

AUDIT REPORT

CITY OF FLASHER
Flasher, North Dakota

For the Years Ended December 31, 2019 and 2018

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FLASHER
Flasher, North Dakota

TABLE OF CONTENTS
For the Years Ended December 31, 2019 and 2018

	<u>Page(s)</u>
Officials	1
Independent Auditor's Report	2-3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position - Modified Cash Basis	4,5
Statement of Activities - Modified Cash Basis	6,7
Balance Sheet - Modified Cash Basis - Governmental Funds	8,9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis	10,11
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	12,13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis	14,15
Statement of Net Position - Modified Cash Basis - Proprietary Funds	16,17
Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis - Proprietary Funds	18,19
Statement of Cash Flows - Modified Cash Basis - Proprietary Funds	20,21
Notes to the Financial Statements	22-34
SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules - Modified Cash Basis General Fund	35,36
Highway Fund	37,38
Notes to the Budgetary Comparison Schedules	39
Schedule of Fund Activity Arising from Cash Transactions	40,41
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	42-43
Schedule of Findings and Responses	44-45

CITY OF FLASHER
Flasher, North Dakota

CITY OFFICIALS

Tamara Bartz	Commission President
Shelly Meyhoff	Commissioner
Monte Mortenson	Commissioner
Peggy Reimer	Commissioner
Joanie Rossow	Commissioner
Sherry Schmidt	Auditor

Rath & Mehrer, P.C.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Flasher
Flasher, 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 the City of Flasher, Flasher, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 audits. We conducted our audits 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 audits 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 judgement, 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 city'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 city'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 the City of Flasher, Flasher, North Dakota, as of December 31, 2019 and 2018, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

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

The budgeting comparison information and schedules of fund activity arising from cash transactions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgeting comparison information and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2020 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

July 24, 2020

CITY OF FLASHER
Flasher, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	114,267.74	182,497.59	296,765.33
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	144,962.00	402,202.00	547,164.00
Machinery and Vehicles	105,880.00	4,060.00	109,940.00
Total Capital Assets	250,842.00	406,262.00	657,104.00
Total Assets	365,109.74	588,759.59	953,869.33
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Bank Loans Payable	5,328.61	28,121.42	33,450.03
Revenue Bonds Payable		15,100.00	15,100.00
Due After One Year:			
Bank Loans Payable	17,059.78	39,103.80	56,163.58
Revenue Bonds Payable		43,699.81	43,699.81
Total Liabilities	22,388.39	126,025.03	148,413.42
NET POSITION:			
Net Investment in Capital Assets	228,453.61	280,236.97	508,690.58
Restricted for:			
Special Purposes	59,839.01	109.01	59,948.02
Unrestricted	54,428.73	182,388.58	236,817.31
Total Net Position	342,721.35	462,734.56	805,455.91

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	97,819.13	199,855.27	297,674.40
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	151,463.00	435,599.00	587,062.00
Machinery and Vehicles	119,247.00	6,090.00	125,337.00
Total Capital Assets	270,710.00	441,689.00	712,399.00
Total Assets	368,529.13	641,544.27	1,010,073.40
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Bank Loans Payable	5,114.61	27,816.84	32,931.45
Revenue Bonds Payable		14,000.00	14,000.00
Due After One Year:			
Bank Loans Payable	22,388.39	67,225.22	89,613.61
Revenue Bonds Payable		58,799.81	58,799.81
Total Liabilities	27,503.00	167,841.87	195,344.87
NET POSITION:			
Net Investment in Capital Assets	243,207.00	273,847.13	517,054.13
Restricted for:			
Special Purposes	51,534.65	2,998.29	54,532.94
Unrestricted	46,284.48	196,856.98	243,141.46
Total Net Position	341,026.13	473,702.40	814,728.53

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2019

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>						
<u>Primary Government:</u>						
<u>Governmental Activities:</u>						
General Government	64,415.98	2,159.10		(62,256.88)		(62,256.88)
Public Safety	300.00			(300.00)		(300.00)
Streets and Public Works	63,893.22	28,065.34	18,315.25	(17,512.63)		(17,512.63)
Culture and Recreation	861.22	1,470.00		608.78		608.78
Interest on Long-Term Debt	941.62			(941.62)		(941.62)
Total Governmental Activities	130,412.04	31,694.44	18,315.25	(80,402.35)		(80,402.35)
<u>Business-Type Activities:</u>						
Waterworks	102,560.32	90,541.00	14,819.75		2,800.43	2,800.43
Sewer	38,382.14	36,338.80			(2,043.34)	(2,043.34)
Garbage	39,483.95	37,764.52			(1,719.43)	(1,719.43)
Total Business-Type Activities	180,426.41	164,644.32	14,819.75		(962.34)	(962.34)
Total Primary Government	310,838.45	196,338.76	33,135.00	(80,402.35)	(962.34)	(81,364.69)
=====						
<u>General Revenues:</u>						
<u>Taxes:</u>						
Property taxes; levied for general purposes				44,524.28		44,524.28
Mobile home taxes				114.92		114.92
Cigarette taxes				610.84		610.84
Telecommunications taxes				768.99		768.99
Generation distribution taxes				641.03		641.03
Homestead credit taxes				1,830.93		1,830.93
Disabled veterans credit taxes				164.97		164.97
Intergovernmental revenue not restricted to specific programs				17,792.49		17,792.49
Earnings on investments and other revenue				3,692.89	1,950.73	5,643.62
Transfers				11,956.23	(11,956.23)	
Total General Revenues and Transfers				82,097.57	(10,005.50)	72,092.07
Change in Net Position				1,695.22	(10,967.84)	(9,272.62)
Net Position - January 1				341,026.13	473,702.40	814,728.53
Net Position - December 31				342,721.35	462,734.56	805,455.91
=====						

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2018

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Business-Type Activities
Primary Government:					
<u>Governmental Activities:</u>					
General Government	83,847.83	1,910.00		(81,937.83)	(81,937.83)
Streets and Public Works	76,377.69	29,318.10	19,708.40	(27,351.19)	(27,351.19)
Culture and Recreation	438.48	1,046.00		607.52	607.52
Interest on Long-Term Debt	474.05			(474.05)	(474.05)
Total Governmental Activities	161,138.05	32,274.10	19,708.40	(109,155.55)	(109,155.55)
<u>Business-Type Activities:</u>					
Waterworks	79,482.58	84,259.85	197,983.00		202,760.27
Sewer	21,255.79	33,167.74	3,006.26		14,918.21
Garbage	36,658.35	39,807.30			3,148.95
Total Business-Type Activities	137,396.72	157,234.89	200,989.26		220,827.43
Total Primary Government	298,534.77	189,508.99	220,697.66	(109,155.55)	220,827.43

<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes				48,385.62	48,385.62
Mobile home taxes				176.03	176.03
Cigarette taxes				645.02	645.02
Telecommunications taxes				768.99	768.99
Generation distribution taxes				625.61	625.61
Homestead credit taxes				3,076.75	3,076.75
Disabled veterans credit taxes				170.74	170.74
Intergovernmental revenue not restricted to specific programs				15,966.06	15,966.06
Earnings on investments and other revenue				18,635.91	421.36
Transfers				11,624.51	(11,624.51)
Total General Revenues and Transfers				100,075.24	(11,203.15)
Change in Net Position				(9,080.31)	209,624.28
Net Position - January 1				350,106.44	264,078.12
Net Position - December 31				341,026.13	473,702.40

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

CITY OF FLASHER
Flasher, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2019

	Major Funds			
	General	Highway	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash, Cash Equivalents and Investments	54,428.73	32,201.48	27,637.53	114,267.74
FUND BALANCES:				
Restricted for:				
Streets and Public Works		32,201.48	26,523.19	58,724.67
Emergency Services			339.25	339.25
Legion Hall			775.09	775.09
Unassigned	54,428.73			54,428.73
Total Fund Balances	54,428.73	32,201.48	27,637.53	114,267.74

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

CITY OF FLASHER
Flasher, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2018

	Major Funds			
	General	Highway	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash, Cash Equivalents and Investments	46,284.48	23,426.12	28,108.53	97,819.13
FUND BALANCES:				
Restricted for:				
Streets and Public Works		23,426.12	26,994.19	50,420.31
Emergency Services			339.25	339.25
Legion Hall			775.09	775.09
Unassigned	46,284.48			46,284.48
Total Fund Balances	46,284.48	23,426.12	28,108.53	97,819.13

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

CITY OF FLASHER
Flasher, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2019

Total Fund Balances for Governmental Funds		114,267.74
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	497,272.00	
Less Accumulated Depreciation	(246,430.00)	
Net Capital Assets		250,842.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2019 are:		
Bank Loan Payable		(22,388.39)
Total Net Position of Governmental Activities		342,721.35

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

CITY OF FLASHER
Flasher, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2018

Total Fund Balances for Governmental Funds		97,819.13
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	497,272.00	
Less Accumulated Depreciation	(226,562.00)	
Net Capital Assets		270,710.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2018 are:		
Bank Loan Payable		(27,503.00)
Total Net Position of Governmental Activities		341,026.13

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2019

	Major Funds			Total Governmental Funds
	General	Highway	Other Governmental Funds	
<u>Revenues:</u>				
Taxes	45,408.19			45,408.19
Licenses, Permits and Fees	2,159.10			2,159.10
Intergovernmental	21,040.26	18,315.25		39,355.51
Charges for Services		20,290.99	9,244.35	29,535.34
Miscellaneous	3,692.89			3,692.89
Total Revenues	72,300.44	38,606.24	9,244.35	120,151.03
<u>Expenditures:</u>				
Current:				
General Government	61,165.98			61,165.98
Public Safety	300.00			300.00
Streets and Public Works	828.99	36,730.88	9,715.35	47,275.22
Culture and Recreation	861.22			861.22
Debt Service:				
Principal		5,114.61		5,114.61
Interest		941.62		941.62
Total Expenditures	63,156.19	42,787.11	9,715.35	115,658.65
Excess (Deficiency) of Revenues Over Expenditures	9,144.25	(4,180.87)	(471.00)	4,492.38
<u>Other Financing Sources (Uses):</u>				
Transfers In		12,956.23		12,956.23
Transfers Out	(1,000.00)			(1,000.00)
Total Other Financing Sources (Uses)	(1,000.00)	12,956.23		11,956.23
Net Change in Fund Balances	8,144.25	8,775.36	(471.00)	16,448.61
Fund Balance - January 1	46,284.48	23,426.12	28,108.53	97,819.13
Fund Balance - December 31	54,428.73	32,201.48	27,637.53	114,267.74

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2018

	Major Funds			Total Governmental Funds
	General	Highway	Other Governmental Funds	
<u>Revenues:</u>				
Taxes	49,330.64			49,330.64
Licenses, Permits and Fees	1,910.00			1,910.00
Intergovernmental	20,484.18	19,708.40		40,192.58
Charges for Services		20,780.65	9,583.45	30,364.10
Miscellaneous	15,166.75	3,469.16		18,635.91
Total Revenues	86,891.57	43,958.21	9,583.45	140,433.23
<u>Expenditures:</u>				
Current:				
General Government	80,597.83			80,597.83
Streets and Public Works	1,436.86	44,739.09	13,583.74	59,759.69
Culture and Recreation	438.48			438.48
Capital Outlay		27,503.00		27,503.00
Debt Service:				
Principal		14,388.21		14,388.21
Interest and Service Charges		474.05		474.05
Total Expenditures	82,473.17	87,104.35	13,583.74	183,161.26
Excess (Deficiency) of Revenues Over Expenditures	4,418.40	(43,146.14)	(4,000.29)	(42,728.03)
<u>Other Financing Sources (Uses):</u>				
Transfers In		12,624.51		12,624.51
Transfers Out	(1,000.00)			(1,000.00)
Proceeds from Bank Loan		27,503.00		27,503.00
Total Other Financing Sources (Uses)	(1,000.00)	40,127.51		39,127.51
Net Change in Fund Balances	3,418.40	(3,018.63)	(4,000.29)	(3,600.52)
Fund Balance - January 1	42,866.08	26,444.75	32,108.82	101,419.65
Fund Balance - December 31	46,284.48	23,426.12	28,108.53	97,819.13

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

CITY OF FLASHER
Flasher, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds	16,448.61
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(19,868.00)	(19,868.00)

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayment of debt exceeded debt proceeds.

Debt Proceeds	0.00	
Repayment of Debt	5,114.61	5,114.61

Change in Net Position of Governmental Activities	1,695.22
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The accompanying notes are an integral part of these financial statements.

CITY OF FLASHER
Flasher, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds (3,600.52)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	27,503.00	
Current Year Depreciation Expense	(19,868.00)	7,635.00

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded repayment of debt.

Debt Proceeds	(27,503.00)	
Repayment of Debt	14,388.21	(13,114.79)

Change in Net Position of Governmental Activities (9,080.31)
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The accompanying notes are an integral part of these financial statements.

CITY OF FLASHER
Flasher, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2019

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
ASSETS				
<u>Current Assets:</u>				
Cash and Cash Equivalents	122,539.59	31,014.17	28,943.83	182,497.59
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	289,362.00	112,840.00		402,202.00
Machinery and Vehicles		4,060.00		4,060.00
Total Noncurrent Assets	289,362.00	116,900.00		406,262.00
Total Assets	411,901.59	147,914.17	28,943.83	588,759.59
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Bank Loan Payable	28,121.42			28,121.42
Revenue Bonds Payable	5,100.00	10,000.00		15,100.00
Total Current Liabilities	33,221.42	10,000.00		43,221.42
<u>Noncurrent Liabilities:</u>				
Bank Loan Payable	39,103.80			39,103.80
Revenue Bonds Payable	29,699.81	14,000.00		43,699.81
Total Noncurrent Liabilities	68,803.61	14,000.00		82,803.61
Total Liabilities	102,025.03	24,000.00		126,025.03
<u>NET POSITION</u>				
Net Investment in Capital Assets	187,336.97	92,900.00		280,236.97
Restricted for Water Project	109.01			109.01
Unrestricted	122,430.58	31,014.17	28,943.83	182,388.58
Total Net Position	309,876.56	123,914.17	28,943.83	462,734.56

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2018

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
ASSETS				
<u>Current Assets:</u>				
Cash and Cash Equivalents	128,660.68	39,075.10	32,119.49	199,855.27
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	314,699.00	120,900.00		435,599.00
Machinery and Vehicles		6,090.00		6,090.00
Total Noncurrent Assets	314,699.00	126,990.00		441,689.00
Total Assets	443,359.68	166,065.10	32,119.49	641,544.27
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Bank Loan Payable	27,816.84			27,816.84
Revenue Bonds Payable	5,000.00	9,000.00		14,000.00
Total Current Liabilities	32,816.84	9,000.00		41,816.84
<u>Noncurrent Liabilities:</u>				
Bank Loan Payable	67,225.22			67,225.22
Revenue Bonds Payable	34,799.81	24,000.00		58,799.81
Total Noncurrent Liabilities	102,025.03	24,000.00		126,025.03
Total Liabilities	134,841.87	33,000.00		167,841.87
<u>NET POSITION</u>				
Net Investment in Capital Assets	179,857.13	93,990.00		273,847.13
Restricted for Water Project	109.01			109.01
Restricted for Sewer Project		2,889.28		2,889.28
Unrestricted	128,551.67	36,185.82	32,119.49	196,856.98
Total Net Position	308,517.81	133,065.10	32,119.49	473,702.40

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2019

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Sales	70,350.65			70,350.65
Sewer Fees		36,338.80		36,338.80
Garbage Fees			37,514.52	37,514.52
Landfill Charges			250.00	250.00
Surcharge Fees	18,880.00			18,880.00
Meter Deposits	410.35			410.35
Water Hookup Fee	750.00			750.00
Water Reconnect Fee	150.00			150.00
Total Operating Revenues	90,541.00	36,338.80	37,764.52	164,644.32
<u>Operating Expenses:</u>				
Salaries and Benefits	7,118.64	4,368.37	3,710.76	15,197.77
Electricity	3,043.44	1,241.26		4,284.70
Office Supplies	821.00			821.00
Repairs, Supplies and Maintenance	8,888.82	18,803.23	2,866.53	30,558.58
Garbage Contract			32,906.66	32,906.66
Rural Water Contract	13,824.00			13,824.00
Rural Water Purchases	23,988.55			23,988.55
Depreciation	25,337.00	10,090.00		35,427.00
Total Operating Expenses	83,021.45	34,502.86	39,483.95	157,008.26
Operating Income (Loss)	7,519.55	1,835.94	(1,719.43)	7,636.06
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	257.71			257.71
Community Development Block Grant	14,819.75			14,819.75
Miscellaneous Revenues	1,693.02			1,693.02
Water and Sewer Project	(14,819.75)	(2,889.28)		(17,709.03)
Interest and Service Charges	(4,719.12)	(990.00)		(5,709.12)
Total Non-Operating Revenues (Expenses)	(2,768.39)	(3,879.28)		(6,647.67)
Income (Loss) Before Transfers	4,751.16	(2,043.34)	(1,719.43)	988.39
Transfers In	4,207.59			4,207.59
Transfers Out	(7,600.00)	(7,107.59)	(1,456.23)	(16,163.82)
Change in Net Position	1,358.75	(9,150.93)	(3,175.66)	(10,967.84)
Net Position - January 1	308,517.81	133,065.10	32,119.49	473,702.40
Net Position - December 31	309,876.56	123,914.17	28,943.83	462,734.56

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2018

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Sales	75,314.85			75,314.85
Sewer Fees		33,167.74		33,167.74
Garbage Fees			39,416.30	39,416.30
Surcharge Fees	7,870.00			7,870.00
Landfill Charges			391.00	391.00
Meter Deposits	100.00			100.00
Water Hookup Fee	900.00			900.00
Water Reconnect Fee	75.00			75.00
Total Operating Revenues	84,259.85	33,167.74	39,807.30	157,234.89
<u>Operating Expenses:</u>				
Salaries and Benefits	6,717.07	2,131.50	2,650.00	11,498.57
Electricity	2,796.44	998.41		3,794.85
Office Supplies	782.00			782.00
Repairs, Supplies and Maintenance	4,483.44	6,775.88	1,608.35	12,867.67
Garbage Contract			32,400.00	32,400.00
Rural Water Contract	13,824.00			13,824.00
Rural Water Purchases	23,966.28			23,966.28
Miscellaneous	309.56			309.56
Depreciation	25,337.00	10,090.00		35,427.00
Total Operating Expenses	78,215.79	19,995.79	36,658.35	134,869.93
Operating Income (Loss)	6,044.06	13,171.95	3,148.95	22,364.96
<u>Non-Operating Revenues (Expenses):</u>				
Interest	229.09			229.09
Community Development Block Grant	197,983.00			197,983.00
Special Assessments		3,006.26		3,006.26
Miscellaneous Revenues	192.27			192.27
Interest and Service Charges	(1,266.79)	(1,260.00)		(2,526.79)
Total Non-Operating Revenues (Expenses)	197,137.57	1,746.26		198,883.83
Income (Loss) Before Transfers	203,181.63	14,918.21	3,148.95	221,248.79
Transfers In	109.01			109.01
Transfers Out	(8,651.83)	(1,595.35)	(1,486.34)	(11,733.52)
Change in Net Position	194,638.81	13,322.86	1,662.61	209,624.28
Net Position - January 1	113,879.00	119,742.24	30,456.88	264,078.12
Net Position - December 31	308,517.81	133,065.10	32,119.49	473,702.40

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2019

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	90,541.00	36,338.80	37,764.52	164,644.32
Payments to suppliers	(50,565.81)	(20,044.49)	(35,773.19)	(106,383.49)
Payments to employees	(7,118.64)	(4,368.37)	(3,710.76)	(15,197.77)
Net cash provided (used) by operating activities	32,856.55	11,925.94	(1,719.43)	43,063.06
<u>Cash flows from noncapital financing activities:</u>				
Community Development Block Grant	14,819.75			14,819.75
Water and sewer project	(14,819.75)	(2,889.28)		(17,709.03)
Transfers in	4,207.59			4,207.59
Transfers out	(7,600.00)	(7,107.59)	(1,456.23)	(16,163.82)
Net cash provided (used) by noncapital financing activities	(3,392.41)	(9,996.87)	(1,456.23)	(14,845.51)
<u>Cash flows from capital and related financing activities:</u>				
Miscellaneous receipts	1,693.02			1,693.02
Principal payments on revenue bonds	(32,816.84)	(9,000.00)		(41,816.84)
Interest payments and service charges	(4,719.12)	(990.00)		(5,709.12)
Net cash provided (used) by capital and related financing activities	(35,842.94)	(9,990.00)		(45,832.94)
<u>Cash flows from investing activities:</u>				
Interest income	257.71			257.71
Net increase in cash and cash equivalents	(6,121.09)	(8,060.93)	(3,175.66)	(17,357.68)
Cash and cash equivalents, January 1	128,660.68	39,075.10	32,119.49	199,855.27
Cash and cash equivalents, December 31	122,539.59	31,014.17	28,943.83	182,497.59
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	7,519.55	1,835.94	(1,719.43)	7,636.06
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	25,337.00	10,090.00		35,427.00
Net cash provided (used) by operating activities	32,856.55	11,925.94	(1,719.43)	43,063.06

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2018

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	84,259.85	33,167.74	39,807.30	157,234.89
Payments to suppliers	(46,161.72)	(7,774.29)	(34,008.35)	(87,944.36)
Payments to employees	(6,717.07)	(2,131.50)	(2,650.00)	(11,498.57)
Net cash provided (used) by operating activities	31,381.06	23,261.95	3,148.95	57,791.96
<u>Cash flows from noncapital financing activities:</u>				
Miscellaneous receipts	192.27			192.27
Transfers in	109.01			109.01
Transfers out	(8,651.83)	(1,595.35)	(1,486.34)	(11,733.52)
Net cash provided (used) by noncapital financing activities	(8,350.55)	(1,595.35)	(1,486.34)	(11,432.24)
<u>Cash flows from capital and related financing activities:</u>				
Special assessments		3,006.26		3,006.26
Community Development Block Grant	197,983.00			197,983.00
Proceeds from bank loan	95,042.06			95,042.06
Water and sewer project	(295,736.00)			(295,736.00)
Principal payments on revenue bonds	(4,800.00)	(9,000.00)		(13,800.00)
Interest payments and service charges	(1,266.79)	(1,260.00)		(2,526.79)
Net cash provided (used) by capital and related financing activities	(8,777.73)	(7,253.74)		(16,031.47)
<u>Cash flows from investing activities:</u>				
Interest income	229.09			229.09
Net increase in cash and cash equivalents	14,481.87	14,412.86	1,662.61	30,557.34
Cash and cash equivalents, January 1	114,178.81	24,662.24	30,456.88	169,297.93
Cash and cash equivalents, December 31	128,660.68	39,075.10	32,119.49	199,855.27
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	6,044.06	13,171.95	3,148.95	22,364.96
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	25,337.00	10,090.00		35,427.00
Net cash provided (used) by operating activities	31,381.06	23,261.95	3,148.95	57,791.96

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

CITY OF FLASHER
Flasher, North Dakota

Notes to the Financial Statements
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Based on these criteria, there are no component units to be included within the City of Flasher as a reporting entity.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the City of Flasher. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the city. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the city's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the city's funds. 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 are aggregated and reported as nonmajor funds.

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

The city reports the following major governmental funds:

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

Highway Fund. This fund accounts for the state highway distribution tax used for street repairs and maintenance.

The city reports the following major enterprise funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

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

Basis of Accounting

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

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

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

D. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of three months or less.

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

Capital assets include plant and equipment. Assets are reported in the governmental activities column and the business-type activities column in the government-wide financial statements. Assets are also reported in the proprietary fund statements. Capital assets are defined by the city as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings and Infrastructure	25 to 100 years
Machinery and Vehicles	10 to 20 years

F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

G. Long-Term Obligations

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

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

H. Fund Equity

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

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

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

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

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

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

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

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

- * Committed
- * Assigned
- * Unassigned

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

I. Interfund Transactions

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

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

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

J. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2019 the city's carrying amount of deposits was \$296,765 and the bank balance was \$307,489 which was covered by Federal Depository Insurance.

At December 31, 2018 the city's carrying amount of deposits was \$297,674 and the bank balance was \$307,441 which was covered by Federal Depository Insurance.

Credit Risk

The city may invest idle funds as authorized in North Dakota Statutes, as follows:

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

At December 31, 2019 the city held certificates of deposit in the amount of \$38,981, which are all considered deposits.

At December 31, 2018 the city held certificates of deposit in the amount of \$38,737, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 CAPITAL ASSETS

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

	<u>2019</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>
Governmental Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	312,600			312,600
Machinery and Vehicles	184,672			184,672
Total	<u>497,272</u>			<u>497,272</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	161,137	6,501		167,638
Machinery and Vehicles	65,425	13,367		78,792
Total	<u>226,562</u>	<u>19,868</u>		<u>246,430</u>
Governmental Activities Capital Assets, Net	<u>270,710</u>	<u>(19,868)</u>	<u>-0-</u>	<u>250,842</u>
	=====	=====	=====	=====

2018

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	312,600			312,600
Machinery and Vehicles	157,169	27,503		184,672
Total	<u>469,769</u>	<u>27,503</u>		<u>497,272</u>
<i>Less accumulated</i>				
<i>depreciation for:</i>				
Buildings and Infrastructure	154,636	6,501		161,137
Machinery and Vehicles	52,058	13,367		65,425
Total	<u>206,694</u>	<u>19,868</u>		<u>226,562</u>
Governmental Activities				
Capital Assets, Net	<u>263,075</u>	<u>7,635</u>	-0-	<u>270,710</u>
	=====	=====	=====	=====

2019

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	817,236			817,236
Machinery and Vehicles	20,300			20,300
Total	<u>837,536</u>			<u>837,536</u>
<i>Less accumulated</i>				
<i>depreciation for:</i>				
Buildings and Infrastructure	381,637	33,397		415,034
Machinery and Vehicles	14,210	2,030		16,240
Total	<u>395,847</u>	<u>35,427</u>		<u>431,274</u>
Business-type Activities				
Capital Assets, Net	<u>441,689</u>	<u>(35,427)</u>	-0-	<u>406,262</u>
	=====	=====	=====	=====

	<u>2018</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	521,500	295,736		817,236
Machinery and Vehicles	20,300			20,300
Total	<u>541,800</u>	<u>295,736</u>		<u>837,536</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	348,240	33,397		381,637
Machinery and Vehicles	12,180	2,030		14,210
Total	<u>360,420</u>	<u>35,427</u>		<u>395,847</u>
Business-type Activities Capital Assets, Net	<u>181,380</u>	<u>260,309</u>	-0-	<u>441,689</u>

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

	<u>2019</u>	<u>2018</u>
<u>Governmental Activities:</u>		
General Government	3,250	3,250
Streets and Public Works	16,618	16,618
Total	<u>19,868</u>	<u>19,868</u>
<u>Business-type Activities:</u>		
Waterworks	25,337	25,337
Sewer	10,090	10,090
Total	<u>35,427</u>	<u>35,427</u>

Note 5 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2019 and 2018, the following changes occurred in liabilities reported in the long-term liabilities:

Governmental Activities:

	<u>2019</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Bank Loan Payable	27,503	-0-	5,115	22,388	5,329
	<u>27,503</u>	<u>0</u>	<u>5,115</u>	<u>22,388</u>	<u>5,329</u>
	<u>2018</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Bank Loan Payable	14,388	27,503	14,388	27,503	5,115
	<u>14,388</u>	<u>27,503</u>	<u>14,388</u>	<u>27,503</u>	<u>5,115</u>

Business-type Activities (Proprietary Funds):

	<u>2019</u>			<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Bank Loan Payable	95,042		27,817	67,225	28,121
Revenue Bonds Payable	72,800	-0-	14,000	58,800	15,100
Total	167,842	-0-	41,817	126,025	43,221

	<u>2018</u>			<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Bank Loan Payable		95,042		95,042	27,817
Revenue Bonds Payable	86,600		14,523	72,800	14,000
Total	86,600	95,042	14,523	167,842	41,817

Outstanding debt at December 31, 2019 consists of the following:

Governmental Activities:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2019, is as follows:

Bank Loan Payable. The city has taken out a loan to provide funds for the purchase of a Dodge pickup. Bank loan payable at December 31, 2019 is as follows:

\$27,503.00 loan payable with Starion Bank dated September 5, 2018. Payments are due annually through September 5, 2019; interest is at 3.25%.	22,388.39
	=====

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	5,328.61	727.62
2021	5,501.79	55.44
2022	5,680.60	375.63
2023	5,877.39	178.84
Total	22,388.39	1,337.53
	=====	=====

Business-type Activities (Proprietary Funds):

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2019, is as follows:

Bank Loan Payable. The city has taken out a loan to provide funds for a water and sewer project. Bank loan payable at December 31, 2019 is as follows:

\$95,042.06 loan payable with Starion Bank dated July 17, 2018. Payments are due semi-annually through January 17, 2022; interest is at 5.5%. 67,225.22
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	28,121.42	3,295.14
2021	29,668.25	1,748.31
2022	9,435.55	259.48
Total	<u>67,225.22</u>	<u>5,302.93</u>
	=====	=====

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2019, are as follows:

\$150,000 Waterworks Project Revenue Bonds 1987A, due in annual installments of \$4,646 to \$1,700 through 2-10-2026; interest is at 3%. 34,799.81

\$121,414 Sewer Revenue Bonds of 2008, due in annual installments of \$4,000 to \$10,000 through 9-1-2022; interest is at 2.5%. 24,000.00

Total Revenue Bonds Payable 58,799.81
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2020	15,100.00	1,716.60
2021	15,300.00	1,310.60
2022	9,400.00	900.10
2023	5,600.00	485.09
2024	5,800.00	314.08
2025-2026	7,599.81	163.64
Total	<u>58,799.81</u>	<u>4,890.11</u>
	=====	=====

Note 6 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2019</u>		
Highway	8,000.00	
General		1,000.00
Waterworks:		
Operating		5,000.00
Sewer:		
Operating		1,000.00
Garbage		1,000.00
To subsidize expenditures.		
Waterworks:		
Operating	4,207.59	
Sewer:		
Operating		4,207.59
Highway	4,956.23	
Waterworks:		
Operating		2,600.00
Sewer:		
Operating		1,900.00
Garbage		456.23
To subsidize debt service payments.		
<u>December 31, 2018</u>		
Highway	12,624.51	
General		1,000.00
Waterworks:		
Operating		8,651.83
Sewer:		
Operating		1,486.34
Garbage		1,486.34
To subsidize debt service payments.		
Waterworks:		
CDBG Water Project	109.01	
Sewer:		
CDBG Sewer Project		109.01
To close fund.		

Note 7 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$256,045 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$187,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

CITY OF FLASHER
Flasher, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	47,000.00	47,000.00	45,408.19	(1,591.81)
Licenses, Permits and Fees	1,650.00	1,650.00	2,159.10	509.10
Intergovernmental	16,750.00	16,750.00	21,040.26	4,290.26
Miscellaneous	950.00	950.00	3,692.89	2,742.89
Total Revenues	66,350.00	66,350.00	72,300.44	5,950.44
<u>Expenditures:</u>				
Current:				
General Government	72,375.00	72,375.00	61,165.98	11,209.02
Public Safety	100.00	100.00	300.00	(200.00)
Streets and Public Works	2,000.00	2,000.00	828.99	1,171.01
Culture and Recreation	1,000.00	1,000.00	861.22	138.78
Total Expenditures	75,475.00	75,475.00	63,156.19	12,318.81
Excess (Deficiency) of Revenues Over Expenditures	(9,125.00)	(9,125.00)	9,144.25	18,269.25
<u>Other Financing (Uses):</u>				
Transfers Out			(1,000.00)	(1,000.00)
Net Change in Fund Balances	(9,125.00)	(9,125.00)	8,144.25	17,269.25
Fund Balance - January 1	46,284.48	46,284.48	46,284.48	
Fund Balance - December 31	37,159.48	37,159.48	54,428.73	17,269.25

CITY OF FLASHER
Flasher, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	47,000.00	47,000.00	49,330.64	2,330.64
Licenses, Permits and Fees	1,650.00	1,650.00	1,910.00	260.00
Intergovernmental	17,425.00	17,425.00	20,484.18	3,059.18
Miscellaneous	950.00	950.00	15,166.75	14,216.75
Total Revenues	67,025.00	67,025.00	86,891.57	19,866.57
<u>Expenditures:</u>				
Current:				
General Government	79,373.17	79,373.17	80,597.83	(1,224.66)
Public Safety	100.00	100.00		100.00
Streets and Public Works	2,000.00	2,000.00	1,436.86	563.14
Culture and Recreation	1,000.00	1,000.00	438.48	561.52
Total Expenditures	82,473.17	82,473.17	82,473.17	
Excess (Deficiency) of Revenues Over Expenditures	(15,448.17)	(15,448.17)	4,418.40	19,866.57
<u>Other Financing (Uses):</u>				
Transfers Out	(1,000.00)	(1,000.00)	(1,000.00)	
Net Change in Fund Balances	(16,448.17)	(16,448.17)	3,418.40	19,866.57
Fund Balance - January 1	42,866.08	42,866.08	42,866.08	
Fund Balance - December 31	26,417.91	26,417.91	46,284.48	19,866.57

CITY OF FLASHER
Flasher, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	17,500.00	17,500.00	18,315.25	815.25
Charges for Services	21,000.00	21,000.00	20,290.99	(709.01)
Total Revenues	38,500.00	38,500.00	38,606.24	106.24
<u>Expenditures:</u>				
Current:				
Streets and Public Works	32,443.00	39,820.03	36,730.88	3,089.15
Debt Service:				
Principal	5,115.00	5,114.61	5,114.61	
Interest	942.00	941.62	941.62	
Total Expenditures	38,500.00	45,876.26	42,787.11	3,089.15
Excess (Deficiency) of Revenues Over Expenditures		(7,376.26)	(4,180.87)	3,195.39
<u>Other Financing Sources:</u>				
Transfers In			12,956.23	12,956.23
Net Change in Fund Balances		(7,376.26)	8,775.36	16,151.62
Fund Balance - January 1	23,426.12	23,426.12	23,426.12	
Fund Balance - December 31	23,426.12	16,049.86	32,201.48	16,151.62

CITY OF FLASHER
Flasher, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	16,500.00	16,500.00	19,708.40	3,208.40
Charges for Services	21,000.00	21,000.00	20,780.65	(219.35)
Miscellaneous			3,469.16	3,469.16
Total Revenues	37,500.00	37,500.00	43,958.21	6,458.21
<u>Expenditures:</u>				
Current:				
Streets and Public Works	59,605.84	59,618.58	44,739.09	14,879.49
Capital Outlay		27,503.00	27,503.00	
Debt Service:				
Principal	14,400.00	14,388.21	14,388.21	
Interest and Service Charges	475.00	474.05	474.05	
Total Expenditures	74,480.84	101,983.84	87,104.35	14,879.49
Excess (Deficiency) of Revenues Over Expenditures	(36,980.84)	(64,483.84)	(43,146.14)	21,337.70
<u>Other Financing Sources:</u>				
Transfers In		8,000.00	12,624.51	4,624.51
Proceeds from Bank Loan		27,503.00	27,503.00	
Total Other Financing Sources		35,503.00	40,127.51	4,624.51
Net Change in Fund Balances	(36,980.84)	(28,980.84)	(3,018.63)	25,962.21
Fund Balance - January 1	26,444.75	26,444.75	26,444.75	
Fund Balance - December 31	(10,536.09)	(2,536.09)	23,426.12	25,962.21

CITY OF FLASHER
Flasher, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2019 and 2018

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendment

The governing board approved the following amendments to the city's budgets for the years ending December 31, 2019 and 2018:

December 31, 2019

	Original Budget	Amendment	Amended Budget
	<u>Appropriations</u>		
<u>Special Revenue Fund</u>			
Highway	38,500	7,376	45,876

December 31, 2018

	Original Budget	Amendment	Amended Budget
	<u>Appropriations</u>		
<u>Special Revenue Fund</u>			
Highway	74,481	27,503	101,984
	<u>Transfers In</u>		
<u>Special Revenue Fund</u>			
Highway		8,000	8,000
	<u>Loan Proceeds</u>		
<u>Special Revenue Fund</u>			
Highway		27,503	27,503

CITY OF FLASHER
Flasher, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2019

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
<u>Major Governmental Funds</u>						
General Fund	46,284.48	72,300.44		1,000.00	63,156.19	54,428.73
Highway	23,426.12	38,606.24	12,956.23		42,787.11	32,201.48
Total Major Governmental Funds	69,710.60	110,906.68	12,956.23	1,000.00	105,943.30	86,630.21
<u>Non-Major Governmental Funds</u>						
Street Improvement	26,994.19	9,244.35			9,715.35	26,523.19
Emergency	339.25					339.25
Legion Hall	775.09					775.09
Total Non-Major Governmental Funds	28,108.53	9,244.35			9,715.35	27,637.53
Total Governmental Funds	97,819.13	120,151.03	12,956.23	1,000.00	115,658.65	114,267.74
<u>Major Enterprise Funds</u>						
Waterworks						
Operating	128,551.67	92,491.73	4,207.59	7,600.00	95,220.41	122,430.58
CDBG Water Project	109.01	14,819.75			14,819.75	109.01
Sewer:						
Operating	36,185.82	36,338.80		7,107.59	34,402.86	31,014.17
Special Improvement	2,889.28				2,889.28	0.00
Garbage	32,119.49	37,764.52		1,456.23	39,483.95	28,943.83
Total Major Enterprise Funds	199,855.27	181,414.80	4,207.59	16,163.82	186,816.25	182,497.59
Total All Funds	297,674.40	301,565.83	17,163.82	17,163.82	302,474.90	296,765.33

CITY OF FLASHER
Flasher, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2018

	Balance 1-1-18	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-18
<u>Major Governmental Funds</u>						
General Fund	42,866.08	86,891.57		1,000.00	82,473.17	46,284.48
Highway	26,444.75	71,461.21	12,624.51		87,104.35	23,426.12
Total Major Governmental Funds	69,310.83	158,352.78	12,624.51	1,000.00	169,577.52	69,710.60
<u>Non-Major Governmental Funds</u>						
Street Improvement	30,994.48	9,583.45			13,583.74	26,994.19
Emergency	339.25					339.25
Legion Hall	775.09					775.09
Total Non-Major Governmental Funds	32,108.82	9,583.45			13,583.74	28,108.53
Total Governmental Funds	101,419.65	167,936.23	12,624.51	1,000.00	183,161.26	97,819.13
<u>Major Enterprise Funds</u>						
Waterworks:						
Operating	114,178.81	179,723.27		8,651.83	156,698.58	128,551.67
CDBG Water Project		197,983.00	109.01		197,983.00	109.01
Sewer:						
Operating	23,516.60	33,167.74		1,486.34	19,012.18	36,185.82
Special Improvement	1,036.63	3,006.26			1,153.61	2,889.28
CDBG Sewer Project	109.01			109.01		
Garbage	30,456.88	39,807.30		1,486.34	36,658.35	32,119.49
Total Major Enterprise Funds	169,297.93	453,687.57	109.01	11,733.52	411,505.72	199,855.27
Total All Funds	270,717.58	621,623.80	12,733.52	12,733.52	594,666.98	297,674.40

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Flasher
Flasher, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Flasher, Flasher, North Dakota, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated July 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the city's internal control over financial reporting (internal control) 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 the city's internal control. Accordingly, we do not express an opinion on the effectiveness of the city's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

Compliance and Other Matters

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

City's Response to Findings

The city's response to the findings identified in our audits are described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

July 24, 2020

CITY OF FLASHER
Flasher, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No

* Significant deficiency(ies) identified? X Yes None Reported

Noncompliance Material to financial
statements noted? Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2019-001 Segregation of Duties

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

Condition: The city has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

Cause: The city does not have a large enough staff to properly segregate all duties.

Effect: A lack of segregation of duties leads to a limited degree of internal control.

Recommendation: We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

Views of Responsible Officials: The city is aware of the condition and segregates duties whenever possible.

2. 2019-002 Financial Statement Preparation

Criteria: A good system of internal controls requires the city to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The city's financial statements, including the accompanying note disclosures, are prepared by the city's external auditors.

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

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

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

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