,123</u>
Total assets	<u>\$ 20,027,381</u>	<u>\$ 9,691,022</u>	<u>\$ 29,718,403</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Unamortized deferred loss on bond refunding	<u>23,568</u>	<u>-</u>	<u>23,568</u>
Total assets and deferred outflow of resources	<u>\$ 20,050,949</u>	<u>\$ 9,691,022</u>	<u>\$ 29,741,971</u>
<b>LIABILITIES</b>			
Due within one year: bonds	<u>\$ 315,000</u>	<u>\$ 41,000</u>	<u>\$ 356,000</u>
Noncurrent Liabilities			
Due in more than one year: bonds	<u>1,213,914</u>	<u>220,000</u>	<u>1,433,914</u>
Total liabilities	<u>1,528,914</u>	<u>261,000</u>	<u>1,789,914</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,839,687	6,686,522	15,526,209
Restricted for:			
Capital projects	401,016	-	401,016
Debt service	207,000	47,850	254,850
Special purposes	602,735	-	602,735
Unrestricted	<u>8,471,597</u>	<u>2,695,650</u>	<u>11,167,247</u>
Total net position	<u>18,522,035</u>	<u>9,430,022</u>	<u>27,952,057</u>
Total liabilities and net position	<u>\$ 20,050,949</u>	<u>\$ 9,691,022</u>	<u>\$ 29,741,971</u>

**CITY OF BOTTINEAU**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues (Expenses) and Changes in Net Position</u>			
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 916,655	\$ 44,177	\$ -	\$ 44,295	\$ (828,183)	\$ -	\$ (828,183)
Public safety	662,009	9,274	-	-	(652,735)	-	(652,735)
Public works	1,040,713	47,277	-	207,937	(785,499)	-	(785,499)
Culture and recreation	108,434	-	-	-	(108,434)	-	(108,434)
Economic development	147,210	-	-	-	(147,210)	-	(147,210)
Other	94,273	-	-	-	(94,273)	-	(94,273)
Interest and service charges	33,602	-	-	-	(33,602)	-	(33,602)
Total governmental activities	<u>3,002,896</u>	<u>100,728</u>	<u>-</u>	<u>252,232</u>	<u>(2,649,936)</u>	<u>-</u>	<u>(2,649,936)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	438,371	518,468	-	-	-	80,097	80,097
Sewer	175,730	170,258	-	-	-	(5,472)	(5,472)
Garbage	386,567	387,102	-	-	-	535	535
Total business-type activities	<u>1,000,668</u>	<u>1,075,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,160</u>	<u>75,160</u>
Total primary government	\$ <u>4,003,564</u>	\$ <u>1,176,556</u>	\$ <u>-</u>	\$ <u>252,232</u>	<u>(2,649,936)</u>	<u>75,160</u>	<u>(2,574,776)</u>
<b>GENERAL REVENUES</b>							
Property taxes					835,291	-	835,291
Unrestricted grants and contributions					190,765	-	190,765
City sales tax					1,017,960	-	1,017,960
Oil and Gas					354,330	-	354,330
Interest Income					100,038	-	100,038
Miscellaneous revenue					458,181	-	458,181
Transfers					32,754	(32,754)	-
Total general revenues					<u>2,989,319</u>	<u>(32,754)</u>	<u>2,956,565</u>
Change in net position					<u>339,383</u>	<u>42,406</u>	<u>381,789</u>
Net position - January 1					<u>18,182,652</u>	<u>9,387,616</u>	<u>27,570,268</u>
Net position - December 31					\$ <u>18,522,035</u>	\$ <u>9,430,022</u>	\$ <u>27,952,057</u>

See Notes to Financial Statements



**CITY OF BOTTINEAU**  
**BALANCE SHEET – MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	<u>Major Funds</u>					<u>Other Government Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Fire Department</u>	<u>Paving Reserve</u>	<u>Streets</u>	<u>Sales Tax 40%</u>		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 3,264,015	\$ 278,802	\$ 2,345,319	\$ 401,016	\$ 1,237,503	\$ 1,633,498	\$ 9,160,153
Restricted cash	-	-	-	-	-	207,000	207,000
Loans receivable	-	-	-	-	291,627	-	291,627
Total assets	<u>\$ 3,264,015</u>	<u>\$ 278,802</u>	<u>\$ 2,345,319</u>	<u>\$ 401,016</u>	<u>\$ 1,529,130</u>	<u>\$ 1,840,498</u>	<u>\$ 9,658,780</u>
Deferred inflows	-	-	-	-	291,627	-	291,627
<b>FUND BALANCES</b>							
Restricted fund balance	-	-	-	401,016	-	602,735	1,003,751
Committed fund balance	3,264,015	278,802	2,345,319	-	1,237,503	1,237,763	8,363,402
Unassigned fund balance	-	-	-	-	-	-	-
Total fund balances	<u>3,264,015</u>	<u>278,802</u>	<u>2,345,319</u>	<u>401,016</u>	<u>1,237,503</u>	<u>1,840,498</u>	<u>9,367,153</u>
Total liabilities and fund balances	<u>\$ 3,264,015</u>	<u>\$ 278,802</u>	<u>\$ 2,345,319</u>	<u>\$ 401,016</u>	<u>\$ 1,529,130</u>	<u>\$ 1,840,498</u>	<u>\$ 9,658,780</u>

**CITY OF BOTTINEAU**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2019**

**Total Fund Balances for Governmental Funds** \$ 9,367,153

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

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

Cost of capital assets	17,006,457	
Less accumulated depreciation	<u>(6,637,856)</u>	
Net capital assets		10,368,601

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position - Modified Cash Basis.

Balances at December 31, 2019 are:

Unamortized deferred loss on bond refunding	23,568	
Discount on bonds payable	21,086	
Bonds payable	<u>(1,550,000)</u>	
Net long-term liabilities		(1,505,346)

Deferred inflows from loans receivable are included in other financing uses in the governmental funds, but are deferred to future periods in the Statement of Net Position - Modified Cash Basis.

291,627

**Total Net Position of Governmental Activities** \$ 18,522,035

**CITY OF BOTTINEAU**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General Fund</u>	<u>Fire Department</u>	<u>Paving Reserve</u>	<u>Streets</u>	<u>Sales Tax 40%</u>	<u>Other Government Funds</u>	<u>Totals</u>
<b>REVENUES</b>							
Taxes	\$ 472,709	\$ -	\$ 611,355	\$ 207,937	\$ 174,673	\$ 365,425	\$ 1,832,099
Licenses, permits and fees	37,497	-	3,505	-	-	-	41,002
Intergovernmental	480,008	34,333	-	-	-	68,584	582,925
Charges for services	4,800	-	-	47,277	-	-	52,077
Fines and forfeits	4,474	-	-	-	-	-	4,474
Interest income	17,500	142	33	59,850	-	22,514	100,039
Grants	-	73,990	-	-	-	-	73,990
Miscellaneous	2,668	34,154	9,058	1,345	54,960	525,397	627,582
	<u>1,019,656</u>	<u>142,619</u>	<u>623,951</u>	<u>316,409</u>	<u>229,633</u>	<u>981,920</u>	<u>3,314,188</u>
Total revenues							
<b>EXPENDITURES</b>							
Current							
General government	183,499	-	-	-	72,961	291,986	548,446
Public safety	534,839	127,170	-	-	-	-	662,009
Public works	-	-	235,926	306,908	-	-	542,834
Culture and recreation	1,000	-	-	-	-	-	1,000
Economic development	114,848	-	-	-	-	32,361	147,209
Other	132,135	-	-	-	50,031	371,303	553,469
Debt service							
Principal	-	-	211,672	-	-	131,930	343,602
Interest and service charges	-	-	-	-	-	-	-
Capital outlay	40,824	-	-	-	-	-	40,824
	<u>1,007,145</u>	<u>127,170</u>	<u>447,598</u>	<u>306,908</u>	<u>122,992</u>	<u>827,580</u>	<u>2,839,393</u>
Total expenditures							
Excess (deficiency) of revenues over expenditures	<u>12,511</u>	<u>15,449</u>	<u>176,353</u>	<u>9,501</u>	<u>106,641</u>	<u>154,340</u>	<u>474,795</u>
<b>OTHER FINANCING SOURCES (USES), INCLUDING TRANSFERS</b>							
Transfers in	194,423	-	-	-	-	30,970	225,393
Transfers out	(118,347)	-	-	(9,292)	-	(65,000)	(192,639)
	<u>76,076</u>	<u>-</u>	<u>-</u>	<u>(9,292)</u>	<u>-</u>	<u>(34,030)</u>	<u>32,754</u>
Total other financing sources (uses)							
Net change in fund balances	<u>88,587</u>	<u>15,449</u>	<u>176,353</u>	<u>209</u>	<u>106,641</u>	<u>120,310</u>	<u>507,549</u>
Fund balances - January 1	<u>3,175,428</u>	<u>263,353</u>	<u>2,168,966</u>	<u>400,807</u>	<u>1,130,862</u>	<u>1,720,188</u>	<u>8,859,604</u>
Fund balances - December 31	<u>\$ 3,264,015</u>	<u>\$ 278,802</u>	<u>\$ 2,345,319</u>	<u>\$ 401,016</u>	<u>\$ 1,237,503</u>	<u>\$ 1,840,498</u>	<u>\$ 9,367,153</u>

See Notes to Financial Statements

**CITY OF BOTTINEAU**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES –  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Net Change in Fund Balances-Total Governmental Funds** \$ 507,549

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities - Modified Cash Basis, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and disposal of assets exceeded capital outlays in the current year.

Current year capital outlay	30,786	
Current year depreciation expense	(497,879)	
Net Amount	(467,093)	(467,093)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position - Modified Cash Basis.

Amortization of discount on bonds payable	(3,012)	
Amortization of loss on refinancing of bonds payable	(3,367)	
Principal payments for bonds payable	310,000	
Net Amount	303,621	303,621

Deferred inflows from loans receivable are included in other financing uses in the governmental funds, but are deferred to future periods in the Statement of Net Position - Modified Cash Basis.

Decrease in loans receivable		(4,694)
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**Change in Net Position of Governmental Activities** \$ 339,383

**CITY OF BOTTINEAU**  
**STATEMENT OF NET POSITION– MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 2,012,854	\$ 357,609	\$ 325,187	\$ 2,695,650
<b>Noncurrent Assets</b>				
Restricted cash	47,850	-	-	47,850
Capital assets, net of accumulated depreciation	<u>3,089,223</u>	<u>3,346,991</u>	<u>511,308</u>	<u>6,947,522</u>
Total assets	<u>\$ 5,149,927</u>	<u>\$ 3,704,600</u>	<u>\$ 836,495</u>	<u>\$ 9,691,022</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Water revenue bonds payable, Current portion	<u>\$ 41,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,000</u>
<b>Noncurrent liabilities</b>				
Water revenue bonds payable, Net of current portion	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>220,000</u>
Total liabilities	<u>261,000</u>	<u>-</u>	<u>-</u>	<u>261,000</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,828,223	3,346,991	511,308	-
Unrestricted	<u>2,060,704</u>	<u>357,609</u>	<u>325,187</u>	<u>2,743,500</u>
Total net position	<u>4,888,927</u>	<u>3,704,600</u>	<u>836,495</u>	<u>9,430,022</u>
Total liabilities and net position	<u>\$ 5,149,927</u>	<u>\$ 3,704,600</u>	<u>\$ 836,495</u>	<u>\$ 9,691,022</u>

**CITY OF BOTTINEAU**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 518,468	\$ 170,258	\$ 387,102	\$ 1,075,828
<b>OPERATING EXPENSES</b>				
System repair and maintenance	45,923	13,557	58,227	117,707
Chemicals	55,929	-	-	55,929
Salaries	182,547	63,738	119,164	365,449
Utilities	23,566	7,938	1,967	33,471
Work force safety and insurance	4,345	17,776	31,904	54,025
Fuel	4,349	1,661	31,780	37,790
Garbage operation	-	-	75,331	75,331
Depreciation	108,704	71,060	68,175	247,939
Total operating expenses	<u>425,363</u>	<u>175,730</u>	<u>386,548</u>	<u>987,641</u>
Operating income (loss)	<u>93,105</u>	<u>(5,472)</u>	<u>554</u>	<u>88,187</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest expense	(8,930)	-	-	(8,930)
Miscellaneous income	63	-	-	63
Miscellaneous expense	(4,140)	-	(20)	(4,160)
Total non-operating revenues (expenses)	<u>(13,007)</u>	<u>-</u>	<u>(20)</u>	<u>(13,027)</u>
Income (loss) before transfers	<u>80,098</u>	<u>(5,472)</u>	<u>534</u>	<u>75,160</u>
<b>TRANSFERS</b>				
Transfers in	43,916	-	-	43,916
Transfers out	(24,600)	(25,588)	(26,482)	(76,670)
Net transfers in (out)	<u>19,316</u>	<u>(25,588)</u>	<u>(26,482)</u>	<u>(32,754)</u>
Change in net position	<u>99,414</u>	<u>(31,060)</u>	<u>(25,948)</u>	<u>42,406</u>
Net position - January 1	<u>4,789,513</u>	<u>3,735,660</u>	<u>862,443</u>	<u>9,387,616</u>
Net position - December 31	<u>\$ 4,888,927</u>	<u>\$ 3,704,600</u>	<u>\$ 836,495</u>	<u>\$ 9,430,022</u>

**CITY OF BOTTINEAU**  
**STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 518,468	\$ 170,258	\$ 387,102	\$ 1,075,828
Payments to suppliers	(129,767)	(23,156)	(167,305)	(320,228)
Payments to employees	<u>(186,892)</u>	<u>(81,514)</u>	<u>(151,068)</u>	<u>(419,474)</u>
Net cash provided (used) by operating activities	<u>201,809</u>	<u>65,588</u>	<u>68,729</u>	<u>336,126</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Bond principal payments	(40,000)	-	-	(40,000)
Bond interest payments	<u>(8,930)</u>	<u>-</u>	<u>-</u>	<u>(8,930)</u>
Net cash provided (used) by capital financing activities	<u>(48,930)</u>	<u>-</u>	<u>-</u>	<u>(48,930)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
<b>ACTIVITIES</b>				
Miscellaneous receipts	63	-	-	63
Miscellaneous expense	(4,140)	-	(20)	(4,160)
Transfers in	43,916	-	-	43,916
Transfers out	<u>(24,600)</u>	<u>(25,588)</u>	<u>(26,482)</u>	<u>(76,670)</u>
Net cash provided (used) by noncapital financing activities	<u>15,239</u>	<u>(25,588)</u>	<u>(26,502)</u>	<u>(36,851)</u>
Net increase in cash and cash equivalents	<u>168,118</u>	<u>40,000</u>	<u>42,227</u>	<u>250,345</u>
Cash and cash equivalents - January 1	<u>1,892,586</u>	<u>317,609</u>	<u>282,960</u>	<u>2,493,155</u>
Cash and cash equivalents - December 31	<u>\$ 2,060,704</u>	<u>\$ 357,609</u>	<u>\$ 325,187</u>	<u>\$ 2,743,500</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 93,105	\$ (5,472)	\$ 554	\$ 88,187
Adjustment to reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Depreciation	<u>108,704</u>	<u>71,060</u>	<u>68,175</u>	<u>247,939</u>
	<u>\$ 201,809</u>	<u>\$ 65,588</u>	<u>\$ 68,729</u>	<u>\$ 336,126</u>

**CITY OF BOTTINEAU**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2018**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 8,652,604	\$ 2,445,305	\$ 11,097,909
Loans receivable	296,321	-	296,321
Restricted cash	207,000	47,850	254,850
Capital assets, net of accumulated depreciation	<u>10,835,694</u>	<u>7,195,461</u>	<u>18,031,155</u>
Total assets	<u>19,991,619</u>	<u>9,688,616</u>	<u>29,680,235</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Unamortized deferred loss on bond refunding	<u>26,935</u>	<u>-</u>	<u>26,935</u>
Total assets and deferred outflow of resources	<u>\$ 20,018,554</u>	<u>\$ 9,688,616</u>	<u>\$ 29,707,170</u>
<b>LIABILITIES</b>			
Due within one year: bonds	<u>\$ 306,988</u>	<u>\$ 40,000</u>	<u>\$ 346,988</u>
Due in more than one year: bonds	<u>1,528,914</u>	<u>261,000</u>	<u>1,789,914</u>
Total liabilities	<u>1,835,902</u>	<u>301,000</u>	<u>2,136,902</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,999,792	6,894,461	15,894,253
Restricted for:			
Capital projects	400,807	-	400,807
Debt service	207,000	47,850	254,850
Special purposes	601,884	-	601,884
Unrestricted	<u>7,973,169</u>	<u>2,445,305</u>	<u>10,418,474</u>
Total net position	<u>18,182,652</u>	<u>9,387,616</u>	<u>27,570,268</u>
Total liabilities and net position	<u>\$ 20,018,554</u>	<u>\$ 9,688,616</u>	<u>\$ 29,707,170</u>



**CITY OF BOTTINEAU**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Revenues			Net Revenues (Expenses) and Changes in Net Position			
	Expenses	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 998,198	\$ 40,375	\$ -	\$ 33,461	\$ (924,362)	\$ -	\$ (924,362)
Public safety	641,413	9,613	-	-	(631,800)	-	(631,800)
Public works	782,888	47,754	-	207,600	(527,534)	-	(527,534)
Culture and recreation	97,053	-	-	-	(97,053)	-	(97,053)
Economic development	64,864	-	-	-	(64,864)	-	(64,864)
Other	21,179	-	-	-	(21,179)	-	(21,179)
Interest and service charges	38,142	-	-	-	(38,142)	-	(38,142)
Total governmental activities	<u>2,643,737</u>	<u>97,742</u>	<u>-</u>	<u>241,061</u>	<u>(2,304,934)</u>	<u>-</u>	<u>(2,304,934)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	453,314	543,667	-	-	-	90,353	90,353
Sewer	177,933	172,061	-	-	-	(5,872)	(5,872)
Garbage	351,158	383,276	-	-	-	32,118	32,118
Total business-type activities	<u>982,405</u>	<u>1,099,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,599</u>	<u>116,599</u>
Total primary government	<u>\$ 3,626,142</u>	<u>\$ 1,196,746</u>	<u>\$ -</u>	<u>\$ 241,061</u>	<u>(2,304,934)</u>	<u>116,599</u>	<u>(2,188,335)</u>
<b>GENERAL REVENUES</b>							
Property taxes					681,417	-	681,417
Unrestricted grants and contributions					169,904	-	169,904
City sales tax					1,037,175	-	1,037,175
Oil and gas					448,951	-	448,951
Interest income					58,989	-	58,989
Miscellaneous revenue					474,828	-	474,828
Transfers					32,817	(32,817)	-
Total general revenues					<u>2,904,081</u>	<u>(32,817)</u>	<u>2,871,264</u>
Change in net position					<u>599,147</u>	<u>83,782</u>	<u>682,929</u>
Net position - January 1 as previously reported					17,421,833	9,303,834	26,725,667
Prior period adjustment (Note 11)					161,672	-	161,672
Net position - January 1, as restated					<u>17,583,505</u>	<u>9,303,834</u>	<u>26,887,339</u>
Net position - December 31					<u>\$ 18,182,652</u>	<u>\$ 9,387,616</u>	<u>\$ 27,570,268</u>

See Notes to Financial Statements

**CITY OF BOTTINEAU**  
**BALANCE SHEET – MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	<u>Major Funds</u>					<u>Other Government Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Fire Department</u>	<u>Paving Reserve</u>	<u>Streets</u>	<u>Sales Tax 40%</u>		
<b>ASSETS</b>							
Cash and investments	\$ 3,175,428	\$ 263,353	\$ 2,168,966	\$ 400,807	\$ 1,130,862	\$ 1,513,188	\$ 8,652,604
Restricted cash	-	-	-	-	-	207,000	207,000
Loans receivable	-	-	-	-	296,321	-	296,321
Total assets	<u>\$ 3,175,428</u>	<u>\$ 263,353</u>	<u>\$ 2,168,966</u>	<u>\$ 400,807</u>	<u>\$ 1,427,183</u>	<u>\$ 1,720,188</u>	<u>\$ 9,155,925</u>
<b>DEFERRED INFLOWS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,321</u>	<u>\$ -</u>	<u>\$ 296,321</u>
<b>FUND BALANCES</b>							
Restricted	-	-	-	400,807	-	601,884	1,002,691
Committed	3,175,428	263,353	2,168,966	-	1,130,862	1,118,304	7,856,913
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>3,175,428</u>	<u>263,353</u>	<u>2,168,966</u>	<u>400,807</u>	<u>1,130,862</u>	<u>1,720,188</u>	<u>8,859,604</u>
Total deferred inflows and fund balances	<u>\$ 3,175,428</u>	<u>\$ 263,353</u>	<u>\$ 2,168,966</u>	<u>\$ 400,807</u>	<u>\$ 1,427,183</u>	<u>\$ 1,720,188</u>	<u>\$ 9,155,925</u>

**CITY OF BOTTINEAU**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**DECEMBER 31, 2018**

**Total Fund Balances for Governmental Funds** \$ 8,859,604

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

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

Cost of capital assets	16,975,671	
Less accumulated depreciation	<u>(6,139,977)</u>	
Net capital assets		10,835,694

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position - Modified Cash Basis.

Balances at December 31, 2019 are:

Unamortized deferred loss on bond refunding	26,935	
Discount on bonds payable	24,098	
Bonds payable	<u>(1,860,000)</u>	
Net long-term liabilities		(1,808,967)

Deferred inflows from loans receivable are included in other financing uses in the governmental funds, but are deferred to future periods in the Statement of Net Position-Modified Cash Basis.

296,321

**Total Net Position of Governmental Activities** \$ 18,182,652

**CITY OF BOTTINEAU**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Fire Department</u>	<u>Paving Reserve</u>	<u>Streets</u>	<u>Sales Tax 40%</u>	<u>Other Government Funds</u>	<u>Totals</u>
<b>REVENUES</b>							
Taxes	\$ 346,390	\$ -	\$ 615,916	\$ 207,600	\$ 175,976	\$ 360,563	\$ 1,706,445
Licenses, permits and fees	37,857	-	1,000	-	-	-	38,857
Intergovernmental	559,389	70,214	-	-	-	64,981	694,584
Charges for services	4,800	-	-	47,754	-	-	52,554
Fines and forfeits	4,813	-	-	-	-	-	4,813
Interest income	8,872	92	25	50,000	-	-	58,989
Grants	-	53,425	-	-	-	-	53,425
Miscellaneous	1,421	47,930	7,845	3,190	67,034	545,160	672,580
Total revenues	<u>963,542</u>	<u>171,661</u>	<u>624,786</u>	<u>308,544</u>	<u>243,010</u>	<u>970,704</u>	<u>3,282,247</u>
<b>EXPENDITURES</b>							
Current							
General government	187,489	-	-	-	72,961	277,598	538,048
Public safety	501,614	139,799	-	-	-	-	641,413
Public works	-	-	8,209	268,942	-	-	277,151
Culture and recreation	25,090	-	-	-	-	500	25,590
Economic development	11,469	-	-	-	-	53,395	64,864
Other	101,589	-	7,468	-	5,000	404,291	518,348
Debt service							
Principal	-	-	209,343	-	-	138,798	348,141
Capital outlay	-	-	-	-	-	35,534	35,534
Total expenditures	<u>827,251</u>	<u>139,799</u>	<u>225,020</u>	<u>268,942</u>	<u>77,961</u>	<u>910,116</u>	<u>2,449,089</u>
Excess (deficiency) of revenues over expenditures	<u>136,291</u>	<u>31,862</u>	<u>399,766</u>	<u>39,602</u>	<u>165,049</u>	<u>60,588</u>	<u>833,158</u>
<b>OTHER FINANCING SOURCES (USES), INCLUDING TRANSFERS</b>							
Transfers in	296,518	-	-	20,000	-	107,633	424,151
Transfers out	(277,896)	-	-	(9,438)	-	(104,000)	(391,334)
Total other financing sources (uses)	<u>18,622</u>	<u>-</u>	<u>-</u>	<u>10,562</u>	<u>-</u>	<u>3,633</u>	<u>32,817</u>
Net change in fund balances	<u>154,913</u>	<u>31,862</u>	<u>399,766</u>	<u>50,164</u>	<u>165,049</u>	<u>64,221</u>	<u>865,975</u>
Fund balances - January 1	3,020,515	231,491	1,769,200	350,643	1,334,313	1,638,572	8,344,734
Prior period adjustment (Note 11)	-	-	-	-	(368,500)	17,395	(351,105)
Fund balances - January 1, as restated	<u>3,020,515</u>	<u>231,491</u>	<u>1,769,200</u>	<u>350,643</u>	<u>965,813</u>	<u>1,655,967</u>	<u>7,993,629</u>
Fund balances - December 31	<u>\$ 3,175,428</u>	<u>\$ 263,353</u>	<u>\$ 2,168,966</u>	<u>\$ 400,807</u>	<u>\$ 1,130,862</u>	<u>\$ 1,720,188</u>	<u>\$ 8,859,604</u>

See Notes to Financial Statements

**CITY OF BOTTINEAU**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES –  
MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Net Change in Fund Balances-Total Governmental Funds** \$ 865,975

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities - Modified Cash Basis, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and disposal of assets exceeded capital outlays in the current year.

Current year depreciation expense	<u>(498,270)</u>	
Net amount		(498,270)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position - Modified Cash Basis.

Amortization of discount on bonds payable	(3,012)	
Amortization of loss on refinancing of bonds payable	(3,367)	
Principal payments for bonds payable	<u>310,000</u>	
Net Amount		303,621

Deferred inflows from loans receivable are included in other financing uses in the governmental funds, but are deferred to future periods in the Statement of Net Position - Modified Cash Basis.

Decrease in loans receivable		<u>(72,179)</u>
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**Change in Net Position of Governmental Activities** \$ 599,147

**CITY OF BOTTINEAU**  
**STATEMENT OF NET POSITION – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2018**

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and investments	\$ 1,844,736	\$ 317,609	\$ 282,960	\$ 2,445,305
<b>Noncurrent Assets</b>				
Restricted cash	47,850	-	-	47,850
Capital assets, net of accumulated depreciation	3,197,927	3,418,051	579,483	7,195,461
Total assets	<u>\$ 5,090,513</u>	<u>\$ 3,735,660</u>	<u>\$ 862,443</u>	<u>\$ 9,688,616</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Water revenue bonds payable, Current portion	\$ 40,000	\$ -	\$ -	\$ 40,000
<b>Noncurrent liabilities</b>				
Water revenue bonds payable, Net of current portion	261,000	-	-	261,000
Total liabilities	<u>301,000</u>	<u>-</u>	<u>-</u>	<u>301,000</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,896,927	3,418,051	579,483	6,894,461
Unrestricted	1,892,586	317,609	282,960	2,493,155
Total net position	<u>4,789,513</u>	<u>3,735,660</u>	<u>862,443</u>	<u>9,387,616</u>
Total liabilities and net position	<u>\$ 5,090,513</u>	<u>\$ 3,735,660</u>	<u>\$ 862,443</u>	<u>\$ 9,688,616</u>

**CITY OF BOTTINEAU**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION– MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 543,667	\$ 172,061	\$ 383,276	\$ 1,099,004
<b>OPERATING EXPENSES</b>				
System repair and maintenance	51,438	20,720	31,035	103,193
Chemicals	60,342	-	-	60,342
Salaries	177,744	59,216	124,813	361,773
Utilities	22,116	7,677	2,132	31,925
Work force safety and insurance	14,331	17,304	33,727	65,362
Fuel	4,178	1,756	29,194	35,128
Garbage operation	-	-	73,307	73,307
Depreciation	108,814	71,260	56,949	237,023
Total operating expenses	<u>438,963</u>	<u>177,933</u>	<u>351,157</u>	<u>968,053</u>
Operating income (loss)	<u>104,704</u>	<u>(5,872)</u>	<u>32,119</u>	<u>130,951</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest expense	(10,103)	-	-	(10,103)
Miscellaneous expense	(4,248)	-	-	(4,248)
Total non-operating revenues (expenses)	<u>(14,351)</u>	<u>-</u>	<u>-</u>	<u>(14,351)</u>
Income (loss) before transfers	<u>90,353</u>	<u>(5,872)</u>	<u>32,119</u>	<u>116,600</u>
<b>TRANSFERS</b>				
Transfers in	43,997	-	-	43,997
Transfers out	(24,600)	(25,905)	(26,309)	(76,814)
Net transfers in (out)	<u>19,397</u>	<u>(25,905)</u>	<u>(26,309)</u>	<u>(32,817)</u>
Change in net position	<u>109,750</u>	<u>(31,777)</u>	<u>5,810</u>	<u>83,783</u>
Net position - January 1	<u>4,679,763</u>	<u>3,767,437</u>	<u>856,633</u>	<u>9,303,833</u>
Net position - December 31	<u>\$ 4,789,513</u>	<u>\$ 3,735,660</u>	<u>\$ 862,443</u>	<u>\$ 9,387,616</u>

**CITY OF BOTTINEAU**  
**STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Business-Type Activities-Enterprise Funds</b>			
	<b>Major Funds</b>			<b>Total</b>
	<b>Water</b>	<b>Sewer</b>	<b>Garbage</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 543,667	\$ 172,061	\$ 383,276	\$ 1,099,004
Payments to suppliers	(138,074)	(30,153)	(135,668)	(303,895)
Payments to employees	(192,075)	(76,520)	(158,540)	(427,135)
Net cash provided (used) by operating activities	<u>213,518</u>	<u>65,388</u>	<u>89,068</u>	<u>367,974</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Property and equipment additions	-	-	(75,000)	(75,000)
Bond principal payments	(39,000)	-	-	(39,000)
Bond interest payments	(10,103)	-	-	(10,103)
Net cash provided (used) by capital financing activities	<u>(49,103)</u>	<u>-</u>	<u>(75,000)</u>	<u>(124,103)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Miscellaneous expense	(4,248)	-	-	(4,248)
Transfers in	43,997	-	-	43,997
Transfers out	(24,600)	(25,905)	(26,309)	(76,814)
Net cash provided (used) by noncapital financing activities	<u>15,149</u>	<u>(25,905)</u>	<u>(26,309)</u>	<u>(37,065)</u>
Net increase (decrease) in cash and cash equivalents	<u>179,564</u>	<u>39,483</u>	<u>(12,241)</u>	<u>206,806</u>
Cash and cash equivalents - January 1	<u>1,713,022</u>	<u>278,126</u>	<u>295,201</u>	<u>2,286,349</u>
Cash and cash equivalents - December 31	<u>\$ 1,892,586</u>	<u>\$ 317,609</u>	<u>\$ 282,960</u>	<u>\$ 2,493,155</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 104,704	\$ (5,872)	\$ 32,119	\$ 130,951
Adjustment to reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Depreciation	<u>108,814</u>	<u>71,260</u>	<u>56,949</u>	<u>237,023</u>
	<u>\$ 213,518</u>	<u>\$ 65,388</u>	<u>\$ 89,068</u>	<u>\$ 367,974</u>



**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Operations***

The accounting policy of the City of Bottineau, North Dakota, is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

***Financial Reporting Entity***

The accompanying financial statements present the activities of the City of Bottineau (“City”). The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization’s governing body and (1) the ability of the City of Bottineau 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 of Bottineau.

Based on these criteria, the component units discussed below are included with in the City’s reporting entity because of the significance of their operational or financial relationships with the City.

***Basis of Presentation***

*Government-wide Financial Statements:* The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government of the City of Bottineau. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the City’s funds. Separate statements for each fund category *governmental* and *proprietary* are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

**CITY OF BOTTINEAU**  
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The City reports the following major governmental funds:

**General Fund** - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Fire Department Fund** – This special revenue fund accounts for the activities for the operation of the City's fire department. The major sources of its revenue are related to fundraising activities, grants and donations.

**Paving Reserve Funds** – This special revenue fund accounts for the excess funds accumulated by the City for future street paving projects, as well as effects of the advanced refunding of Sales Tax Revenue Bond of 2007 and the related payments of principal, interest and fees for the Sales Tax Revenue Refunding Bonds of 2016. This fund's primary revenue source is restricted City sales tax.

**Streets Funds** - This special revenue fund accounts for revenue and expenditures related to streets, including payroll-related costs. This fund's primary revenue source is from the state highway tax.

**Sales Tax 40% Fund** – This special revenue fund accounts for the City sales tax funds that are used for economic development projects within the City. This fund's primary revenue sources are restricted city sales tax and local grants.

The City reports the following major enterprise fund:

**Water Fund** - This fund accounts for the activity of the water department. The department operates the water distribution system of the City of Bottineau.

**Sewer Fund** – This fund accounts for the activities of the sewer department. This department operated the sewage treatment plant, sewage pumping stations and collection systems in the City of Bottineau.

**Garbage Fund** – This fund accounts for the activities of the garbage collection system within the City of Bottineau.

***Measurement Focus and Basis of Accounting***

In the government-wide statement of net position and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item (b) below.

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

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

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

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

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

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

***Cash and Investments***

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the Statement of Cash Flows consist of highly liquid investments with an original maturity of three months or less. Deposits must be either deposited in the Bank of North Dakota or in another financial institution situated and doing business within this state. Deposits, other than those with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the city to invest in:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
2. Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
3. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.
4. Obligations of the state.

At December 31, 2019 and 2018, the City of Bottineau's cash included demand deposit accounts and certificates of deposits which are stated at cost.

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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***Cash and Cash Equivalents – Statement of Cash Flows***

Cash and cash equivalents in the statement of cash flows to the proprietary funds, represents all cash and investments as described previously and also includes restricted cash balances.

***Fund Balances – Governmental Funds***

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

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

***Nonspendable*** – Fund balances that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

***Restricted*** – Constraints are placed on the use of fund balances which 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*** – Committed fund balances can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the governing board. Formal action is required to rescind a fund balance commitment.

***Assigned*** – Assigned fund balances are amounts that are constrained by the government’s intent to be used for specific purposes, but are under the direction of the board and the city’s management.

***Unassigned*** – Unassigned fund balances are those that have not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance.

At December 31, 2019 and 2018, the City only had restricted and committed fund balances. Restricted fund balances were constrained by state laws related to specific tax levies and highway tax distributions, as well as provisions of debt covenants.

***Net Position*** – Net position represents the difference between assets and liabilities. Net positions are classified in the following categories:

***Net Investment in Capital Assets*** – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

***Restricted Net Position*** – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

***Unrestricted Net Position*** – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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As of December 31, 2019 and 2018, the City had \$1,258,601 and \$1,257,541, respectively, in restricted net position, which are restricted by state laws regarding use of tax levies and state revenues.

**Flow Assumptions** – When both restricted and unrestricted amounts of fund balances are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to first use restricted, then committed, then assigned, and then unassigned resources as they are needed.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – DEPOSITS**

In accordance with North Dakota Statutes, the City of Bottineau maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System. Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

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

As of December 31, 2019 and 2018, restricted cash includes amounts required to be held in a reserve fund under the Sales Tax Revenue Refunding Bonds of 2011, Sales Tax Revenue Refunding Bonds of 2012 and Drinking Water State Revolving Fund Program.

As of December 31, 2019 and 2018, the deposits of the City were entirely covered by federal depository insurance or by collateral held by the city's custodial banks in the City's name. As of December 31, 2019 and 2018, the City held certificates of deposit in the amount of \$5,938,130 and \$5,638,097 which are all considered deposits.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. Beyond what is stated in the North Dakota Century Code, the City does not have a formal policy to further limit exposure to custodial credit risk for deposits and investments. As noted above, the City’s deposits were all either fully insured or collateralized.

**CITY OF BOTTINEAU**  
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***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. North Dakota Century Code limits investing funds primarily in short- and intermediate-term liquid securities of high credit quality to ensure adequate liquidity and to minimize the impact of changes in interest rates. Portfolios are structured so that securities mature concurrent with cash needs to meet anticipated demands.

**NOTE 3 – INTERFUND TRANSFER**

For the years ended December 31, 2019 and 2018, the City had the following transfers:

	<b>2019</b>	<b>2018</b>
Transfer in		
General fund	\$ 194,423	\$ 296,518
Streets fund	-	20,000
Other governmental funds	30,970	107,633
Water fund	43,916	43,996
Total	\$ 269,309	\$ 468,147
Transfer out		
General fund	\$ 118,347	\$ 277,896
Streets fund	9,292	9,438
Other governmental funds	65,000	104,000
Water fund	24,600	24,600
Sewer fund	25,588	25,905
Garbage fund	26,482	26,308
Total	\$ 269,309	\$ 468,147

The purpose of the transfers in both 2019 and 2018 was to transfer excess revenues received from oil and gas as well as allocating property tax revenues and special assessments that are collected to pay off outstanding bonds.

**NOTE 4 – LOAN RECEIVABLE**

Loan's receivable represent amounts lent to local businesses through the Gateway Fund program. The Gateway Fund is intended to provide financing incentives to businesses that desire to expand or locate in the greater Bottineau trade area. This fund is included in the Sales Tax 40% Fund. Gateway funds are used to expand the financial base of the community and to develop private enterprise. Interest is recognized monthly using the effective interest method. As of December 31, 2019 and 2018; no significant loans receivable were considered past due according to the City's policy.

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 5 - CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended December 31, 2019 and 2018.

	<u>Balance 1/1/19</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 12/31/19</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ 819,378	\$ -	\$ -	\$ 819,378
Capital assets, being depreciated				
Machinery and equipment	\$ 1,768,790	\$ 30,786	\$ -	\$ 1,799,576
Buildings and improvements	1,008,005	-	-	1,008,005
Improvements other than buildings	<u>13,379,498</u>	<u>-</u>	<u>-</u>	<u>13,379,498</u>
Total capital assets, being depreciated	<u>16,156,293</u>	<u>30,786</u>	<u>-</u>	<u>16,187,079</u>
Less accumulated depreciation for				
Buildings and improvements	926,638	98,081	-	1,024,719
Improvements other than buildings	725,735	17,527	-	743,262
Machinery and equipment	<u>4,487,604</u>	<u>382,271</u>	<u>-</u>	<u>4,869,875</u>
Total accumulated depreciation	<u>6,139,977</u>	<u>497,879</u>	<u>-</u>	<u>6,637,856</u>
Total capital assets, being depreciated, net	<u>\$ 10,016,316</u>	<u>\$ (467,093)</u>	<u>\$ -</u>	<u>\$ 9,549,223</u>
	<u>Balance 1/1/19</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 12/31/19</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated				
Land	\$ 231,525	\$ -	\$ -	\$ 231,525
Capital assets, being depreciated				
Machinery and equipment	\$ 1,104,677	\$ -	\$ -	\$ 1,104,677
Buildings and improvements	4,020,301	-	-	4,020,301
Improvements other than buildings	<u>6,995,538</u>	<u>-</u>	<u>-</u>	<u>6,995,538</u>
Total capital assets, being depreciated	<u>12,120,516</u>	<u>-</u>	<u>-</u>	<u>12,120,516</u>
Less accumulated depreciation for				
Machinery and equipment	630,947	71,320	-	702,267
Buildings and improvements	1,824,585	91,616	-	1,916,201
Improvements other than buildings	<u>2,701,048</u>	<u>85,003</u>	<u>-</u>	<u>2,786,051</u>
Total accumulated depreciation	<u>5,156,580</u>	<u>247,939</u>	<u>-</u>	<u>5,404,519</u>
Total capital assets, being depreciated, net	<u>\$ 6,963,936</u>	<u>\$ (247,939)</u>	<u>\$ -</u>	<u>\$ 6,715,997</u>

(Continued)

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Depreciation has been charged to the governmental activities and business-type activities functions as follows:

**Governmental Activities**

Public works \$ 497,879

**Business-type Activities**

Water \$ 108,704  
Sewer 71,060  
Garbage 68,175

Total depreciation expense - business-type activities \$ 247,939

	<b>Balance 1/1/18</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance 12/31/18</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated				
Land	\$ <u>819,378</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>819,378</u>
Capital assets, being depreciated				
Machinery and equipment	\$ 1,768,790	\$ -	\$ -	\$ 1,768,790
Buildings and improvements	1,008,005	-	-	1,008,005
Improvements other than buildings	<u>13,379,498</u>	<u>-</u>	<u>-</u>	<u>13,379,498</u>
Total capital assets, being depreciated	<u>16,156,293</u>	<u>-</u>	<u>-</u>	<u>16,156,293</u>
Less accumulated depreciation for				
Buildings and improvements	828,166	98,472	-	926,638
Improvements other than buildings	708,208	17,527	-	725,735
Machinery and equipment	<u>4,105,333</u>	<u>382,271</u>	<u>-</u>	<u>4,487,604</u>
Total accumulated depreciation	<u>5,641,707</u>	<u>498,270</u>	<u>-</u>	<u>6,139,977</u>
Total capital assets, being depreciated, net	\$ <u><u>10,514,586</u></u>	\$ <u><u>(498,270)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>10,016,316</u></u>



**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	<b>Balance 1/1/18</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Balance 12/31/18</b>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated				
Land	\$ <u>231,525</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>231,525</u>
Capital assets, being depreciated				
Machinery and equipment	\$ 1,029,677	\$ 75,000	\$ -	\$ 1,104,677
Buildings and improvements	4,020,301	-	-	4,020,301
Improvements other than buildings	<u>6,995,538</u>	<u>-</u>	<u>-</u>	<u>6,995,538</u>
Total capital assets, being depreciated	<u>12,045,516</u>	<u>75,000</u>	<u>-</u>	<u>12,120,516</u>
Less accumulated depreciation for				
Machinery and equipment	558,809	72,138	-	630,947
Buildings and improvements	1,732,969	91,616	-	1,824,585
Improvements other than buildings	<u>2,616,045</u>	<u>85,003</u>	<u>-</u>	<u>2,701,048</u>
Total accumulated depreciation	<u>4,907,823</u>	<u>248,757</u>	<u>-</u>	<u>5,156,580</u>
Total capital assets, being depreciated, net	\$ <u>7,137,693</u>	\$ <u>(173,757)</u>	\$ <u>-</u>	\$ <u>6,963,936</u>

Depreciation has been charged to the governmental activities and business-type activities functions as follows:

**Governmental Activities**

Public works	\$ <u>498,270</u>
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**Business-type Activities**

Water distribution utility fund	\$ 120,547
Wastewater fund	71,261
Solid waste utility fund	<u>56,949</u>
Total depreciation expense - business-type activities	\$ <u>248,757</u>

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 6 – LONG-TERM LIABILITIES**

*Changes in Long-Term Liabilities*

**Government Activities**

During the years ended December 31, 2019 and 2018, the following changes occurred in the long-term liabilities for governmental activities:

	<u>Balance 1/1/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2019</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Special assessment bonds	\$ 675,000	\$ -	\$ 120,000	\$ 555,000	\$ 120,000
Revenue bonds	1,185,000	-	190,000	995,000	195,000
Discount on bonds	<u>(24,098)</u>	<u>-</u>	<u>(3,012)</u>	<u>(21,086)</u>	<u>-</u>
Total governmental debt	<u>\$ 1,835,902</u>	<u>\$ -</u>	<u>\$ 306,988</u>	<u>\$ 1,528,914</u>	<u>\$ 315,000</u>
	<u>Balance 1/1/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2018</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Special assessment bonds	\$ 800,000	\$ -	\$ 125,000	\$ 675,000	\$ 120,000
Revenue bonds	1,370,000	-	185,000	1,185,000	190,000
Discount on bonds	<u>(27,110)</u>	<u>-</u>	<u>(3,012)</u>	<u>(24,098)</u>	<u>-</u>
Total governmental debt	<u>\$ 2,142,890</u>	<u>\$ -</u>	<u>\$ 306,988</u>	<u>\$ 1,835,902</u>	<u>\$ 310,000</u>

**Revenue Bonds**

Revenue bonds payable outstanding in the City’s governmental activities at December 31, 2019 are as follows:

**Revenue Bonds**

\$945,000 sales tax revenue refunding bonds of 2014 due in annual installments of \$90,000 to \$100,000 through May 1, 2022; interest of 0.75% to 2.25%.	\$ 290,000
\$975,000 sales tax revenue refunding bonds of 2016 due in annual installments of \$90,000 to \$100,000 through May 1, 2026; interest of 1.00% to 1.85%.	<u>705,000</u>
Total revenue bonds	<u>\$ 995,000</u>

Revenue bonds are issued to finance capital improvement projects in which revenue from operations of such improvement projects or revenue pledged from designated revenue stream is used to pay the debt service.

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The annual requirements to amortize the outstanding revenue bonds are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 195,000	\$ 16,330	\$ 211,330
2021	195,000	12,845	207,845
2022	185,000	9,283	194,283
2023	105,000	6,570	111,570
2024	100,000	4,828	104,828
2025-2026	215,000	4,024	219,024
Totals	\$ 995,000	\$ 53,880	\$ 1,048,880

**Special Assessment Bonds**

The City has issued special assessment bonds to provide funds for street projects. Special assessment bonds outstanding at December 31, 2019, are as follows:

\$595,000 refunding improvement bonds of 2016, due in annual installments of \$50,000 to \$70,000 through May 1, 2026; interest of 0.80% to 1.90%.	\$ 395,000
\$600,000 refunding improvement bonds of 2014, due in annual installments of \$50,000 to \$75,000 through May 1, 2022; interest of 0.85% to 1.90%.	160,000
Total special assessment bonds	\$ 555,000

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 120,000	\$ 7,924	\$ 127,924
2021	110,000	6,189	116,189
2022	105,000	4,435	109,435
2023	55,000	3,080	58,080
2024	55,000	2,200	57,200
2025-2026	110,000	1,760	111,760
Totals	\$ 555,000	\$ 25,588	\$ 580,588

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Business-type Activities**

During the years ended December 31, 2019 and 2018, the following changes occurred in the long-term liabilities for business-type activities:

	<u>1/1/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2019</u>	<u>One Year</u>
<b>Business-type activities (proprietary funds):</b>					
Revenue bonds	\$ <u>301,000</u>	\$ <u>-</u>	\$ <u>40,000</u>	\$ <u>261,000</u>	\$ <u>41,000</u>
<b>Business-type activities (proprietary funds):</b>					
Revenue bonds	\$ <u>340,000</u>	\$ <u>-</u>	\$ <u>39,000</u>	\$ <u>301,000</u>	\$ <u>40,000</u>

**Revenue Bonds**

Revenue bonds payable outstanding in the City’s governmental activities at December 31, 2019 are as follows:

\$750,000 State revolving fund bonds/loan due in annual installments of \$30,000 to \$46,000 through September 1, 2025; interest at 2.5%.	\$ <u><u>261,000</u></u>
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Revenue bonds are issued to finance capital improvement projects in which revenue from operations of such improvement projects or revenue pledged from designated revenue stream is used to pay the debt service.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 41,000	\$ 6,525	\$ 47,525
2021	42,000	5,500	47,500
2022	43,000	4,450	47,450
2023	44,000	3,335	47,335
2024	45,000	2,275	47,275
2025	<u>46,000</u>	<u>1,150</u>	<u>47,150</u>
Totals	<u>\$ 261,000</u>	<u>\$ 23,235</u>	<u>\$ 284,235</u>

**NOTE 7 – PROPERTY TAXES**

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

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

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**NOTE 8 – PENSION PLAN (NDPERS)**

***North Dakota Public Employees Retirement System (Main System)***

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

***Pension Benefits***

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

***Death and Disability Benefits***

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

***Refunds of Member Account Balance***

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

***Member and Employer Contributions***

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

***Pension Liabilities and Pension Expense***

At December 31, 2019 and 2018, the Employer reported a liability of \$549,303 and \$744,337 respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019 and 2018, the Employer's proportion was 0.046866 and 0.044106 percent respectively, which was an increase of 0.00276 in 2019 and an increase of 0.044106 in 2018 from its proportion measured as of June 30, 2018 and 2017, respectively.

For the year ended December 31, 2019 and 2018, the Employer recognized pension expense of \$183,577 and \$200,069, respectively.

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

*Actuarial assumptions.* The total pension liability in the July 1, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%		
Salary increases	<b>Service At Beginning of Year</b>	<b>State Employee</b>	<b>Non-State Employee</b>
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	3		
	4		
	<b>Age</b>		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%

\*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table for 2019 and 2018 respectively:

**2019**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30%	6.25%
International equity	21%	6.95%
Private equity	7%	10.15%
Domestic fixed income	23%	2.11%
International fixed income	0%	0.00%
Global real assets	19%	5.41%
Cash equivalents	0%	0.00%

**2018**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	30%	6.05%
International equity	21%	6.71%
Private equity	7%	10.20%
Domestic fixed income	23%	1.45%
International fixed income	0%	0.00%
Global real assets	19%	5.11%
Cash equivalents	0%	0.00%

**Discount rate.** For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.



**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

***Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.*** The following presents the Employer's proportionate share of the net pension liability calculated for 2019 and 2018, respectively, using the discount rate of 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

<b>2019</b>	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
City's proportionate share of net pension liability	\$ <u>787,583</u>	\$ <u>549,303</u>	\$ <u>349,107</u>
<b>2018</b>	<b>1% Decrease (5.32%)</b>	<b>Current Discount Rate (6.32%)</b>	<b>1% Increase (7.32%)</b>
City's proportionate share of net pension liability	\$ <u>1,011,415</u>	\$ <u>744,337</u>	\$ <u>512,468</u>

***Pension plan fiduciary net position.*** Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

**NOTE 9 – OPEB**

***North Dakota Public Employees Retirement System***

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

***OPEB Benefits***

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

***OPEB Liabilities and OPEB Expense***

At December 31, 2019 and 2018, the Employer reported a liability of \$35,089 and \$32,612 respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019 and 2018, the Employer's proportion was 0.043687 percent and 0.041409 percent respectively, which was an increase of 0.002278 in 2019 and an increase of 0.041409 in 2018 from its proportion measured as of June 30, 2018 and 2017 respectively. For the year ended December 31, 2019 and 2018, the Employer recognized OPEB expense of \$9,203 and \$8,248 respectively.

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Actuarial assumptions.** The total OPEB liability in the July 1, 2019 and 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 and 2018 are summarized in the following table:

<b>2019</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
<b>Asset Class</b>		
Large cap domestic equities	33%	6.00%
Small cap domestic equities	6%	7.30%
Domestic fixed income	40%	2.07%
International equities	21%	6.95%

<b>2018</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
<b>Asset Class</b>		
Large cap domestic equities	37%	5.80%
Small cap domestic equities	9%	7.05%
Domestic fixed income	40%	1.46%
International equities	14%	6.20%

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Discount rate.** The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.** The following presents the net OPEB liability of the Plan as of June 30, 2019 and 2018, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

<b>2019</b>	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
City's proportionate share of net pension liability	\$ <u>44,786</u>	\$ <u>35,089</u>	\$ <u>26,788</u>
<b>2018</b>	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
City's proportionate share of net pension liability	\$ <u>41,262</u>	\$ <u>32,616</u>	\$ <u>25,197</u>

**NOTE 10 – RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto and public assets insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile coverage and to \$250 million for public assets coverage.

The City of Bottineau also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the City of Bottineau with blanket fidelity bond coverage in the amount of \$931,000 for the City employees.

**CITY OF BOTTINEAU**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

The City has workers compensation with the North Dakota Workforce Safety and Insurance. The City provides single health insurance coverage to all full-time employees.

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

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

The City restated its beginning net position in the governmental activities:

	<u><b>Governmental Activities</b></u>
Beginning of year net position, as previously reported	\$ 17,421,833
Prior period adjustment	<u>161,672</u>
Beginning of year net position, as restated	\$ <u><u>17,583,505</u></u>

The following adjustments were made to include the net position for the recreation center that was included as a component unit in the prior audit report but in fact did not qualify as a component unit and was added to governmental activities. The second part of the adjustment was to remove compensated absences as the City is on a modified cash basis and there are not cash transaction recorded with compensated absences.

**CITY OF BOTTINEAU**

**SUPPLEMENTAL SCHEDULES  
DECEMBER 31, 2019 AND 2018**

**CITY OF BOTTINEAU**  
**SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Balance 12/31/18</u>	<u>Receipts</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Disbursements</u>	<u>Balance 12/31/19</u>
<b>MAJOR GOVERNMENTAL FUNDS</b>						
General fund	\$ 3,175,428	\$ 1,019,655	\$ 194,423	\$ 118,347	\$ 1,007,144	\$ 3,264,015
Fire department	263,353	142,619	-	-	127,170	278,802
Paving reserve	2,168,966	623,951	-	-	447,598	2,345,319
Streets	400,807	316,410	-	9,292	306,909	401,016
Sales tax 40%	1,130,862	229,633	-	-	122,992	1,237,503
<b>TOTAL MAJOR GOVERNMENTAL FUNDS</b>	<u>7,139,416</u>	<u>2,332,268</u>	<u>194,423</u>	<u>127,639</u>	<u>2,011,813</u>	<u>7,526,655</u>
<b>OTHER GOVERNMENTAL FUNDS</b>						
Social security	156,798	56,593	-	-	41,300	172,091
Retirement	101,019	52,195	-	-	43,784	109,430
Advertising	5,205	6,524	-	-	3,938	7,791
Armory	231,055	90,273	12,500	-	83,205	250,623
Arena/park board wages	(1,095)	193,482	-	-	192,387	-
City property/forestry	76,731	14,524	18,470	5,000	24,525	80,200
2015 street	107,200	39,713	-	-	-	146,913
2011 street	161,169	61,125	-	-	72,265	150,029
2007 street	96,641	32,551	-	-	59,666	69,526
Sales tax bond reserve (2011 st)	112,500	-	-	-	-	112,500
Sales tax bond reserve (2007 st)	94,500	-	-	-	-	94,500
Sidewalk, curb & gutter	29,874	32,707	-	-	33,314	29,267
Fire department truck mill	277,222	29,291	-	-	-	306,513
Arena/park board reserve	25,000	-	-	-	-	25,000
Band	2,141	-	-	-	2,141	-
Pass-through	-	93,319	-	-	93,319	-
Occupancy tax (2% motel tax)	-	15,439	-	-	15,439	-
Vis. Pro. Cap. Cont.	138,908	69,400	-	21,000	7,137	180,171
1% sales tax (20%)	88,079	87,336	-	39,000	46,000	90,415
Payroll clearing	2,846	-	-	-	2,001	845
Claims clearing	4,250	-	-	-	(275)	4,525
Pool	10,145	107,478	-	-	107,464	10,159
<b>TOTAL OTHER GOVERNMENTAL FUNDS</b>	<u>1,720,188</u>	<u>981,950</u>	<u>30,970</u>	<u>65,000</u>	<u>827,610</u>	<u>1,840,498</u>
<b>TOTAL GOVERNMENTAL FUNDS</b>	<u>8,859,604</u>	<u>3,314,218</u>	<u>225,393</u>	<u>192,639</u>	<u>2,839,423</u>	<u>9,367,153</u>

(Continued)

**CITY OF BOTTINEAU**

**SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Balance 12/31/18</u>	<u>Receipts</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Disbursements</u>	<u>Balance 12/31/19</u>
<b>ENTERPRISE FUND</b>						
Water	4,789,513	518,468	43,916	24,600	438,370	4,888,927
Sewer	3,735,660	170,258	-	25,588	175,730	3,704,600
Garbage	862,443	387,102	-	26,482	386,568	836,495
<b>TOTAL ENTERPRISE FUNDS</b>	<u>9,387,616</u>	<u>1,075,828</u>	<u>43,916</u>	<u>76,670</u>	<u>1,000,668</u>	<u>9,430,022</u>
<b>TOTAL REPORTING ENTITY</b>	\$ <u><u>18,247,220</u></u>	\$ <u><u>4,390,046</u></u>	\$ <u><u>269,309</u></u>	\$ <u><u>269,309</u></u>	\$ <u><u>3,840,091</u></u>	\$ <u><u>18,797,175</u></u>



**CITY OF BOTTINEAU**  
**SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

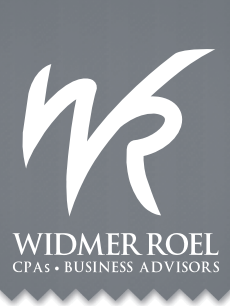
	<u>Balance 12/31/17</u>	<u>Receipts</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Disbursements</u>	<u>Balance 12/31/18</u>
<b>MAJOR GOVERNMENTAL FUNDS</b>						
General fund	\$ 3,020,515	\$ 963,542	\$ 296,518	\$ 277,896	\$ 827,251	\$ 3,175,428
Fire department	231,491	171,661	-	-	139,799	263,353
Paving reserve	1,769,200	624,786	-	-	225,020	2,168,966
Streets	350,643	308,543	20,000	9,438	268,941	400,807
Sales tax 40%	965,813	243,010	-	-	77,961	1,130,862
<b>TOTAL MAJOR GOVERNMENTAL FUNDS</b>	<u>6,337,662</u>	<u>2,311,542</u>	<u>316,518</u>	<u>287,334</u>	<u>1,538,972</u>	<u>7,139,416</u>
<b>OTHER GOVERNMENTAL FUNDS</b>						
Social security	148,608	49,074	-	-	40,884	156,798
Retirement	66,939	48,443	-	-	14,363	101,019
Advertising	1,982	6,543	-	-	3,320	5,205
Armory	220,892	63,223	49,000	-	102,060	231,055
Arena/park board wages	-	192,068	-	-	193,163	(1,095)
City property/forestry	66,872	13,848	18,633	5,000	17,622	76,731
2015 street	73,395	33,805	-	-	-	107,200
2011 street	175,789	58,410	-	-	73,030	161,169
2007 street	129,888	32,521	-	-	65,768	96,641
Sales tax bond reserve (2011 st)	112,500	-	-	-	-	112,500
Sales tax bond reserve (2007 st)	94,500	-	-	-	-	94,500
Sidewalk, curb & gutter	44,409	23,987	15,000	-	53,522	29,874
FEMA (DSR reserve)	(2,470)	2,470	-	-	-	-
Fire department truck mill	294,554	29,206	-	-	46,538	277,222
Arena/park board reserve	-	-	25,000	-	-	25,000
Band	5,280	1,636	-	-	4,775	2,141
Pass-through	-	159,074	-	-	159,074	-
Occupancy tax (2% motel tax)	-	17,632	-	-	17,632	-
Vis. Pro. Cap. Cont.	123,071	70,337	-	54,500	-	138,908
1% sales tax (20%)	89,591	87,988	-	44,500	45,000	88,079
Payroll clearing	2,965	-	-	-	119	2,846
Claims clearing	6,030	-	-	-	1,780	4,250
Pool	1,172	80,439	-	-	71,466	10,145
<b>TOTAL OTHER GOVERNMENTAL FUNDS</b>	<u>1,655,967</u>	<u>970,704</u>	<u>107,633</u>	<u>104,000</u>	<u>910,116</u>	<u>1,720,188</u>
<b>TOTAL GOVERNMENTAL FUNDS</b>	<u>7,993,629</u>	<u>3,282,246</u>	<u>424,151</u>	<u>391,334</u>	<u>2,449,088</u>	<u>8,859,604</u>

(Continued)

**CITY OF BOTTINEAU**

**SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Balance 12/31/17</u>	<u>Receipts</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Disbursements</u>	<u>Balance 12/31/18</u>
<b>ENTERPRISE FUND</b>						
Water	4,679,763	543,667	43,997	24,600	453,314	4,789,513
Sewer	3,767,437	172,061	-	25,905	177,933	3,735,660
Garbage	856,633	383,276	-	26,309	351,157	862,443
<b>TOTAL ENTERPRISE FUNDS</b>	<u>9,303,833</u>	<u>1,099,004</u>	<u>43,997</u>	<u>76,814</u>	<u>982,404</u>	<u>9,387,616</u>
<b>TOTAL REPORTING ENTITY</b>	\$ <u><u>17,297,462</u></u>	\$ <u><u>4,381,250</u></u>	\$ <u><u>468,148</u></u>	\$ <u><u>468,148</u></u>	\$ <u><u>3,431,492</u></u>	\$ <u><u>18,247,220</u></u>



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**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 Bottineau**  
Bottineau, North Dakota

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **City of Bottineau** as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise **City of Bottineau’s** basic financial statements, and have issued our report thereon dated June 28, 2021.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying 2019-001, 2019-002, 2019-003, 2019-004 and 2019-005 that we consider to be material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether **City of Bottineau's** financial statements are free from 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.

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

**City of Bottineau's** response to the findings identified in our audits is described in the accompanying schedule of findings and responses. **City of Bottineau's** response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Fargo, North Dakota  
September 7, 2021

**CITY OF BOTTINEAU**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2019 AND 2018**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued:

Governmental activities	Unmodified – modified cash basis
Business-type activities	Unmodified – modified cash basis
Major governmental funds	Unmodified – modified cash basis
Major proprietary fund	Unmodified – modified cash basis
Aggregate remaining fund information	Unmodified – modified cash basis

Internal control over financial reporting:

Material weakness(es) identified?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no

Noncompliance material to financial statements noted?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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**CITY OF BOTTINEAU**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2019 AND 2018**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**FINDING 2019-001 (MATERIAL WEAKNESS) - SEGREGATION OF DUTIES**

**Condition**

We believe the limited number of personnel prevents a proper segregation of duties to ensure adequate internal control.

**Criteria**

To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliation.

**Cause**

The City has limited staff to be able to adequately segregate duties.

**Effect**

The financial statements are susceptible to misstatements due to errors or fraud.

**Recommendation**

We recommend that management be aware of the lack of segregation of duties and implement controls wherever possible to mitigate this risk. This is a repeat recommendation.

**Views of Responsible Officials**

The City will continue to develop controls through cross training of duties and responsibilities. Any new employees in the city office have been cross trained in all duties.

**FINDING 2019-002 (MATERIAL WEAKNESS) – FINANCIAL STATEMENT PREPARATION**

**Condition**

Widmer Roel PC assists management in preparing financial statements that are presented, including note disclosures, on the modified cash basis of accounting.

**Criteria**

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles, or as applicable, another comprehensive basis of accounting.

**Cause**

The City has determined it is more cost-effective to allocate its limited resources to areas other than preparation of financial statements and instead engage its third-party auditor to assist in this process.

**CITY OF BOTTINEAU**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2019 AND 2018**

**Effect**

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

**Recommendation**

We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures. This is a repeat recommendation.

**Views of Responsible Officials**

The City agrees with this finding and does not have the resources to prepare financial statements at this time.

**FINDING 2019-003 (MATERIAL WEAKNESS) – IMPROPER RECORDING OF CAPITAL ASSETS ON THE FUND LEVEL**

**Condition**

The City of Bottineau has government fixed assets recorded on the fund level and the fixed assets that are properly recorded on the fund level did not agree to the City reports.

**Criteria**

According to GASB No. 34, government fixed assets are not to be recorded on the fund financial statements but only on the Government-wide financial statements. The only fixed assets that should be recorded at the fund level are enterprise fund fixed assets.

**Cause**

Management was not fully aware of what capital assets should and should not be recorded at the fund level based on guidance from their software provider.

**Effect**

Fixed assets at the fund level are not reflected accurately on the financials.

**Recommendation**

Widmer Roel PC recommends that management stops recording government fixed assets in Black Mountain and reconcile the enterprise funds fixed assets to the supplemental schedules.

**Views of Responsible Officials**

The City will review and reconcile the differences between the government-wide financial statements to the internal records.

**CITY OF BOTTINEAU**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2019 AND 2018**

**FINDING 2019-004 (MATERIAL WEAKNESS) – IMPROPER COMPONENT UNIT CLASSIFICATION**

**Condition**

Widmer Roel PC noted that the City had their recreation center recorded as a separate component unit stated on the financial statements even though the recreation center does not fit the criteria of a component unit.

**Criteria**

GASB statement No. 39 describes the criteria for an entity being presented as a component unit.

**Cause**

Management was not aware of the criteria that must be met for a separate entity to be considered a component unit.

**Effect**

Recreation center was included as a component unit causing the final net position to be under stated in the PY audit report.

**Recommendation**

We recommend management carefully review the City's financial statements and understand the criteria surrounding component units and the items that must be met in order to be a component unit.

**Views of Responsible Officials**

The City will review the criteria required for component unit classification.

**FINDING 2019-005 (MATERIAL WEAKNESS) – IMPROPER LOAN RECEIVABLE PRESENTATION**

**Condition**

Widmer Roel PC noted that the City had improperly recorded a loan receivable amount on the prior financials.

**Criteria**

The City operates on a modified cash basis and therefore should not be recording receivables as there have not been any cash transactions. The loan receivable should have been off set by a deferred inflows on the government funds balance sheet in the prior year.

**Cause**

Management was not aware of the nuances of modified cash basis of accounting.



**CITY OF BOTTINEAU**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2019 AND 2018**

**Effect**

Opening fund balance in the sales tax fund was overstated in an amount equal to the loan balance.

**Recommendation**

We recommend management carefully review the City's financial statements and understand the criteria surrounding modified cash basis accounting.

**Views of Responsible Officials**

The City will consider this going forward to be in accordance with modified cash basis of accounting.