CITY OF THOMPSON
THOMPSON, NORTH DAKOTA

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

City of Thompson
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CITY OF THOMPSON
LIST OF OFFICIALS
DECEMBER 31, 2020 AND 2019

2020
CITY COUNCIL

	Office
Desmond Sporbert	Mayor (January-August)
Stacey Majkrzak	
Dean Larimer	Mayor (September-December)
Travis Freitheim	
Jeremy Hughes	
Justin Bergeron (September-December)	

EMPLOYEES

Barb Robinson	City Auditor
Terri Herbert	City Administrator

2019
CITY COUNCIL

	Office
Desmond Sporbert	Mayor
Stacey Majkrzak	
Dean Larimer	
Travis Freitheim	
Jeremy Hughes	

EMPLOYEES

Barb Robinson	City Auditor
Terri Herbert	City Administrator

Harold J. Rotunda
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Thompson
Thompson, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and aggregate remaining fund information of City of Thompson as of and for the years ended December 31, 2020 and 2019, 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

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Thompson as of December 31, 2020 and 2019, and the changes in the modified cash basis financial position and cash flows, where applicable, thereof for the years then ended, in conformance with the modified cash basis of accounting.

Emphasis of Matters

As discussed in Note 1 and 11 to the financial statements, as of January 1, 2020 and 2019, the City changed from reporting under the modified accrual and accrual basis of accounting to the provisions of the modified cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition management changed the reporting of certain nonmajor funds. This has resulted in a restatement of the beginning of the years net position and fund balances as of January 1, 2020 and 2019. My opinions are not modified with respect to these matters.

Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated February 27, 2023, on my considerations of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

West Fargo, North Dakota
February 27, 2023

CITY OF THOMPSON
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	1,387,740.95	728,577.01	2,116,317.96
Capital assets (net of accumulated depreciation)	2,370,327.26	296,428.71	2,666,755.97
Total Assets	3,758,068.21	1,025,005.72	4,783,073.93
LIABILITIES			
Non-current Liabilities			
Due within one year:			
Bonds payable	240,000.00		240,000.00
Notes payable	-		-
Due after one year:			
Bonds payable	2,020,000.00		2,020,000.00
Notes payable	-		-
Total Liabilities	2,260,000.00	-	2,260,000.00
NET POSITION			
Net investment in capital assets	110,327.26	296,428.71	406,755.97
Restricted for:			-
Highway	138,875.99		138,875.99
Debt service	582,344.39	-	582,344.39
Unrestricted	666,520.57	728,577.01	1,395,097.58
Total Net Position	1,498,068.21	1,025,005.72	2,523,073.93

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

CITY OF THOMPSON
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020

	Expenses	Program Revenues Charges for Services	 Operating grants and Contributions	Revenue & Changes in Net Assets Governmental Activities
Governmental activities:				
General government	224,283.78	14,461.90		(209,821.88)
Public safety	107,114.66			(107,114.66)
Highways and streets	299,905.02		-	(299,905.02)
				-
				-
Debt service	77,690.00		269,829.55	192,139.55
				-
Total Governmental Activities	708,993.46	14,461.90	269,829.55	(424,702.01)
Business-type activities				
				-
Sewer	69,622.98	70,611.14		988.16
Garbage	178,044.45	195,642.87		17,598.42
Pest control	25,216.73	17,186.96		(8,029.77)
				-
				-
				-
Total Business-type activities	272,884.16	283,440.97	-	10,556.81
Total	981,877.62	297,902.87	269,829.55	(414,145.20)

	Governmental	Business-type	Total
Net expense	(424,702.01)	10,556.81	(414,145.20)
General Revenues			
Taxes:			
Property taxes	270,526.07		270,526.07
Sales taxes	8,574.67		8,574.67
State aid	340,517.50		340,517.50
Interest income	908.77		908.77
Other revenue	75,339.25		75,339.25
Total General Revenues	695,866.26	-	695,866.26
Transfers in (out)	-	-	-
Change in Net Position	271,164.25	10,556.81	281,721.06
Net Position- January 1	1,226,903.96	1,014,448.91	2,241,352.87
Net Position- December 31	1,498,068.21	1,025,005.72	2,523,073.93

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

CITY OF THOMPSON
BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
DECEMBER 31, 2020

	GENERAL	DEBT SERVICE		OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	657,945.90	582,344.39		147,450.66	1,387,740.95
Total Assets	657,945.90	582,344.39	-	147,450.66	1,387,740.95
LIABILITIES					
Total liabilities	-	-	-	-	-
FUND BALANCE					
Restricted for Highway			-	138,875.99	138,875.99
Restricted for Debt Service		582,344.39		-	582,344.39
Restricted for other purposes			-	8,574.67	8,574.67
Unassigned	657,945.90		-	-	657,945.90
Total fund balance	657,945.90	582,344.39	-	147,450.66	1,387,740.95
Total liabilities and fund balance	657,945.90	582,344.39	-	147,450.66	1,387,740.95

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

CITY OF THOMPSON
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2020

Total Fund Balances for Governmental Funds			1,387,740.95
Total net position reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in governmental funds			
	Cost of capital assets	3,968,714.76	
	Less accumulated depreciation	1,598,387.50	
	Net capital assets		2,370,327.26
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net assets.			
	Bonds payable		(2,260,000.00)
Total Net Position of Governmental Activities			1,498,068.21

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

CITY OF THOMPSON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020

	GENERAL	DEBT SERVICE		OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	270,526.07				270,526.07
Sales taxes				8,574.67	8,574.67
Special Assessments		269,829.55			269,829.55
Intergovernmental	145,729.68			194,787.82	340,517.50
Interest	908.77				908.77
Charges for services	-			40,193.11	40,193.11
Other	49,608.04				49,608.04
Total Revenues	466,772.56	269,829.55	-	243,555.60	980,157.71
Current:					
General government	224,283.78				224,283.78
Public safety	107,114.66				107,114.66
Highways and streets				122,267.45	122,267.45
		-			-
Capital outlays		-			-
Debt Service					
Principal	5,333.00	235,000.00			240,333.00
Interest expense		77,690.00			77,690.00
Total Expenditures	336,731.44	312,690.00	-	122,267.45	771,688.89
Excess revenues (expenditures)	130,041.12	(42,860.45)	-	121,288.15	208,468.82
Other Financing Sources (Uses):					
Transfers in					-
Transfers out					-
Bond proceeds					-
Total other financing sources and u	-	-	-	-	-
Net change in fund balances	130,041.12	(42,860.45)	-	121,288.15	208,468.82
Fund Balance- January 1	527,904.78	625,204.84	-	26,162.51	1,179,272.13
Fund Balance- December 31	657,945.90	582,344.39	-	147,450.66	1,387,740.95

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

CITY OF THOMPSON
RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balances- Total Governmental Funds		208,468.82

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

Governmental funds report capital outlay 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 outlays exceeded depreciation in the current year.

Current year capital outlay	55,224.00	
Current year depreciation expense	232,861.57	(177,637.57)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bonds payable	235,000.00
Notes payable	5,333.00

Change in Net Position of Governmental Activities	271,164.25

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

CITY OF THOMPSON
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS

DECEMBER 31, 2020	Sewer	Sanitation	Pest Control	Total
ASSETS				
Current assets:				
Cash and cash equivalents	291,002.35	428,478.27	9,096.39	728,577.01
Noncurrent assets				
Capital assets (net of accumulated	296,428.71			296,428.71
Total Assets	587,431.06	428,478.27	9,096.39	1,025,005.72
LIABILITIES				
Non-current Liabilities				
Due within one year:				
Bonds payable				-
Notes payable				-
Due after one year:				
Bonds payable				-
Notes payable				-
Total liabilities	-	-	-	-
NET POSITION				
Net investment in capital assets	296,428.71			296,428.71
Restricted for:				
Capital projects				-
Debt service				-
Unrestricted	291,002.35	428,478.27	9,096.39	728,577.01
Total net position	587,431.06	428,478.27	9,096.39	1,025,005.72

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

CITY OF THOMPSON
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Sewer	Sanitation	Pest Control	Total
OPERATING REVENUE				
Charges for services	70,611.14	195,642.87	17,186.96	283,440.97
OPERATING EXPENSES				
Salaries and benefits	14,825.76	14,825.76	14,825.68	44,477.20
Payroll taxes & benefits	7,555.73	7,555.73	7,555.25	22,666.71
Insurance				-
Contract services		155,662.96		155,662.96
Electricity	4,700.95			4,700.95
Supplies	-		27.98	27.98
Repairs and maintenance	22,851.75		-	22,851.75
Office expense			-	-
Equipment	5,056.79		72.04	5,128.83
Depreciation	12,625.36			12,625.36
Miscellaneous	2,006.64	-	2,735.78	4,742.42
Total operating expenses	69,622.98	178,044.45	25,216.73	272,884.16
Operating income (loss)	988.16	17,598.42	(8,029.77)	10,556.81
NON-OPERATING REVENUE (EXPENSE)				
Bond proceeds				-
Interest income				-
Grant income				-
Interest expense	-			-
Capital outlay	-			-
Other	-			-
Total non-operating rev (exp)	-	-	-	-
Income (loss) before transfers	988.16	17,598.42	(8,029.77)	10,556.81
Transfers in				-
Transfers out				-
Change in net position	988.16	17,598.42	(8,029.77)	10,556.81
Net Position- January 1	586,442.90	410,879.85	17,126.16	1,014,448.91
Net Position- December 31	587,431.06	428,478.27	9,096.39	1,025,005.72

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

CITY OF THOMPSON
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Sewer	Sanitation	Pest Control	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	70,611.14	195,642.87	17,186.96	283,440.97
Payments to suppliers	(42,171.86)	(163,218.69)	(10,391.05)	(215,781.60)
Payments to employees	(14,825.76)	(14,825.76)	(14,825.68)	(44,477.20)
Other receipts	-	-	-	-
Net cash provided by (used in) operat	13,613.52	17,598.42	(8,029.77)	23,182.17
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	-	-
Net cash provided by (used in) nonca	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	-	-	-	-
Principal paid on capital debt				-
Interest paid on capital debt	-	-	-	-
Debt proceeds	-	-	-	-
Net cash provided by (used in) capita	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends				
Net cash provided by (used in) invest	-	-	-	-
Net increase (decrease) in cash and ca:	13,613.52	17,598.42	(8,029.77)	23,182.17
Cash and cash equivalents- January 1	277,388.83	410,879.85	17,126.16	705,394.84
Cash and cash equivalents- December	291,002.35	428,478.27	9,096.39	728,577.01
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	988.16	17,598.42	(8,029.77)	10,556.81
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	12,625.36	-	-	12,625.36
Change in assets and liabilities:				
Refundable deposits				-
Miscellaneous receipts (expense)	-	-	-	-
Net cash provided by operating activi	13,613.52	17,598.42	(8,029.77)	23,182.17

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

CITY OF THOMPSON
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	1,179,272.13	705,394.84	1,884,666.97
Capital assets (net of accumulated depreciation)	2,547,964.83	309,054.07	2,857,018.90
Total Assets	3,727,236.96	1,014,448.91	4,741,685.87
LIABILITIES			
Non-current Liabilities			
Due within one year:			
Bonds payable	235,000.00		235,000.00
Notes payable	5,333.00		5,333.00
Due after one year:			
Bonds payable	2,260,000.00		2,260,000.00
Notes payable	-		-
Total Liabilities	2,500,333.00	-	2,500,333.00
NET POSITION			
Net investment in capital assets	47,631.83	309,054.07	356,685.90
Restricted for:			-
Highways	26,162.51		26,162.51
Debt service	625,204.84	-	625,204.84
Unrestricted	527,904.78	705,394.84	1,233,299.62
Total Net Position	1,226,903.96	1,014,448.91	2,241,352.87

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

CITY OF THOMPSON
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019

		Program Revenues		Revenue & Changes in Net Assets
	Expenses	Charges for Services	Operating grants and Contributions	Governmental Activities
Governmental activities:				
General government	215,445.69	10,385.85		(205,059.84)
Public safety	87,336.41			(87,336.41)
Highways and streets	308,596.11		-	(308,596.11)
Debt service	83,586.25		272,212.17	188,625.92
				-
Total Governmental Activities	694,964.46	10,385.85	272,212.17	(412,366.44)
Business-type activities				
				-
Sewer	68,814.85	70,095.19		1,280.34
Garbage	164,313.15	189,490.86		25,177.71
Pest control	24,578.55	17,008.34		(7,570.21)
Total Business-type activities	257,706.55	276,594.39	-	18,887.84
Total	952,671.01	286,980.24	272,212.17	(393,478.60)

	Governmental	Business-type	Total
Net expense	(412,366.44)	18,887.84	(393,478.60)
General Revenues			
Taxes:			
Property taxes	256,047.39		256,047.39
State aid	168,015.82		168,015.82
Interest income	1,373.74		1,373.74
Other revenue	84,436.58		84,436.58
Total General Revenues	509,873.53	-	509,873.53
Transfers in (out)	-	-	-
Change in Net Position	97,507.09	18,887.84	116,394.93
Net Position- January 1, as Restated Note 11	1,129,396.87	995,561.07	2,124,957.94
Net Position- December 31	1,226,903.96	1,014,448.91	2,241,352.87

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

CITY OF THOMPSON
BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
DECEMBER 31, 2019

	GENERAL	DEBT SERVICE		OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	527,904.78	625,204.84		26,162.51	1,179,272.13
Total Assets	527,904.78	625,204.84	-	26,162.51	1,179,272.13
LIABILITIES					
Total liabilities	-	-	-	-	-
FUND BALANCE					
			-	-	-
Restricted for Debt Service		625,204.84		-	625,204.84
Restricted for Highways			-	26,162.51	26,162.51
Unassigned	527,904.78		-	-	527,904.78
Total fund balance	527,904.78	625,204.84	-	26,162.51	1,179,272.13
Total liabilities and fund balance	527,904.78	625,204.84	-	26,162.51	1,179,272.13

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

CITY OF THOMPSON
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2019

Total Fund Balances for Governmental Funds			1,179,272.13
Total net position reported for governmental activities in the statement of net assets is different because:			
Capital assets used in governmental activities are not financial resources and are not reported in governmental funds			
	Cost of capital assets	3,913,490.76	
	Less accumulated depreciation	1,365,525.93	
	Net capital assets		2,547,964.83
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net assets.			
	Bonds payable		(2,495,000.00)
	SRF Notes payable		-
	Notes payable		(5,333.00)
Total Net Position of Governmental Activities			1,226,903.96

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

CITY OF THOMPSON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019

	GENERAL	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	256,047.39			256,047.39
Sales taxes				-
Special Assessments		272,212.17		272,212.17
Intergovernmental	90,176.06		77,839.76	168,015.82
Interest	1,373.74			1,373.74
Charges for services	25,031.41		37,313.73	62,345.14
Other	32,477.29			32,477.29
Total Revenues	405,105.89	272,212.17	115,153.49	792,471.55
Current:				
General government	214,595.81			214,595.81
Public safety	87,336.41			87,336.41
Highways and streets			94,800.94	94,800.94
Economic development		-		-
				-
Capital outlays		-		-
Debt Service				-
Principal	26,206.00	225,000.00		251,206.00
Interest expense	849.88	83,586.25		84,436.13
Total Expenditures	328,988.10	308,586.25	94,800.94	732,375.29
Excess revenues (expenditures)	76,117.79	(36,374.08)	20,352.55	60,096.26
Other Financing Sources (Uses):				
Transfers in				-
Transfers out				-
Bond proceeds				-
Total other financing sources and uses	-	-	-	-
Net change in fund balances	76,117.79	(36,374.08)	20,352.55	60,096.26
Fund Balance- January 1, as Restated Note 11	451,786.99	661,578.92	5,809.96	1,119,175.87
Fund Balance- December 31	527,904.78	625,204.84	26,162.51	1,179,272.13

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

CITY OF THOMPSON
RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances- Total Governmental Funds			60,096.26

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

Governmental funds report capital outlay 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 outlays exceeded depreciation in the current year.

	Current year capital outlay	-	
	Current year depreciation expense	213,795.17	(213,795.17)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

	Notes payable		26,206.00
	Bonds payable		225,000.00
Change in Net Position of Governmental Activities			97,507.09

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

CITY OF THOMPSON
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS

DECEMBER 31, 2019	Sewer	Sanitation	Pest Control	Total
ASSETS				
Current assets:				
Cash and cash equivalents	277,388.83	410,879.85	17,126.16	705,394.84
Noncurrent assets				
Capital assets (net of accumulated de	309,054.07			309,054.07
Total Assets	586,442.90	410,879.85	17,126.16	1,014,448.91
LIABILITIES				
Non-current Liabilities				
Due within one year:				
Bonds payable				-
Notes payable				-
Due after one year:				
Bonds payable				-
Notes payable				-
Total liabilities	-	-	-	-
NET POSITION				
Net investment in capital assets	309,054.07			309,054.07
Restricted for:	-			
Capital projects	-			-
Debt service	-			-
Unrestricted	277,388.83	410,879.85	17,126.16	705,394.84
Total net position	586,442.90	410,879.85	17,126.16	1,014,448.91

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

CITY OF THOMPSON
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Sewer	Sanitation	Pest Control	Total
OPERATING REVENUE				
Charges for services	70,095.19	189,490.86	17,008.34	276,594.39
OPERATING EXPENSES				
Salaries and benefits	14,625.10	14,625.10	14,625.10	43,875.30
Payroll taxes & benefits	7,248.30	7,248.30	7,247.89	21,744.49
Insurance	-			-
Contract services	-	141,882.94		141,882.94
Electricity	5,290.66			5,290.66
Supplies	22.99		848.75	871.74
Repairs and maintenance	5,298.95		1,285.00	6,583.95
Office expense	-		15.00	15.00
Telephone	-			-
Depreciation	12,625.36			12,625.36
Miscellaneous	2,734.14	556.81	556.81	3,847.76
Total operating expenses	47,845.50	164,313.15	24,578.55	236,737.20
Operating income (loss)	22,249.69	25,177.71	(7,570.21)	39,857.19
NON-OPERATING REVENUE (EXPENSE)				
Bond proceeds	-			-
Interest income	-			-
Grant income	-			-
Interest expense	-			-
Capital outlay	(20,969.35)			(20,969.35)
Other	-			-
Total non-operating rev (exp)	(20,969.35)	-	-	(20,969.35)
Income (loss) before transfers	1,280.34	25,177.71	(7,570.21)	18,887.84
Transfers in	-			-
Transfers out	-			-
Change in net position	1,280.34	25,177.71	(7,570.21)	18,887.84
Net Position- January 1	585,162.56	385,702.14	24,696.37	995,561.07
Net Position- December 31	586,442.90	410,879.85	17,126.16	1,014,448.91

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

CITY OF THOMPSON
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Sewer	Sanitation	Pest Control	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	70,095.19	189,490.86	17,008.34	276,594.39
Payments to suppliers	(20,595.04)	(149,688.05)	(9,953.45)	(180,236.54)
Payments to employees	(14,625.10)	(14,625.10)	(14,625.10)	(43,875.30)
Other receipts	-	-	-	-
Net cash provided by (used in) operat	34,875.05	25,177.71	(7,570.21)	52,482.55
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	-	-	-	-
Transfers from other funds	-	-	-	-
Net cash provided by (used in) nonca	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(65,169.35)	-	-	(65,169.35)
Principal paid on capital debt	-			-
Interest paid on capital debt	-	-	-	-
Debt proceeds	-	-	-	-
Net cash provided by (used in) capita	(65,169.35)	-	-	(65,169.35)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends				
Net cash provided by (used in) invest	-	-	-	-
Net increase (decrease) in cash and ca:	(30,294.30)	25,177.71	(7,570.21)	(12,686.80)
Cash and cash equivalents- January 1	307,683.13	385,702.14	24,696.37	718,081.64
Cash and cash equivalents- December	277,388.83	410,879.85	17,126.16	705,394.84
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	22,249.69	25,177.71	(7,570.21)	39,857.19
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	12,625.36	-	-	12,625.36
Change in assets and liabilities:				
Refundable deposits				-
Miscellaneous receipts (expense)	-	-	-	-
Net cash provided by operating activi	34,875.05	25,177.71	(7,570.21)	52,482.55

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

CITY OF THOMPSON
THOMPSON, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Based on these criteria, there are no component units.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

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

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

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

The City reports the following major governmental funds:

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

Debt Service funds. Debt funds are used to account for the accumulation of financial resources for the payment of principal and interest on the City's debt. The City annually levies special assessments restricted for the retirement of debt.

The City reports the following major enterprise funds:

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

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

Pest Control- accounts for operating activities of the City's pest control services.

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

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

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

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

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

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

As a result of the use of this 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. All government-wide financial statements would be presented on the accrual basis of accounting.

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

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

D. Budgets

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

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

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts and certificates of deposits with maturity of less than 90 days. Investments consist of certificates of deposits, with a maturity date in excess of 90 days, stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2004. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. 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 of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Vehicles and equipment	10
Infrastructure	25

G. Long-Term Obligations

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

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

H. Fund Balance
In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

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

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the city council-the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

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

The council has not set a General Fund minimum fund balance.

I. Interfund Transactions

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

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

J. Use of estimates

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

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Council did not amend the City budget for 2020.

EXPENDITURES OVER APPROPRIATIONS

The City did not overspend any budgets. No remedial action is required.

NOTE 3 DEPOSITS AND INVESTMENTS
In accordance with North Dakota Statutes, the City maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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

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

At December 31, 2020, the City's carrying amount of deposits was $2,009,551. Of the bank balances, $250,000 was covered by Federal Depository Insurance. The remaining balance of $1,759,551 was collateralized with securities held by the pledging financial institution's agent in the government's name.

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

Concentration of Credit Risk

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

NOTE 4: PROPERTY TAXES

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

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

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

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

CITY OF THOMPSON
Notes to Financial Statements- Continued

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2020:

	Balance January 1	Increases	Decreases	Balance December 31
Capital assets, being depreciated				
Governmental activities				
Land	18,947			18,947
Bldgs and Improvements	479,044			479,044
Infrastructure	3,122,221			3,122,221
Vehicles & Equipment	293,278	55,224		348,502
Total Cap Assets	3,913,491	55,224		3,968,715
Less accumulated depreciation for:				
Buildings & Improve	192,785	11,819		204,604
Infrastructure	998,253	186,617		1,184,870
Vehicles & Equip	174,488	34,426		208,914
Total Accumulated Dep	1,365,526	232,862		1,598,388
Total Cap Assets, Net	2,547,965			2,370,327
Capital assets, being depreciated				
Construction				
Business-type activities				
Bldgs and Improvements	573,736			573,736
Land	157,736			157,736
Vehicles & Equipment	158,559			158,559
Total Cap Assets	890,235			890,235
Less accumulated depreciation for:				
Buildings & Improve	480,884	5,316		486,199
Infrastructure				
Vehicles & Equip	100,297	7,309		107,606
Total Accumulated Dep	581,180	12,625		593,806
Total Cap Assets, Net	309,054			296,429

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

Governmental Activities:	
General government	46,245
Public safety	
Highways and streets	186,617
Total	232,862
Business-type activities	
Sewer	12,625

CITY OF THOMPSON
Notes to Financial Statements- Continued

The following is a summary of changes in capital assets for the year ended December 31, 2019:

	Balance January 1	Increases	Decreases	Balance December 31
Capital assets, being depreciated				
Governmental activities				
Land	18,947			18,947
Bldgs and Improvements	479,044			479,044
Infrastructure	3,122,221			3,122,221
Vehicles & Equipment	293,278			293,278
Total Cap Assets	3,913,491			3,913,491
Less accumulated depreciation for:				
Buildings & Improve	180,966	11,819		192,785
Infrastructure	811,636	186,617		998,253
Vehicles & Equip	159,128	15,360		174,488
Total Accumulated Dep	1,151,731	213,795		1,365,526
Total Cap Assets, Net	2,761,760			2,547,965
Capital assets, being depreciated				
Construction				
Business-type activities				
Bldgs and Improvements	573,736			573,736
Land	157,736			157,736
Vehicles & Equipment	114,359	44,200		158,559
Total Cap Assets	846,035	44,200		890,235
Less accumulated depreciation for:				
Buildings & Improve	475,568	5,316		480,884
Infrastructure				
Vehicles & Equip	92,987	7,309		100,297
Total Accumulated Dep	568,555	12,625		581,180
Total Cap Assets, Net	277,479			309,054

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

Governmental Activities:	
General government	27,178
Public safety	
Highways and streets	186,617
Total	213,795
Business-type activities	
Sewer	12,625

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2020, the following changes occurred in liabilities reported in long-term debt:

	Payable 2019	Increases	Decreases	Payable 2020	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	2,495,000		235,000	2,260,000	240,000
Notes payable	5,333		5,333		
TOTAL	2,500,333		225,000	2,260,000	

	Payable 2018	Increases	Decreases	Payable 2019	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	2,720,000		225,000	2,495,000	235,000
Notes payable	31,539		26,206	5,333	5,333
TOTAL	2,751,539		251,206	2,500,333	

BONDS PAYABLE

Bonds payable consist of the following:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Refunding Improvement 2013	12/01/2029	1.1-4.0%	760,000
Refunding Improvement 2012	12/01/2027	.75-3.0%	785,000
Refunding Improvement 2009	12/01/2029	2.5-4.7%	315,000
Refunding Improvement 2015	12/01/2030	1.4-3.3%	400,000
			2,260,000

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Special Assessment bonds are paid directly from debt service sinking funds. Special assessments are certified annually in amounts sufficient to pay debt service requirements. Whenever all special assessements appropriated and collected for a special assessment district are insufficient to pay principal and interest then due on special assessment improvement bonds issued against such improvement district, the city is required to levy a deficiency levy upon all taxable property in the City.

The annual long-term debt service requirements for bonds payable, as of December 31, 2020, are as follows:

GOVERNMENTAL ACTIVITIES

Year Ending	Bonds Payable		SRF Notes Payable	
December 31	Principal	Interest	Principal	Interest
2021	240,000	70,791		
2022	250,000	64,455		
2023	250,000	57,412		
2024	270,000	49,974		
2025	270,000	41,383		
2026-2030	980,000	73,905		
TOTAL	2,260,000	357,920		

NOTE 9 PENSION PLANS

North Dakota Public Employees Retirement System

The City participates in the North Dakota Public Employees Retirement System (PERS) administered by the State of North Dakota. Following is a brief description of the plan:

PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. PERS provides for retirement, disability and death benefits to plan members and beneficiaries. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employees accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be paid to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at the normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 7% of the participants annual covered salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The City had agreed to pay 100% of the member assessments in lieu of a salary increase. The City is required to contribute 7.12% of each participant's salary as the employer's share. The City is required to contribute 1.14% of each participating covered wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. The City's contributions to PERS for the fiscal years ending December 31, 2020, 2019, and 2018 were $22,071, $21,240, and $21,496, respectively, equal to the required contributions for the year.

PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained on the NDPERS website http://ndpers.nd.gov/about/financial/annual-report-archive/

NOTE 10: RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (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 and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence.

The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of $1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The City has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

NOTE 11: RESTATEMENT

As of January 1, 2019, the City changed from reporting under the modified accrual basis of accounting to the modified cash basis of accounting, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This change was made to be consistent with the accounting basis maintained by the City and the financial reports issued by the City. In addition, management changed the reporting of major funds. As a result, the following restatements have been made to the fund balances in the governmental funds and the governmental activities net position:

	General	Debt Service	Capital Projects	Highway	Governmental Activities
Balance- December 31,2018, as previously reported	469,805	683,516	118,826	(17,075)	3,422,363
Recorded payables	8,276			2,082	24,824
Recorded Specials/Taxes	(1,698)	(2,296,644)			(2,298,342)
Recorded unavailable rev	1,698	2,296,644			
Recorded deferred outflows					(98,495)
Recorded pension liability					205,387
Recorded deferred inflows					26,335
Recorded bond discount					6,422
Fund Reclassification	(14,424)	(21,937)	(118,826)	8,933	(159,097)
Balance January 1, restated	463,657	661,579	-	(6,060)	1,129,397

The following restatements have been made to the net position in the propriety funds and business-type activities:

	Sewer	Sanitation	Pest Control	Business-Type Activities
Balance- December 31,2018, as previously reported	491,257	333,534	13,144	837,935
Recorded receivables	(7,598)	(17,660)	(1,498)	(26,756)
Recorded payables	760	9,657	163	10,580
Recorded Specials/Taxes				
Recorded unavailable rev				
Recorded deferred outflows	(9,041)	(4,611)	(1,875)	(15,527)
Recorded pension liability	24,534	12,513	5,088	42,135
Recorded deferred inflows	2,197	1,120	456	3,773
Fixed asset reclassification	9,643	(4,500)	(5,143)	
Fund Reclassification	73,411	55,649	14,631	143,421
Balance January 1, restated	585,163	385,702	24,696	995,561

CITY OF THOMPSON

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2020 AND 2019

City of Thompson
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Harold J. Rotunda
Certified Public Accountant

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
Independent Auditor's Report

Governing Board
City of Thompson
Thompson, North Dakota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Thompson as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated February 27, 2023.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify two deficiencies in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2020-001 and 2020-002).

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Harold Rotunda, CPA
February 27, 2023

CITY OF THOMPSON
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

Section I - Summary of Auditor's Results

Financial Statements

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

Internal Control over financial reporting:

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

Section II- Financial Statement Findings

2020-001 Segregation of Duties
Criteria

To provide reasonable assurance that segregation of duties takes place while also taking into account the size of the City.

Condition

The City Auditor is responsible for all accounting functions involved. The employee handles all income of monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the City, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

Cause

The City Auditor is the employee responsible for all functions and due to the City's size, they are unable to hire additional staff.

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

The City should separate the duties when it becomes feasible.

Management's Response

Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to being given to the Auditor to receipt and deposit at the various financial institutions. The Council reviews and approves bills before payments are made. The Mayor reviews and signs all checks written. The City will formally segregate other duties when feasible.

2020-002 Financial Statement Preparation
Criteria

An appropriate system of internal controls requires that a City make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis of accounting. This requires the City's personnel to maintain a working knowledge of current modified cash basis of accounting required financial statement disclosures.

Condition

The City's auditor prepared the financial statements for the years ended. In addition, adjusting entries were proposed to bring the financial statements into compliance with the modified cash basis of accounting. An appropriate system of internal controls requires that a City must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis. This requires the City's personnel to maintain a working knowledge of current accounting principles in accordance with the modified cash basis.

Cause

The City does not have the resources to prepare full modified cash basis financial statements.

Effect

The City currently does not maintain the working knowledge of current accounting principles for the modified cash basis and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with the modified cash basis.

Recommendation

Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

Management's Response

Management agrees that it is currently not cost-effective.