

CITY OF GLEN ULLIN, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

CITY OF GLEN ULLIN, NORTH DAKOTA

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CITY OF GLEN ULLIN, NORTH DAKOTA

OFFICIAL DIRECTORY December 31, 2019

Doug Martwick	President
Gary Glasser	Vice President
Raquel Helgeson	Council Member
Chasity Orcutt	Council Member
Anthony Schirado	Council Member
Randy Duppong	Council Member
Audrey Duppong	Mayor
Vicki Horst	Auditor



INDEPENDENT AUDITOR'S REPORT

City Council
City of Glen Ullin, 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 Glen Ullin, 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 of Glen Ullin's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Glen Ullin'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 the City of Glen Ullin, 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 years 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.

Correction of Errors

As discuss in Note 9 to the financial statements, the 2017 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Glen Ullin's basic financial statements. The budgetary comparison schedules and the schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules and the schedule of expenditures of federal awards 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 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 budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Information

The Official Directory has 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 30, 2023 on our consideration of the City of Glen Ullin'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 of Glen Ullin's internal control over financial reporting and compliance.



Nadine Julson, LLC
Wahpeton, ND
September 30, 2023

CITY OF GLEN ULLIN, NORTH DAKOTA

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 848,217	\$ 469,328	\$ 1,317,545
Capital Assets			
Non-depreciable			
Land	32,750	1,000	33,750
Construction in Progress	37,382	-	37,382
Depreciable, net of accumulated depreciation			
Buildings and Improvements	44,000	500	44,500
Equipment	76,389	-	76,389
Infrastructure	9,459,653	20,000	9,479,653
Total Capital Assets	9,650,174	21,500	9,671,674
Total Assets	10,498,391	490,828	10,989,219
LIABILITIES			
Current Debt - due within one year			
Bonds Payable	117,449	-	117,449
Notes Payable	8,251	-	8,251
Noncurrent Debt - due in more than one year			
Bonds Payable	3,664,733	-	3,664,733
Notes Payable	117,236	-	117,236
Total Liabilities	3,907,669	-	3,907,669
NET POSITION			
Net Investment in Capital Assets	5,742,505	21,500	5,764,005
Restricted	748,757	-	748,757
Unrestricted	99,460	469,328	568,788
Total Net Position	\$ 6,590,722	\$ 490,828	\$ 7,081,550

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
December 31, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 725,608	\$ 464,381	\$ 1,189,989
Capital Assets			
Non-depreciable			
Land	31,750	1,000	32,750
Construction in Progress	4,436,507	-	4,436,507
Depreciable, net of accumulated depreciation			
Buildings and Improvements	49,000	600	49,600
Equipment	89,175	-	89,175
Infrastructure	4,801,862	21,000	4,822,862
Total Capital Assets	9,408,294	22,600	9,430,894
Total Assets	10,133,902	486,981	10,620,883
LIABILITIES			
Current Debt - due within one year			
Bonds Payable	115,710	-	115,710
Notes Payable	20,799	-	20,799
Noncurrent Debt - due in more than one year			
Bonds Payable	3,782,182	-	3,782,182
Notes Payable	171,550	-	171,550
Total Liabilities	4,090,241	-	4,090,241
NET POSITION			
Net Investment in Capital Assets	5,318,053	22,600	5,340,653
Restricted	583,537	-	583,537
Unrestricted	142,071	464,381	606,452
Total Net Position	\$ 6,043,661	\$ 486,981	\$ 6,530,642

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2019

					Net (Expense) Revenue and Changes in Net Position		
					Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 180,590	\$ 34,561	\$ 124,341	\$ -	\$ (21,688)	\$ -	\$ (21,688)
Public Safety	41,898	-	-	-	(41,898)	-	(41,898)
Public Works/Infrastructure	436,763	-	64,209	479,225	106,671	-	106,671
Interest and Other Charges	98,179	-	-	-	(98,179)	-	(98,179)
Total Governmental Activities	757,430	34,561	188,550	479,225	(55,094)	-	(55,094)
Business-type Activities							
Water	167,160	211,124	-	-	-	43,964	43,964
Sewer	44,552	35,951	-	-	-	(8,601)	(8,601)
Garbage	115,896	114,661	-	-	-	(1,235)	(1,235)
Other	21,001	20,745	-	-	-	(256)	(256)
Total Business-type Activities	348,609	382,481	-	-	-	33,872	33,872
Total Primary Government	\$ 1,106,039	\$ 417,042	\$ 188,550	\$ 479,225	(55,094)	33,872	(21,222)
General Revenues							
Taxes							
Taxes Levied for General Purposes					153,813	-	153,813
Taxes Levied for Debt Service					285,723	-	285,723
Sales Taxes					89,265	-	89,265
Interest and Investment Earnings					17,817	6,745	24,562
Transfers					37,382	(37,382)	-
Miscellaneous					18,155	612	18,767
Total General Revenues					602,155	(30,025)	572,130
Change in Net Position					547,061	3,847	550,908
Net Position, Beginning of Year					6,043,661	486,981	6,530,642
Net Position, End of Year					\$ 6,590,722	\$ 490,828	\$ 7,081,550

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended December 31, 2018

					Net (Expense) Revenue and Changes in Net Position		
Program Revenues					Position		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 199,462	\$ 33,565	\$ 86,657	\$ -	\$ (79,240)	\$ -	\$ (79,240)
Public Safety	40,845	-	-	-	(40,845)	-	(40,845)
Public Works/Infrastructure	233,422	-	62,300	1,743,775	1,572,653	-	1,572,653
Interest and Other Charges	99,049	-	-	-	(99,049)	-	(99,049)
Total Governmental Activities	572,778	33,565	148,957	1,743,775	1,353,519	-	1,353,519
Business-type Activities							
Water	211,355	222,313	-	75,250	-	86,208	86,208
Sewer	22,879	34,721	-	-	-	11,842	11,842
Garbage	108,018	114,948	-	-	-	6,930	6,930
Other	9,964	21,683	-	-	-	11,719	11,719
Total Business-type Activities	352,216	393,665	-	75,250	-	116,699	116,699
Total Primary Government	\$ 924,994	\$ 427,230	\$ 148,957	\$ 1,819,025	1,353,519	116,699	1,470,218
General Revenues							
Taxes							
Taxes Levied for General Purposes					142,368	-	142,368
Taxes Levied for Debt Service					312,616	-	312,616
Sales Taxes					85,363	-	85,363
Interest and Investment Earnings					7,122	860	7,982
Miscellaneous					15,590	40,933	56,523
Total General Revenues					563,059	41,793	604,852
Change in Net Position					1,916,578	158,492	2,075,070
Net Position, Beginning of Year					4,127,083	328,489	4,455,572
Net Position, End of Year					\$ 6,043,661	\$ 486,981	\$ 6,530,642

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
December 31, 2019

	Major Funds					Other	Total
	General	Highway	City Sales Tax	2018 Phase 1	2018 Phase 1 RD	Governmental Funds	Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 99,460	\$ -	\$ 103,252	\$ 336,219	\$ -	\$ 210,935	\$ 848,217
Due from Other Funds	69,728	-	-	-	-	-	69,728
Total Assets	169,188	-	103,252	336,219	-	210,935	917,945
LIABILITIES							
Due to Other Funds	-	69,728	-	-	-	-	69,728
Total Liabilities	-	69,728	-	-	-	-	69,728
FUND BALANCE (DEFICIT)							
Restricted	-	-	103,252	336,219	-	210,935	748,757
Unassigned (Deficit)	169,188	(69,728)	-	-	-	-	99,460
Total Fund Balance (Deficit)	\$ 169,188	\$ (69,728)	\$ 103,252	\$ 336,219	\$ -	\$ 210,935	\$ 848,217

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
December 31, 2018

	Major Funds								
	General	Highway	City Sales Tax	Airport	2018 Phase 1	2018 Phase 1 RD	Other Governmental Funds	Total Governmental Funds	
ASSETS									
Cash and Cash Equivalents	\$ 142,071	\$ 5,347	\$ 95,841	\$ 25,446	\$ 266,064	\$ 3,611	\$ 187,228	\$ 725,608	
Total Assets	142,071	5,347	95,841	25,446	266,064	3,611	187,228	725,608	
FUND BALANCE									
Restricted	-	5,347	95,841	25,446	266,064	3,611	187,228	583,537	
Unassigned	142,071	-	-	-	-	-	-	142,071	
Total Fund Balance	\$ 142,071	\$ 5,347	\$ 95,841	\$ 25,446	\$ 266,064	\$ 3,611	\$ 187,228	\$ 725,608	

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENTS OF NET POSITION – MODIFIED CASH BASIS
December 31, 2019 and 2018

Total Fund Balance - Governmental Funds December 31, 2019		\$	848,217
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	14,394,086		
Less Accumulated Depreciation	(4,743,912)		
Net Capital Assets			9,650,174
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. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Bonds Payable	(3,782,182)		
Notes Payable	(125,487)		
Total Long-term Liabilities			(3,907,669)
Net Position of Governmental Activities December 31, 2019		\$	6,590,722
Total Fund Balance - Governmental Funds December 31, 2018		\$	725,608
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	13,877,048		
Less Accumulated Depreciation	(4,468,754)		
Net Capital Assets			9,408,294
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. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances at the end of the year are reported in the statement of net position.			
Bonds Payable	(3,897,892)		
Notes Payable	(192,349)		
Total Long-term Liabilities			(4,090,241)
Net Position of Governmental Activities December 31, 2018		\$	6,043,661

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2019

	Major Funds								
	General	Highway	City Sales Tax	Airport	2018 Phase 1	2018 Phase 1 RD	Other Governmental Funds	Total Governmental Funds	
REVENUES									
Taxes	\$ 118,729	\$ -	\$ 85,484	\$ 6,762	\$ -	\$ -	\$ 23,556	\$ 234,531	
Special Assessments	6,422	-	-	-	189,197	-	96,526	292,145	
Licenses, Permits, and Fees	8,055	-	-	25,210	-	-	1,296	34,561	
Intergovernmental	60,303	64,209	-	59,929	-	479,225	6,034	669,700	
Interest Income	6,533	-	1,853	-	7,442	34	1,955	17,817	
Miscellaneous Income	4,868	3,096	-	-	-	-	10,391	18,355	
Total Revenues	204,910	67,305	87,337	91,901	196,639	479,259	139,758	1,267,109	
EXPENDITURES									
Current									
General Government	112,548	-	-	18,996	-	-	31,260	162,804	
Public Safety	40,845	-	-	-	-	-	1,053	41,898	
Public Works/Infrastructure	-	174,653	-	-	-	649	4,089	179,391	
Debt Service									
Principal	-	5,274	-	-	59,778	-	132,520	197,572	
Interest and Other Charges	-	853	-	-	70,271	-	27,055	98,179	
Facilities Acquisition and Construction	1,000	-	-	-	-	478,656	37,382	517,038	
Total Expenditures	154,393	180,780	-	18,996	130,049	479,305	233,359	1,196,882	
Excess (Deficiency) of Revenues Over Expenditures	50,517	(113,475)	87,337	72,905	66,590	(46)	(93,601)	70,227	
OTHER FINANCING SOURCES (USES)									
Proceeds from Long-Term Debt	-	15,000	-	-	-	-	-	15,000	
Operating Transfer In	-	23,400	-	-	3,565	-	117,308	144,273	
Operating Transfer Out	(23,400)	-	(79,926)	-	-	(3,565)	-	(106,891)	
Total Other Financing Sources (Uses)	(23,400)	38,400	(79,926)	-	3,565	(3,565)	117,308	52,382	
NET CHANGE IN FUND BALANCE	27,117	(75,075)	7,411	72,905	70,155	(3,611)	23,707	122,609	
FUND BALANCE, BEGINNING OF YEAR	142,071	5,347	95,841	25,446	266,064	3,611	187,228	725,608	
FUND BALANCE (DEFICIT), END OF YEAR	\$ 169,188	\$ (69,728)	\$ 103,252	\$ 98,351	\$ 336,219	\$ -	\$ 210,935	\$ 848,217	

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2018

	Major Funds								
	General	Highway	City Sales Tax	Airport	2018 Phase 1	2018 Phase 1 RD	Other Governmental Funds	Total Governmental Funds	
REVENUES									
Taxes	\$ 111,192	\$ -	\$ 82,176	\$ 6,502	\$ -	\$ -	\$ 21,860	\$ 221,730	
Special Assessments	3,757	-	-	-	200,239	-	112,377	316,373	
Licenses, Permits, and Fees	8,075	-	-	24,630	-	-	860	33,565	
Intergovernmental	54,245	62,300	-	28,446	-	1,743,775	5,631	1,894,397	
Interest Income	1,903	-	927	-	409	3,627	256	7,122	
Miscellaneous Income	3,072	4,080	-	-	-	-	9,017	16,169	
Total Revenues	182,244	66,380	83,103	59,578	200,648	1,747,402	150,001	2,489,356	
EXPENDITURES									
Current									
General Government	111,119	-	-	53,215	-	-	16,142	180,476	
Public Safety	40,845	-	-	-	-	-	-	40,845	
Public Works/Infrastructure	-	64,594	-	-	-	7,524	2,236	74,354	
Debt Service									
Principal	-	2,054	-	-	-	-	1,075,556	1,077,610	
Interest and Other Charges	-	1,009	-	-	-	76,760	21,280	99,049	
Facilities Acquisition and Construction	-	-	-	-	-	4,436,507	757,503	5,194,010	
Total Expenditures	151,964	67,657	-	53,215	-	4,520,791	1,872,717	6,666,344	
Excess (Deficiency) of Revenues Over Expenditures	30,280	(1,277)	83,103	6,363	200,648	(2,773,389)	(1,722,716)	(4,176,988)	
OTHER FINANCING SOURCES (USES)									
Proceeds from Long-Term Debt	-	-	-	-	-	2,677,000	1,449,448	4,126,448	
Operating Transfer In	-	-	-	-	65,416	100,000	327,748	493,164	
Operating Transfer Out	-	-	(358,430)	-	-	-	(134,734)	(493,164)	
Total Other Financing Sources (Uses)	-	-	(358,430)	-	65,416	2,777,000	1,642,462	4,126,448	
NET CHANGE IN FUND BALANCE	30,280	(1,277)	(275,327)	6,363	266,064	3,611	(80,254)	(50,540)	
FUND BALANCE, BEGINNING OF YEAR	111,791	6,624	371,168	19,083	-	-	267,482	776,148	
FUND BALANCE, END OF YEAR	\$ 142,071	\$ 5,347	\$ 95,841	\$ 25,446	\$ 266,064	\$ 3,611	\$ 187,228	\$ 725,608	

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENTS OF ACTIVITIES – MODIFIED CASH BASIS
Years Ended December 31, 2019 and 2018**

Net Change in Fund Balance - Total Governmental Funds December 31, 2019	\$	122,609
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 costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		
		241,880
Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability.		
		(15,000)
Repayment of debt principal and other long-term liabilities are an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		
		<u>197,572</u>
Change in Net Position of Governmental Activities December 31, 2019	\$	<u>547,061</u>
Net Change in Fund Balance - Total Governmental Funds December 31, 2018	\$	(50,540)
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 costs of those assets with a cost greater than \$5,000 is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		
		5,015,956
Governmental funds report debt proceeds as current financial resources. The statement of activities treats such issuance of bonds payable as a liability.		
		(4,126,448)
Repayment of debt principal and other long-term liabilities are an expenditure in the governmental fund financial statements, but repayment reduces long-term liabilities in the statement of net position.		
		<u>1,077,610</u>
Change in Net Position of Governmental Activities December 31, 2018	\$	<u>1,916,578</u>

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
December 31, 2019

	Business-type Activities - Proprietary Funds				
	Water	Sewer	Garbage	Other	Total
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 335,544	\$ 33,770	\$ 41,133	\$ 58,881	\$ 469,328
Total Current Assets	335,544	33,770	41,133	58,881	469,328
Capital Assets					
Non-Depreciable					
Land	1,000	-	-	-	1,000
Depreciable, net of accumulated depreciation					
Buildings and Improvements	500	-	-	-	500
Infrastructure	20,000	-	-	-	20,000
Total Capital Assets	21,500	-	-	-	21,500
Total Assets	357,044	33,770	41,133	58,881	490,828
NET POSITION					
Net Investment in Capital Assets	21,500	-	-	-	21,500
Unrestricted	335,544	33,770	41,133	58,881	469,328
Total Net Position	\$ 357,044	\$ 33,770	\$ 41,133	\$ 58,881	\$ 490,828

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
December 31, 2018

	Business-type Activities - Proprietary Funds				
	Water	Sewer	Garbage	Other	Total
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 322,813	\$ 41,742	\$ 41,963	\$ 57,863	\$ 464,381
Total Current Assets	322,813	41,742	41,963	57,863	464,381
Capital Assets					
Non-Depreciable					
Land	1,000	-	-	-	1,000
Depreciable, net of accumulated depreciation					
Buildings and Improvements	600	-	-	-	600
Infrastructure	21,000	-	-	-	21,000
Total Capital Assets	22,600	-	-	-	22,600
Total Assets	345,413	41,742	41,963	57,863	486,981
NET POSITION					
Net Investment in Capital Assets	22,600	-	-	-	22,600
Unrestricted	322,813	41,742	41,963	57,863	464,381
Total Net Position	\$ 345,413	\$ 41,742	\$ 41,963	\$ 57,863	\$ 486,981

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS

December 31, 2019

	Business-type Activities - Proprietary Funds				Total
	Water	Sewer	Garbage	Other	
OPERATING REVENUES					
Charges for Services	\$ 211,124	\$ 35,951	\$ 114,661	\$ 20,745	\$ 382,481
Other Income	412	-	-	200	612
Total Operating Revenues	211,536	35,951	114,661	20,945	383,093
OPERATING EXPENSES					
Utilities	109,756	4,234	-	8,795	122,785
Salaries	25,584	23,967	5,507	-	55,058
Repairs and Maintenance	25,415	10,403	110,250	941	147,009
Depreciation	1,100	-	-	-	1,100
Supplies	5,305	-	139	-	5,444
Miscellaneous	-	5,948	-	11,265	17,213
Total Operating Expenses	167,160	44,552	115,896	21,001	348,609
OPERATING INCOME (LOSS)	44,376	(8,601)	(1,235)	(56)	34,484
NONOPERATING REVENUES (EXPENSES)					
Interest Income	4,637	629	405	1,074	6,745
Transfers Out	(37,382)	-	-	-	(37,382)
Total Nonoperating Revenues (Expenses)	(32,745)	629	405	1,074	(30,637)
CHANGE IN NET POSITION	11,631	(7,972)	(830)	1,018	3,847
NET POSITION, BEGINNING OF YEAR	345,413	41,742	41,963	57,863	486,981
NET POSITION, END OF YEAR	\$ 357,044	\$ 33,770	\$ 41,133	\$ 58,881	\$ 490,828

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
POSITION – PROPRIETARY FUNDS – MODIFIED CASH BASIS
December 31, 2018**

	Business-type Activities - Proprietary Funds				Total
	Water	Sewer	Garbage	Other	
OPERATING REVENUES					
Charges for Services	\$ 222,313	\$ 34,721	\$ 114,948	\$ 21,683	\$ 393,665
Other Income	(296)	41,098	131	-	40,933
Total Operating Revenues	222,017	75,819	115,079	21,683	434,598
OPERATING EXPENSES					
Utilities	91,335	4,033	-	9,279	104,647
Salaries	20,683	16,118	4,626	-	41,427
Repairs and Maintenance	96,509	2,728	103,361	685	203,283
Depreciation	1,100	-	-	-	1,100
Supplies	1,728	-	-	-	1,728
Miscellaneous	-	-	31	-	31
Total Operating Expenses	211,355	22,879	108,018	9,964	352,216
OPERATING INCOME	10,662	52,940	7,061	11,719	82,382
NONOPERATING REVENUES (EXPENSES)					
Capital Grants and Contributions	75,250	-	-	-	75,250
Interest Income	482	44	128	206	860
Transfers In	-	-	-	39,708	39,708
Transfers Out	-	-	-	(39,708)	(39,708)
Total Nonoperating Revenues (Expenses)	75,732	44	128	206	76,110
CHANGE IN NET POSITION	86,394	52,984	7,189	11,925	158,492
NET POSITION (DEFICIT), BEGINNING OF YEAR	259,019	(11,242)	34,774	45,938	328,489
NET POSITION, END OF YEAR	\$ 345,413	\$ 41,742	\$ 41,963	\$ 57,863	\$ 486,981

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2019

	Business-type Activities - Proprietary Funds				
	Water	Sewer	Garbage	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 211,536	\$ 35,951	\$ 114,661	\$ 20,945	\$ 383,093
Payments to Suppliers	(140,476)	(20,585)	(110,389)	(21,001)	(292,451)
Payments to Employees	(25,584)	(23,967)	(5,507)	-	(55,058)
Net Cash Provided by (Used By) Operating Activities	45,476	(8,601)	(1,235)	(56)	35,584
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES					
Transfers to Other Funds	(37,382)	-	-	-	(37,382)
Net Cash Provided by (Used By) Noncapital Financing Activities	(37,382)	-	-	-	(37,382)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	4,637	629	405	1,074	6,745
Net Cash Provided by Investing Activities	4,637	629	405	1,074	6,745
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,731	(7,972)	(830)	1,018	4,947
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	322,813	41,742	41,963	57,863	464,381
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 335,544</u>	<u>\$ 33,770</u>	<u>\$ 41,133</u>	<u>\$ 58,881</u>	<u>\$ 469,328</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used By) Operating Activities:					
Operating Income (Loss)	\$ 44,376	\$ (8,601)	\$ (1,235)	\$ (56)	\$ 34,484
Depreciation Expense	1,100	-	-	-	1,100
Net Cash Provided by (Used By) Operating Activities	<u>\$ 45,476</u>	<u>\$ (8,601)</u>	<u>\$ (1,235)</u>	<u>\$ (56)</u>	<u>\$ 35,584</u>

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS – MODIFIED CASH BASIS
Year Ended December 31, 2018

	Business-type Activities - Proprietary Funds				
	Water	Sewer	Garbage	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from Customers and Users	\$ 222,017	\$ 75,819	\$ 115,079	\$ 21,683	\$ 434,598
Payments to Suppliers	(189,572)	(6,761)	(103,392)	(9,964)	(309,689)
Payments to Employees	(20,683)	(16,118)	(4,626)	-	(41,427)
Net Cash Provided by Operating Activities	11,762	52,940	7,061	11,719	83,482
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES					
Transfers from Other Funds	-	-	-	39,708	39,708
Transfers to Other Funds	-	-	-	(39,708)	(39,708)
Net Cash Provided by Noncapital Financing Activities	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Intergovernmental Capital Grants	75,250	-	-	-	75,250
Net Cash Provided by Capital and Related Financing Activities	75,250	-	-	-	75,250
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Income	482	44	128	206	860
Net Cash Provided by Investing Activities	482	44	128	206	860
NET CHANGE IN CASH AND CASH EQUIVALENTS	87,494	52,984	7,189	11,925	159,592
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	235,319	(11,242)	34,774	45,938	304,789
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 322,813</u>	<u>\$ 41,742</u>	<u>\$ 41,963</u>	<u>\$ 57,863</u>	<u>\$ 464,381</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:					
Operating Income	\$ 10,662	\$ 52,940	\$ 7,061	\$ 11,719	\$ 82,382
Depreciation Expense	1,100	-	-	-	1,100
Net Cash Provided by Operating Activities	<u>\$ 11,762</u>	<u>\$ 52,940</u>	<u>\$ 7,061</u>	<u>\$ 11,719</u>	<u>\$ 83,482</u>

See Notes to Financial Statements

CITY OF GLEN ULLIN, NORTH DAKOTA

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Glen Ullin (the City) was incorporated under the laws of the State of North Dakota and operates under a city commission form of government. The accounting policy of the City of Glen Ullin is to maintain the accounting records 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. 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.

Reporting Entity

The accompanying financial statements present the activities of the City of Glen Ullin. The City has considered all potential component units for which the City is financially accountable and other organizations for which the nature and significance of their relationships with the City such that exclusion would cause the City's financial statements to be misleading or incomplete. 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 Glen Ullin 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 Glen Ullin.

Based on these criteria, certain organizations have been included as blended component units in the report as follows:

- Glen Ullin Regional Airport – The governing board is separate from the governing board of the City and the City approves the board appointees. The City has the authority to disapprove, amend, or approve the budget.
- Glen Ullin Job Development – The governing board is separate from the governing board of the City and the City approves the board appointees. The City has the authority to disapprove, amend, or approve the budget.
- Glen Ullin Public Library – The governing board is separate from the governing board of the City and the City approves the board appointees. The City has the authority to disapprove, amend, or approve the budget.
- Glen Ullin Transportation – The governing board is separate from the governing board of the City and the City approves the board appointees. The City has the authority to disapprove, amend, or approve the budget.

Government-Wide and Fund Financial Statements

Government-wide statements – The statement of net position and the statement of activities display information about the primary government, the City of Glen Ullin. These statements include the financial activities of the overall government. 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, fines 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.

Separate financial statements are prepared for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund and proprietary fund financial statements are reported using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, revenues, expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

CITY OF GLEN ULLIN, NORTH DAKOTA
Notes to Financial Statements – Continued

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.

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 – This fund is used for the accumulation of resources of highway maintenance.
- City Sales Tax – This fund is used for the collection of sales tax.
- Airport – This fund accounts for airport operations.
- 2018 Phase 1 – This fund accounts for the accumulation of resources for bonded debt principal and interest payments.
- 2018 Phase 1 RD – This fund accounts for the accumulation of resources for construction projects.

The City reports the following major proprietary funds:

- Water Fund – The City accounts for cash receipts and disbursements related to the furnishing of water services to residents of the City in this fund.
- Sewer Fund – The City accounts for cash receipts and disbursements related to the furnishing of sewer services to residents of the City in this fund.
- Garbage Fund – The City accounts for cash receipts and disbursements related to the furnishing of garbage services to residents of the City in this fund.

Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Cash equivalents on the statement of cash flows consists of highly liquid investments with an original maturity of three months or less.

Capital Assets

Capital assets include land, buildings, infrastructure and equipment. Assets are reported in the governmental activities column in the government-wide financial 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:

<u>Assets</u>	<u>Years</u>
Buildings and Infrastructure	20 – 50
Machinery and Equipment	10 – 20

CITY OF GLEN ULLIN, NORTH DAKOTA
Notes to Financial Statements – Continued

Compensated Absences

The City allows employees to accumulate earned but unused benefits. Upon termination of employment or retirement, employees will be paid for unused vacation benefits that have accumulated through the last day of work.

<u>Years of Service</u>	<u>Days</u>
1-3	10
4-7	12
8-12	15
13-18	18
18-20	21
Over 20	24

Long-term Obligations

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as costs in the current period.

Fund Balance

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable**
 - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. They include items such as, but not limited to, inventories, prepaid items, or the permanent principal of endowment funds.
- **Restricted**
 - Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed**
 - A committed fund balance includes amounts that 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 City Council. Formal action is required to be taken to establish, modify, or 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 auditor.
- **Unassigned**
 - Unassigned fund balance is the lowest classification for the General Fund. This is a fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

It is the policy of the City to spend restricted resources first, followed by unrestricted resources. It is also the policy of the City to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

Net Position

Net position represents the difference between assets and liabilities in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities related to those assets. Unrestricted Net Position is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Interfund Transactions

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the City maintains deposits at the depository banks designed 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, 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 another state of the United States or such other securities approved by the banking board.

At December 31, 2019 and 2018, the City's carrying amount of deposits were \$1,317,545 and \$1,189,989 and the bank balances were \$1,327,258 and \$1,200,722. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balance was collateralized with securities held by pledging financial institution's agent in the government's name.

Credit Risk

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

- 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.
- Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation.
- Obligations of the state.

As of December 31, 2019 and 2018, the City held \$994,103 and \$915,272 in certificates of deposits.

CITY OF GLEN ULLIN, NORTH DAKOTA
Notes to Financial Statements – Continued

Interest Rate Risk

The City does not have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

Concentration of Credit Risk

The City does not have a limit on the amount it 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.

All real estate is assessed as of the current value in April of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date. A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15. Penalty and interest are added on March 1 if the first half of the taxes is not paid. Additional penalty and interest are added on October 15th if not paid.

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, 2019 and 2018:

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 31,750	\$ 1,000	\$ -	\$ 32,750
Construction in Progress	4,436,507	37,382	(4,436,507)	37,382
Total Capital Assets, not being depreciated	4,468,257	38,382	(4,436,507)	70,132
Capital Assets, being depreciated				
Buildings and Improvements	450,000	-	-	450,000
Equipment	145,361	-	-	145,361
Infrastructure	8,813,430	4,915,163	-	13,728,593
Total Capital Assets, being depreciated	9,408,791	4,915,163	-	14,323,954
Less Accumulated Depreciation for				
Buildings and Improvements	401,000	5,000	-	406,000
Equipment	56,186	12,786	-	68,972
Infrastructure	4,011,568	257,372	-	4,268,940
Total Accumulated Depreciation	4,468,754	275,158	-	4,743,912
Total Capital Assets Being Depreciated, net	4,940,037	4,640,005	-	9,580,042
Governmental Activities Capital Assets, net	\$ 9,408,294	\$ 4,678,387	\$ (4,436,507)	\$ 9,650,174

CITY OF GLEN ULLIN, NORTH DAKOTA
Notes to Financial Statements – Continued

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019
Business-type Activities				
Capital Assets, not being depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total Capital Assets, not being depreciated	1,000	-	-	1,000
Capital Assets, being depreciated				
Buildings and Improvements	90,000	-	-	90,000
Infrastructure	3,050,000	-	-	3,050,000
Total Capital Assets, being depreciated	3,140,000	-	-	3,140,000
Less Accumulated Depreciation for				
Buildings and Improvements	89,400	100	-	89,500
Infrastructure	3,029,000	1,000	-	3,030,000
Total Accumulated Depreciation	3,118,400	1,100	-	3,119,500
Total Capital Assets Being Depreciated, net	21,600	(1,100)	-	20,500
Business-type Activities Capital Assets, net	\$ 22,600	\$ (1,100)	\$ -	\$ 21,500
	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 31,750	\$ -	\$ -	\$ 31,750
Construction in Progress	-	4,436,507	-	4,436,507
Total Capital Assets, not being depreciated	31,750	4,436,507	-	4,468,257
Capital Assets, being depreciated				
Buildings and Improvements	450,000	-	-	450,000
Vehicles	-	-	-	-
Equipment	76,500	68,861	-	145,361
Infrastructure	8,124,788	688,642	-	8,813,430
Total Capital Assets, being depreciated	8,651,288	757,503	-	9,408,791
Less Accumulated Depreciation for				
Buildings and Improvements	396,000	5,000	-	401,000
Vehicles	-	-	-	-
Equipment	42,200	13,986	-	56,186
Infrastructure	3,852,500	159,068	-	4,011,568
Total Accumulated Depreciation	4,290,700	178,054	-	4,468,754
Total Capital Assets Being Depreciated, net	4,360,588	579,449	-	4,940,037
Governmental Activities Capital Assets, net	\$ 4,392,338	\$ 5,015,956	\$ -	\$ 9,408,294

CITY OF GLEN ULLIN, NORTH DAKOTA
Notes to Financial Statements – Continued

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018
Business-type Activities				
Capital Assets, not being depreciated				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in Progress	-	-	-	-
Total Capital Assets, not being depreciated	1,000	-	-	1,000
Capital Assets, being depreciated				
Buildings and Improvements	90,000	-	-	90,000
Vehicles	-	-	-	-
Equipment	-	-	-	-
Infrastructure	3,050,000	-	-	3,050,000
Total Capital Assets, being depreciated	3,140,000	-	-	3,140,000
Less Accumulated Depreciation for				
Buildings and Improvements	89,300	100	-	89,400
Vehicles	-	-	-	-
Equipment	-	-	-	-
Infrastructure	3,028,000	1,000	-	3,029,000
Total Accumulated Depreciation	3,117,300	1,100	-	3,118,400
Total Capital Assets Being Depreciated, net	22,700	(1,100)	-	21,600
Business-type Activities Capital Assets, net	\$ 23,700	\$ (1,100)	\$ -	\$ 22,600

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

	2019	2018
Governmental Activities		
General Government	\$ 17,786	\$ 18,986
Public Works/Infrastructure	257,372	159,068
Total Depreciation Expense - Governmental Activities	\$ 275,158	\$ 178,054
Business-type Activities		
Water	\$ 1,100	\$ 1,100
Total Depreciation Expense - Business-type Activities	\$ 1,100	\$ 1,100

CITY OF GLEN ULLIN, NORTH DAKOTA
Notes to Financial Statements – Continued

NOTE 5 – INTERFUND TRANSFERS AND BALANCES

Transfers are made for funding various projects and operational expenses. Amounts reported as due to and due from other funds will be repaid as funds become available.

NOTE 6 – LONG-TERM LIABILITIES

During the years ended December 31, 2019 and 2018, the following changes occurred in long-term liabilities of the City:

	Long-term Liabilities at January 1, 2019	Increases	Decreases	Long-term Liabilities at December 31, 2019	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 3,897,892	\$ -	\$ (115,710)	\$ 3,782,182	\$ 117,449
Notes Payable	192,349	15,000	(81,862)	125,487	8,251
Total - Governmental-type Activities	<u>\$ 4,090,241</u>	<u>\$ 15,000</u>	<u>\$ (197,572)</u>	<u>\$ 3,907,669</u>	<u>\$ 125,700</u>
	Long-term Liabilities at January 1, 2018	Increases	Decreases	Long-term Liabilities at December 31, 2018	Due Within One Year
Governmental Activities					
Bonds Payable	\$ 1,017,000	\$ 3,956,448	\$ (1,075,556)	\$ 3,897,892	\$ 115,710
Notes Payable	24,403	170,000	(2,054)	192,349	20,799
Total - Governmental-type Activities	<u>\$ 1,041,403</u>	<u>\$ 4,126,448</u>	<u>\$ (1,077,610)</u>	<u>\$ 4,090,241</u>	<u>\$ 136,509</u>

CITY OF GLEN ULLIN, NORTH DAKOTA
Notes to Financial Statements – Continued

Long-term debt of the governmental activities at December 31, 2019 consists of the following issues:

	Interest Rates	Final Year of Maturity	Authorized and Issued	Outstanding
Governmental Activities				
2017 Improvement Bond	2.000%	2037	1,282,000	\$ 1,164,960
2018 Improvement Bond	2.625%	2048	2,677,000	2,617,222
2018 Loan	2.000%	2028	170,000	93,412
2017 Equipment Loan	4.000%	2022	26,800	17,075
2019 Equipment Loan	4.000%	2024	15,000	15,000
Total				<u>\$ 3,907,669</u>

The future expected requirements for long-term debt, including interest, as of December 31, 2019 are as follows:

	Governmental Activities	
	Principal	Interest
2020	\$ 125,700	\$ 92,891
2021	128,780	89,811
2022	131,858	86,660
2023	128,974	83,491
2024	136,248	80,429
2025 - 2029	779,753	360,512
2030 - 2034	775,196	270,436
2035 - 2039	670,880	179,228
2040 - 2044	542,778	107,462
2045 - 2049	487,502	32,403
Total	<u>\$ 3,907,669</u>	<u>\$ 1,383,323</u>

NOTE 7 – RISK MANAGEMENT

The City of Glen Ullin 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 of Glen Ullin 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 \$2,000,000 per occurrence for general liability coverage.

The City also participates in the State Bonding Fund. The State Bonding Fund currently provides political subdivision with blanket fidelity bond coverage in the amount of \$374,000 for the City employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City has worker's compensation with the North Dakota Workforce Safety and Insurance.

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

CITY OF GLEN ULLIN, NORTH DAKOTA
Notes to Financial Statements – Continued

NOTE 8 – LEGAL COMPLIANCE - BUDGETS

The City's general fund expenditures did not exceed budgeted amounts for the years ended December 31, 2019 and 2018.

NOTE 9 – CORRECTION OF MISSTATEMENT

It was determined that there were financial misstatements for the year ended December 31, 2017. The City made the following corrections to correct the modified cash basis of accounting:

	Primary Government	
	Governmental Activities	Business-type Activities
Net Position, previously reported	\$ (86,330)	\$ 303,481
Fixed Assets	4,392,338	23,700
Cash	(9,648)	1,308
Receivables	(564,061)	-
Accounts Payable	394,784	-
Net Position, restated	<u>\$ 4,127,083</u>	<u>\$ 328,489</u>

NOTE 10 – RETIREMENT PLAN

The City sponsors a SEP-IRA for employees that requires a 4% matching contribution. Contributions for the years ended December 31, 2019 and 2018 were \$4,423 and \$3,285.

NOTE 11 – FUND BALANCE

Fund balance at December 31, 2019 and 2018 was comprised of:

	2019	2018
Restricted		
Special Use	\$ 150,659	\$ 88,200
Debt Service	467,241	375,372
Sales Tax	130,857	119,965
Unassigned	<u>99,460</u>	<u>142,071</u>
Total Fund Balance	<u>\$ 848,217</u>	<u>\$ 725,608</u>

NOTE 12 – SUBSEQUENT EVENTS

The City has evaluated subsequent events through September 30, 2023, the date on which the financial statements were available to be issued.

CITY OF GLEN ULLIN, NORTH DAKOTA

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS
Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 112,222	\$ 118,729	\$ 6,507
Special Assessments	1,300	6,422	5,122
Licenses, Permits, and Fees	5,450	8,055	2,605
Intergovernmental	47,600	60,303	12,703
Interest Income	150	6,533	6,383
Miscellaneous Income	1,000	4,868	3,868
Total Revenues	167,722	204,910	37,188
EXPENDITURES			
Current			
General Government	153,764	112,548	41,216
Public Safety	44,900	40,845	4,055
Facilities Acquisition and Construction	-	1,000	(1,000)
Total Expenditures	198,664	154,393	44,271
Excess (Deficiency) of Revenues over Expenditures	(30,942)	50,517	81,459
OTHER FINANCING SOURCES (USES)			
Operating Transfer Out	(23,400)	(23,400)	-
Total Other Financing Sources (Uses)	(23,400)	(23,400)	-
NET CHANGE IN FUND BALANCE	(54,342)	27,117	81,459
FUND BALANCE, BEGINNING OF YEAR		142,071	
FUND BALANCE, END OF YEAR		\$ 169,188	

CITY OF GLEN ULLIN, NORTH DAKOTA**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND – MODIFIED CASH BASIS**
Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 108,782	\$ 111,192	\$ 2,410
Special Assessments	500	3,757	3,257
Licenses, Permits, and Fees	5,615	8,075	2,460
Intergovernmental	47,700	54,245	6,545
Interest Income	150	1,903	1,753
Miscellaneous Income	1,000	3,072	2,072
Total Revenues	163,747	182,244	18,497
EXPENDITURES			
Current			
General Government	152,941	111,119	41,822
Public Safety	43,600	40,845	2,755
Total Expenditures	196,541	151,964	44,577
Excess (Deficiency) of Revenues over Expenditures	(32,794)	30,280	63,074
FUND BALANCE, BEGINNING OF YEAR		111,791	
FUND BALANCE, END OF YEAR		\$ 142,071	



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*

City Council
City of Glen Ullin
Glen Ullin, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Glen Ullin, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Glen Ullin's basic financial statements, and have issued our report thereon dated September 30, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Glen Ullin's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Glen Ullin'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 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 over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of current year findings, we consider items 2019-001 and 2019-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Glen Ullin'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 these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nadine Julson, LLC
Wahpeton, North Dakota
September 30, 2023



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*

City Council
City of Glen Ullin
Glen Ullin, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to finance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Glen Ullin, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Glen Ullin's basic financial statements, and have issued our report thereon dated September 30, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Glen Ullin's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Glen Ullin'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 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 over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we consider items 2018-001 and 2018-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Glen Ullin'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 these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Nadine Julson, LLC
Wahpeton, North Dakota
September 30, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

City Council
City of Glen Ullin
Glen Ullin, North Dakota

Report on Compliance for the Major Federal Program

We have audited the City of Glen Ullin's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of federal awards applicable to the major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Glen Ullin's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Glen Ullin's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Compliance for the Major Federal Program

In our opinion, the City of Glen Ullin complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Nadine Julson, LLC
Wahpeton, North Dakota
September 30, 2023

CITY OF GLEN ULLIN, NORTH DAKOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2018

<u>FEDERAL GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Agriculture		
Direct Program		
Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$ 4,420,775</u>
Total U.S. Department of Agriculture		<u>4,420,775</u>
 U.S. Department of Transportation		
Direct Program		
Airport Improvement Program	20.106	<u>17,363</u>
Total U.S. Department of Transportation		<u>17,363</u>
Total Expenditures of Federal Awards		<u><u>\$ 4,438,138</u></u>

CITY OF GLEN ULLIN, NORTH DAKOTA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the City of Glen Ullin under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

NOTE 2 –SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The City of Glen Ullin has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 – OUTSTANDING LOAN

The City has one outstanding federal loan as of December 31, 2018.

<u>CFDA</u>	<u>Origination Date</u>	<u>Origination Amount</u>	<u>Funding Source</u>	<u>Maturity</u>	<u>Loan Balance</u>
10.760	11/14/18	\$2,677,000	USDA	2048	\$2,677,000

CITY OF GLEN ULLIN, NORTH DAKOTA

SCHEDULE OF CURRENT YEAR FINDINGS
Year Ended December 31, 2019

2019-001 FINANCIAL STATEMENT PREPARATION

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on the modified cash basis.

Condition

The City does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

Effect or Potential Effect

Inadequate controls over financial reporting of the City results in more than a remote likelihood that the City would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation

We recommend the City be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the City should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

Views of Responsible Officials

The City will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

2019-002 LACK OF SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the City.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

Nadine Julson, LLC

CITY OF GLEN ULLIN, NORTH DAKOTA
Schedule of Current Year Findings – Continued

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the City. The City will segregate functions where feasible.

CITY OF GLEN ULLIN, NORTH DAKOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2018

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued	Unmodified
Internal control over financial reporting	
Material weakness identified	Yes
Significant deficiency identified not considered to be material weakness	No
Noncompliance material to financial statements noted	No

FEDERAL AWARDS

Internal Control Over Major Program	
Material weakness identified	No
Significant deficiency identified not considered to be material weakness	None reported

Type of auditor’s report issued on compliance for major program	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No
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Identification of Major Program

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Water and Waste Disposal Systems for Rural Communities	10.760

Dollar threshold used to distinguish between Type A and type B program	\$750,000
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Auditee quailed as low-risk auditee?	No
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SECTION II – FINANCIAL STATEMENT FINDINGS

2018-001 FINANCIAL STATEMENT PREPARATION

Criteria

A good system of internal accounting control contemplates an adequate system for the preparation of the financial statements, including recording government wide journal entries in order to reconcile from the fund financials to the government wide financials and ensuring all general ledger accounts are properly reflected on the modified cash basis.

Condition

The City does not have an internal control system designed to provide for the preparation of the financial statements being audited, including recording government wide journal entries. As auditors, we were requested to draft the financial statements, which include proposing government wide journal entries, and drafting the accompanying notes to the financial statements.

Effect or Potential Effect

Inadequate controls over financial reporting of the City results in more than a remote likelihood that the City would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation

We recommend the City be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. As a compensating control, the City should establish an internal control policy to document annual review of the financial statements and to review a financial statement disclosure checklist.

Views of Responsible Officials

The City will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.

2018-002 LACK OF SEGREGATION OF DUTIES

Criteria

The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition

Proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. More segregation of duties would provide better control over the assets of the City.

Effect or Potential Effect

Without sufficient segregation of duties, the risk significant increases that errors and fraud related to cash receipts, disbursements, and reconciliations, including misappropriation of assets, could occur and not be detected within a timely basis.

CITY OF GLEN ULLIN, NORTH DAKOTA
Schedule of Findings and Questioned Costs – Continued

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials

There is no disagreement with the audit finding and we understand that this will be a repeated recommendation due to the limited amount of resources of the City. The City will segregate functions where feasible.

CITY OF GLEN ULLIN, NORTH DAKOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2019

Prior Financial Statement Findings

2018-001

A material weakness was reported for financial statement preparation.

Recommendation

The accounting functions should be reviewed to determine if it is feasible for the City to prepare its own financial statements. This material weakness continues to exist under the current audit findings as finding number 2019-001.

2018-002

A material weakness was reported for inadequate segregation of duties.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2019-002.

CITY OF GLEN ULLIN, NORTH DAKOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended December 31, 2018

Prior Financial Statement Findings

2017-001

A material weakness was reported for inadequate segregation of duties.

Recommendation

The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements. This material weakness continues to exist under the current audit findings as finding number 2018-002.

2017-002

A material weakness was reported for inadequate capital asset records.

Recommendation

Management has completed a schedule of all assets and related depreciation.

2017-003

A material weakness was reported for financial statement preparation.

Recommendation

The accounting functions should be reviewed to determine if it is feasible for the City to prepare its own financial statements. This material weakness continues to exist under the current audit findings as finding number 2018-001.

CITY OF GLEN ULLIN, NORTH DAKOTA

CORRECTIVE ACTION PLAN
Year ended December 31, 2018

2018-001 FINANCIAL STATEMENT PREPARATION

Corrective Action Plan – The City will appraove an intenral control policy to docuemtn the review of the financial statesmesnt.

Completion Date – Ongiong

Contact Person – Vicki Horst

2018-002 INADEQUATE SEGREGATION OF DUTIES

Corrective Action Plan – The City will review segregation of duties in accoutning funcitons where possible.

Completion Date – Ongoing

Contact – Vicki Horst