

AUDIT REPORT

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

For the Years Ended December 31, 2020 and 2019

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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CITY OF TURTLE LAKE
Turtle Lake, North Dakota

CITY OFFICIALS

Richard Britton	Commission President
David Freborg	Commissioner
Jeramie Love	Commissioner
Paul Weinberger	Commissioner
Dianne Zenker	Commissioner
Darwin Saari	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehrer, CPA
Bryce Fischer, CPA

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Turtle Lake
Turtle Lake, 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, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Turtle Lake, Turtle Lake, North Dakota, 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

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the city's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Turtle Lake, Turtle Lake, North Dakota, as of December 31, 2020 and 2019, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2021 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

September 3, 2021

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Turtle Lake Airport Authority	Turtle Lake Library
ASSETS:					
Cash, Cash Equivalents and Investments	998,275.39	1,184,087.01	2,182,362.40	8,795.13	11,284.47
Capital Assets (net of accumulated depreciation):					
Land	40,000.00	41,700.00	81,700.00		
Buildings and Infrastructure	626,338.00	185,125.00	811,463.00		
Machinery and Vehicles	39,072.00	79,976.00	119,048.00	13,800.00	
Total Capital Assets	705,410.00	306,801.00	1,012,211.00	13,800.00	
Total Assets	1,703,685.39	1,490,888.01	3,194,573.40	22,595.13	11,284.47
NET POSITION:					
Net Investment in Capital Assets	705,410.00	306,801.00	1,012,211.00	13,800.00	
Restricted for:					
Special Purposes	474,125.49		474,125.49		
Unrestricted	524,149.90	1,184,087.01	1,708,236.91	8,795.13	11,284.47
Total Net Position	1,703,685.39	1,490,888.01	3,194,573.40	22,595.13	11,284.47

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Turtle Lake Airport Authority	Turtle Lake Library
ASSETS:					
Cash, Cash Equivalents and Investments	1,325,192.48	1,185,370.91	2,510,563.39	8,819.94	15,635.17
Capital Assets (net of accumulated depreciation):					
Land	40,000.00	41,700.00	81,700.00		
Buildings and Infrastructure	261,405.00	200,490.00	461,895.00		
Machinery and Vehicles	50,530.00	94,832.00	145,362.00	18,400.00	
Total Capital Assets	351,935.00	337,022.00	688,957.00	18,400.00	
Total Assets	1,677,127.48	1,522,392.91	3,199,520.39	27,219.94	15,635.17
NET POSITION:					
Net Investment in Capital Assets	351,935.00	337,022.00	688,957.00	18,400.00	
Restricted for:					
Special Purposes	459,772.89		459,772.89		
Unrestricted	865,419.59	1,185,370.91	2,050,790.50	8,819.94	15,635.17
Total Net Position	1,677,127.48	1,522,392.91	3,199,520.39	27,219.94	15,635.17

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2020

Net (Expense) Revenue and Changes in Net Position

	Program Revenues			Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Turtle Lake Airport Authority	Turtle Lake Library
<u>Functions/Programs</u>								
<u>Primary Government:</u>								
<u>Governmental Activities:</u>								
General Government	176,772.72	5,346.09		(171,426.63)		(171,426.63)		
Public Safety	43,832.33	190.00	22,564.96	(21,077.37)		(21,077.37)		
Streets and Public Works	125,504.41		70,664.95	(54,839.46)		(54,839.46)		
Health and Welfare	43,470.13			(43,470.13)		(43,470.13)		
Culture and Recreation	1,113.00			(1,113.00)		(1,113.00)		
Other	2,737.50			(2,737.50)		(2,737.50)		
Total Governmental Activities	393,430.09	5,536.09	93,229.91	(294,664.09)		(294,664.09)		
<u>Business-Type Activities:</u>								
Water	286,483.55	256,682.79			(29,800.76)	(29,800.76)		
Sewer	25,937.62	22,082.80			(3,854.82)	(3,854.82)		
Total Business-Type Activities	312,421.17	278,765.59			(33,655.58)	(33,655.58)		
Total Primary Government	705,851.26	284,301.68	93,229.91	(294,664.09)	(33,655.58)	(328,319.67)		
=====								
<u>Component Units:</u>								
Airport Authority	41,084.38		31,612.50				(9,471.88)	
Library	18,523.20		5,740.00					(12,783.20)
Total Component Units	59,607.58		37,352.50				(9,471.88)	(12,783.20)
=====								

General Revenues:

Taxes:					
Property taxes; levied for general purposes	43,324.45		43,324.45	4,629.26	5,997.60
Property taxes; levied for special purposes	2,392.27		2,392.27		
Sales taxes	86,940.30		86,940.30		
Cigarette taxes	1,530.40		1,530.40		
Oil and gas production taxes	12,114.90		12,114.90		
Coal severance taxes	61,201.09		61,201.09		
Coal conversion taxes	18,083.94		18,083.94		
Intergovernmental revenue not restricted to specific programs	35,997.93		35,997.93		617.55
Earnings on investments and other revenue	59,636.72	2,150.68	61,787.40	217.81	1,817.35
Total General Revenues	321,222.00	2,150.68	323,372.68	4,847.07	8,432.50
Change in Net Position	26,557.91	(31,504.90)	(4,946.99)	(4,624.81)	(4,350.70)
Net Position - January 1	1,677,127.48	1,522,392.91	3,199,520.39	27,219.94	15,635.17
Net Position - December 31	1,703,685.39	1,490,888.01	3,194,573.40	22,595.13	11,284.47

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

Net (Expense) Revenue and Changes in Net Position

	Program Revenues			Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Turtle Lake Airport Authority	Turtle Lake Library
<u>Functions/Programs</u>								
<u>Primary Government:</u>								
<u>Governmental Activities:</u>								
General Government	199,941.40	4,805.75		(195,135.65)		(195,135.65)		
Public Safety	43,085.95	505.00		(42,580.95)		(42,580.95)		
Streets and Public Works	214,828.65		52,812.74	(162,015.91)		(162,015.91)		
Health and Welfare	37,484.80			(37,484.80)		(37,484.80)		
Culture and Recreation	1,011.58			(1,011.58)		(1,011.58)		
Other	3,363.55			(3,363.55)		(3,363.55)		
Total Governmental Activities	499,715.93	5,310.75	52,812.74	(441,592.44)		(441,592.44)		
<u>Business-Type Activities:</u>								
Water	240,227.76	239,502.23			(725.53)	(725.53)		
Sewer	17,393.25	22,263.45			4,870.20	4,870.20		
Total Business-Type Activities	257,621.01	261,765.68			4,144.67	4,144.67		
Total Primary Government	757,336.94	267,076.43	52,812.74	(441,592.44)	4,144.67	(437,447.77)		
<u>Component Units:</u>								
Airport Authority	6,963.16		2,700.00				(4,263.16)	
Library	12,322.49		12,872.50					550.01
Total Component Units	19,285.65		15,572.50				(4,263.16)	550.01

General Revenues:

<u>Taxes:</u>					
Property taxes; levied for general purposes	40,959.56		40,959.56	4,749.23	6,039.26
Property taxes; levied for special purposes	2,447.89		2,447.89		
Sales taxes	74,969.65		74,969.65		
Cigarette taxes	1,529.72		1,529.72		
Oil and gas production taxes	15,339.38		15,339.38		
Coal severance taxes	59,286.91		59,286.91		
Coal conversion taxes	18,034.53		18,034.53		
Intergovernmental revenue not restricted to specific programs	40,594.88		40,594.88		564.06
Earnings on investments and other revenue	46,945.37	1,534.07	48,479.44	18.32	517.89
Total General Revenues	300,107.89	1,534.07	301,641.96	4,767.55	7,121.21
Change in Net Position	(141,484.55)	5,678.74	(135,805.81)	504.39	7,671.22
Net Position - January 1	1,818,612.03	1,516,714.17	3,335,326.20	26,715.55	7,963.95
Net Position - December 31	1,677,127.48	1,522,392.91	3,199,520.39	27,219.94	15,635.17
	=====	=====	=====	=====	=====

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2020

Major Funds

	General	Highway Distribution	Sales Tax	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash, Cash Equivalents and Investments	524,149.90	35,511.09	-0-	437,801.38	813.02	998,275.39
FUND BALANCES:						
Restricted for:						
Streets and Public Works		35,511.09				35,511.09
Capital Improvements				437,801.38		437,801.38
Other Special Purposes					813.02	813.02
Unassigned	524,149.90					524,149.90
Total Fund Balances	524,149.90	35,511.09	-0-	437,801.38	813.02	998,275.39

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

Major Funds

	General	Highway Distribution	Sales Tax	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash, Cash Equivalents and Investments	865,419.59	65,441.68		394,331.21		2,652,068.46
Interfund Receivables	841.75					841.75
Total Assets	866,261.34	65,441.68	-0-	394,331.21	-0-	2,652,910.21
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund Payables					841.75	841.75
Fund Balances:						
Restricted for:						
Streets and Public Works		65,441.68				65,441.68
Capital Improvements				394,331.21		394,331.21
Unassigned	866,261.34				(841.75)	865,419.59
Total Fund Balances	866,261.34	65,441.68		394,331.21	(841.75)	1,325,192.48
Total Liabilities and Fund Balances	866,261.34	65,441.68	-0-	394,331.21	-0-	1,326,034.23

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2020

Total Fund Balances for Governmental Funds		998,275.39
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	1,607,859.00	
Less Accumulated Depreciation	(902,449.00)	
Net Capital Assets	<u>705,410.00</u>	
Total Net Position of Governmental Activities		<u>1,703,685.39</u> =====

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

Total Fund Balances for Governmental Funds		1,325,192.48
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	1,211,859.00	
Less Accumulated Depreciation	(859,924.00)	
Net Capital Assets	<u>351,935.00</u>	
Total Net Position of Governmental Activities		<u>1,677,127.48</u> =====

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2020

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Highway Distribution	Sales Tax	Capital Improvement		
Revenues:						
Taxes	43,324.45		43,470.13	43,470.17	2,392.27	132,657.02
Special Assessments	59.88					59.88
Licenses, Permits and Fees	5,346.09					5,346.09
Intergovernmental	176,493.07	45,605.22				222,098.29
Fines and Forfeits	190.00					190.00
Miscellaneous	59,636.72					59,636.72
Total Revenues	285,050.21	45,605.22	43,470.13	43,470.17	2,392.27	419,988.00
Expenditures:						
Current:						
General Government	174,673.72					174,673.72
Public Safety	43,832.33					43,832.33
Streets and Public Works	10,255.60	75,535.81				85,791.41
Health and Welfare			43,470.13			43,470.13
Culture and Recreation	400.00					400.00
Other					2,737.50	2,737.50
Capital Outlay	396,000.00					396,000.00
Total Expenditures	625,161.65	75,535.81	43,470.13		2,737.50	746,905.09
Excess (Deficiency) of Revenues Over Expenditures	(340,111.44)	(29,930.59)		43,470.17	(345.23)	(326,917.09)
Other Financing Sources (Uses):						
Transfers In					2,000.00	2,000.00
Transfers Out	(2,000.00)					(2,000.00)
Total Other Financing Sources (Uses)	(2,000.00)				2,000.00	
Net Change in Fund Balances	(342,111.44)	(29,930.59)		43,470.17	1,654.77	(326,917.09)
Fund Balance - January 1	866,261.34	65,441.68	-0-	394,331.21	(841.75)	1,325,192.48
Fund Balance - December 31	524,149.90	35,511.09	-0-	437,801.38	813.02	998,275.39

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Major Funds					Total Governmental Funds
	General	Highway Distribution	Sales Tax	Capital Improvement	Other Governmental Funds	
Revenues:						
Taxes	40,959.56		37,484.80	37,484.85	2,447.89	118,377.10
Special Assessments	1,273.14					1,273.14
Licenses, Permits and Fees	4,805.75					4,805.75
Intergovernmental	134,785.42	51,539.60				186,325.02
Fines and Forfeits	505.00					505.00
Miscellaneous	46,945.37					46,945.37
Total Revenues	229,274.24	51,539.60	37,484.80	37,484.85	2,447.89	358,231.38
Expenditures:						
Current:						
General Government	197,842.40					197,842.40
Public Safety	43,085.95					43,085.95
Streets and Public Works		175,118.65				175,118.65
Health and Welfare			37,484.80			37,484.80
Culture and Recreation	298.58					298.58
Other					3,363.55	3,363.55
Total Expenditures	241,226.93	175,118.65	37,484.80		3,363.55	457,193.93
Net Change in Fund Balances	(11,952.69)	(123,579.05)		37,484.85	(915.66)	(98,962.55)
Fund Balance - January 1	878,214.03	189,020.73	-0-	356,846.36	73.91	1,424,155.03
Fund Balance - December 31	866,261.34	65,441.68	-0-	394,331.21	(841.75)	1,325,192.48

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds (326,917.09)

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

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

Current Year Capital Outlay	396,000.00	
Current Year Depreciation Expense	(42,525.00)	353,475.00

Change in Net Position of Governmental Activities		<u>26,557.91</u> =====
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The accompanying notes are an integral part of these financial statements.

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds		(98,962.55)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(42,522.00)	(42,522.00)
	<hr/>	<hr/>
Change in Net Position of Governmental Activities		(141,484.55)
		<hr/> <hr/>

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2020

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
ASSETS			
<u>Current Assets:</u>			
Cash and Cash Equivalents	903,041.81	281,045.20	1,184,087.01
<u>Noncurrent Assets:</u>			
Capital Assets (net of accumulated depr):			
Land		41,700.00	41,700.00
Buildings and Infrastructure	185,125.00		185,125.00
Machinery and Vehicles	71,478.00	8,498.00	79,976.00
Total Noncurrent Assets	256,603.00	50,198.00	306,801.00
Total Assets	1,159,644.81	331,243.20	1,490,888.01
NET POSITION			
Net Investment in Capital Assets	256,603.00	50,198.00	306,801.00
Unrestricted	903,041.81	281,045.20	1,184,087.01
Total Net Position	1,159,644.81	331,243.20	1,490,888.01

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Major Enterprise Funds		
	Water Operating	Sewer Operating	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	904,614.89	280,756.02	1,185,370.91
Noncurrent Assets:			
Capital Assets (net of accumulated depr):			
Land		41,700.00	41,700.00
Buildings and Infrastructure	197,762.00	2,728.00	200,490.00
Machinery and Vehicles	84,918.00	9,914.00	94,832.00
Total Noncurrent Assets	282,680.00	54,342.00	337,022.00
Total Assets	1,187,294.89	335,098.02	1,522,392.91
NET POSITION			
Net Investment in Capital Assets	282,680.00	54,342.00	337,022.00
Unrestricted	904,614.89	280,756.02	1,185,370.91
Total Net Position	1,187,294.89	335,098.02	1,522,392.91

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2020

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<u>Operating Revenues:</u>			
Charges for Sales and Services:			
Water Sales	167,393.64		167,393.64
Sewer Charges		22,082.80	22,082.80
Garbage Collections	89,289.15		89,289.15
Total Operating Revenues	256,682.79	22,082.80	278,765.59
<u>Operating Expenses:</u>			
Salaries and Benefits	113,869.81	3,073.64	116,943.45
Water Analysis	1,399.85		1,399.85
Utilities	2,609.36		2,609.36
Gas and Oil	5,501.61		5,501.61
McLean-Sheridan Rural Water	94,403.98		94,403.98
McLean-Sheridan Rural Water Debt Payment	8,120.80		8,120.80
Landfill Fees	22,229.24		22,229.24
Waste Expense and Equipment	5,825.39		5,825.39
Water Meters and Repairs	2,204.00		2,204.00
Maintenance	992.85	18,719.98	19,712.83
Office Supplies and Equipment	1,806.41		1,806.41
Travel Expense	1,149.25		1,149.25
Miscellaneous	294.00		294.00
Depreciation	26,077.00	4,144.00	30,221.00
Total Operating Expenses	286,483.55	25,937.62	312,421.17
Operating Income (Loss)	(29,800.76)	(3,854.82)	(33,655.58)
<u>Non-Operating Revenues:</u>			
Interest Income	222.43		222.43
Miscellaneous Receipts	1,928.25		1,928.25
Total Non-Operating Revenues	2,150.68		2,150.68
Change in Net Position	(27,650.08)	(3,854.82)	(31,504.90)
Net Position - January 1	1,187,294.89	335,098.02	1,522,392.91
Net Position - December 31	1,159,644.81	331,243.20	1,490,888.01

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<u>Operating Revenues:</u>			
Charges for Sales and Services:			
Water Sales	149,696.23		149,696.23
Sewer Charges		22,263.45	22,263.45
Garbage Collections	89,806.00		89,806.00
Total Operating Revenues	239,502.23	22,263.45	261,765.68
<u>Operating Expenses:</u>			
Salaries and Benefits	74,319.10	3,248.27	77,567.37
Water Analysis	944.08		944.08
Utilities	2,269.58		2,269.58
Gas and Oil	5,708.54		5,708.54
McLean-Sheridan Rural Water	98,690.33		98,690.33
Landfill Fees	18,199.60		18,199.60
Waste Expense and Equipment	4,494.25		4,494.25
Water Meters and Repairs	3,461.11		3,461.11
Maintenance	1,990.38	10,004.98	11,995.36
Office Supplies and Equipment	1,953.39		1,953.39
Travel Expense	848.63		848.63
Miscellaneous	1,271.77		1,271.77
Depreciation	26,077.00	4,140.00	30,217.00
Total Operating Expenses	240,227.76	17,393.25	257,621.01
Operating Income (Loss)	(725.53)	4,870.20	4,144.67
<u>Non-Operating Revenues:</u>			
Interest Income	209.59		209.59
Miscellaneous Receipts	1,324.48		1,324.48
Total Non-Operating Revenues	1,534.07		1,534.07
Change in Net Position	808.54	4,870.20	5,678.74
Net Position - January 1	1,186,486.35	330,227.82	1,516,714.17
Net Position - December 31	1,187,294.89	335,098.02	1,522,392.91

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2020

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<u>Cash flows from operating activities:</u>			
Receipts from customers	256,682.79	22,082.80	278,765.59
Payments to employees	(113,869.81)	(3,073.64)	(116,943.45)
Payments to suppliers	(146,536.74)	(18,719.98)	(165,256.72)
Net cash provided (used) by operating activities	(3,723.76)	289.18	(3,434.58)
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	1,928.25		1,928.25
<u>Cash flows from investing activities:</u>			
Interest income	222.43		222.43
Net increase in cash and cash equivalents	(1,573.08)	289.18	(1,283.90)
Cash and cash equivalents, January 1	904,614.89	280,756.02	1,185,370.91
Cash and cash equivalents, December 31	903,041.81	281,045.20	1,184,087.01
=====			
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating income	(29,800.76)	(3,854.82)	(33,655.58)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	26,077.00	4,144.00	30,221.00
Net cash provided (used) by operating activities	(3,723.76)	289.18	(3,434.58)
=====			

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<u>Cash flows from operating activities:</u>			
Receipts from customers	239,502.23	22,263.45	261,765.68
Payments to employees	(74,319.10)	(3,248.27)	(77,567.37)
Payments to suppliers	(139,831.66)	(10,004.98)	(149,836.64)
 Net cash provided (used) by operating activities	 25,351.47	 9,010.20	 34,361.67
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	1,324.48		1,324.48
<u>Cash flows from investing activities:</u>			
Interest income	209.59		209.59
 Net increase in cash and cash equivalents	 26,885.54	 9,010.20	 35,895.74
Cash and cash equivalents, January 1	877,729.35	271,745.82	1,149,475.17
Cash and cash equivalents, December 31	904,614.89	280,756.02	1,185,370.91
=====			
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating income	(725.53)	4,870.20	4,144.67
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	26,077.00	4,140.00	30,217.00
Net cash provided (used) by operating activities	25,351.47	9,010.20	34,361.67
=====			

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Statement of Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2020 and 2019

	Custodial Funds	
	12-31-2020	12-31-2019
<u>Assets:</u>		
Cash, Cash Equivalents and Investments	0.00	0.00
<u>Liabilities:</u>		
Due to Other Governments	0.00	0.00
Net Position	0.00	0.00

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Statement of Changes in Fiduciary Net Position
Modified Cash Basis - Fiduciary Fund
December 31, 2020 and 2019

	Custodial Funds	
	2020	2019
<u>Additions:</u>		
State aid collections for other governments	6,856.77	7,732.36
Community Development Block Grant #44453-SL18-MS	49,503.55	1,620.00
Total Additions	56,360.32	9,352.36
<u>Deductions:</u>		
Payment of state aid to other governments	6,856.77	7,732.36
Payments made for store front project	49,503.55	1,620.00
Total Deductions	56,360.32	9,352.36
 Change in Net Position	 0.00	 0.00
 Net Position - January 1	 0.00	 0.00
 Net Position - December 31	 0.00	 0.00

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

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Notes to the Financial Statements
December 31, 2020 and 2019

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Based on these criteria, the component units discussed below are included within the city's reporting entity because of the significance of their operational or financial relationship with the city.

Discretely Presented Component Units: The component units' columns in the basic financial statements include the financial data of the city's two component units. These units are reported in separate columns to emphasize that they are legally separate from the city.

Turtle Lake Airport Authority: The Turtle Lake Airport Authority's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the airport authority budget. The airport authority has the authority to issue its own debt.

Turtle Lake Library: The Turtle Lake Library's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the library budget. The library has the authority to issue its own debt.

The financial statements of each of the two discretely presented component units are presented in the basic financial statements.

B. Basis of Presentation

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

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

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

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

The city reports the following major governmental funds:

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

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

Sales Tax. This fund accounts for sales tax collections to be used for the purchase of, construction or maintenance of capital improvements at Community Memorial Hospital.

Capital Improvement. This fund accounts for sales tax collections to be used for capital improvements, repairs and capital expenditures of the city.

The city reports the following major enterprise funds:

Water Operating. This fund accounts for the activities of the city's water distribution and garbage collection systems.

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

The city reports the following type of fiduciary fund:

Custodial Fund. These funds account for assets held by the city in a custodial capacity as an agent on behalf of others. The city's custodial funds are used to account for deposits of the Turtle Lake Park District and a local store front project.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

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

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	10 to 20 years

F. Compensated Absences

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

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

G. Fund Equity

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

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

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

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

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

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

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

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

- * Committed
- * Assigned
- * Unassigned

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

H. Interfund Transactions

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

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

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

I. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2020 the city's carrying amount of deposits was \$2,182,362 and the bank balance was \$2,218,771. Of the bank balance, \$307,087 was covered by Federal Depository Insurance and the National Credit Union Association. The remaining balance of \$1,911,686 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2019 the city's carrying amount of deposits was \$2,510,563 and the bank balance was \$2,530,695. Of the bank balance, \$280,260 was covered by Federal Depository Insurance and the National Credit Union Association. The remaining balance of \$2,250,435 was collateralized with securities held by the 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:

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

At December 31, 2020 the city held certificates of deposit in the amount of \$2,043,127, which are all considered deposits.

At December 31, 2019 the city held certificates of deposit in the amount of \$2,283,127, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by negative cash balances in various funds. The amounts shown as interfund payables represent the amounts of negative cash in the funds. Interfund receivables/payables for the year ended December 31, 2019 are as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General	841.75	
Cemetary		841.75

Note 5 CAPITAL ASSETS

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

	<u>2020</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	40,000			40,000
<hr/>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	857,200	396,000		1,253,200
Machinery and Vehicles	314,659			314,659
Total	<u>1,171,859</u>	<u>396,000</u>		<u>1,567,859</u>
<hr/>				
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	595,795	31,067		626,862
Machinery and Vehicles	264,129	11,458		275,587
Total	<u>859,924</u>	<u>42,525</u>		<u>902,449</u>
<hr/>				
Total capital assets being depreciated, net	311,935	353,475		665,410
<hr/>				
Governmental Activities Capital Assets, Net	<u>351,935</u>	<u>353,475</u>	-0-	<u>705,410</u>

	<u>2019</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	40,000			40,000
<hr/>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	857,200			857,200
Machinery and Vehicles	314,659			314,659
Total	<u>1,171,859</u>			<u>1,171,859</u>
<hr/>				
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	564,728	31,067		595,795
Machinery and Vehicles	252,674	11,455		264,129
Total	<u>817,402</u>	<u>42,522</u>		<u>859,924</u>
<hr/>				
Total capital assets being depreciated, net	354,457	(42,522)		311,935
<hr/>				
Governmental Activities Capital Assets, Net	<u>394,457</u>	<u>(42,522)</u>	-0-	<u>351,935</u>

	<u>2020</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	41,700			41,700
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	700,400			700,400
Machinery and Vehicles	278,364			278,364
Total	<u>978,764</u>			<u>978,764</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	499,910	15,365		515,275
Machinery and Vehicles	183,532	14,856		198,388
Total	<u>683,442</u>	<u>30,221</u>		<u>713,663</u>
Total capital assets being depreciated, net	<u>295,322</u>	<u>(30,221)</u>		<u>265,101</u>
Business-type Activities Capital Assets, Net	<u>337,022</u>	<u>(30,221)</u>	<u>-0-</u>	<u>306,801</u>

	<u>2019</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	41,700			41,700
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	700,400			700,400
Machinery and Vehicles	278,364			278,364
Total	<u>978,764</u>			<u>978,764</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	484,548	15,362		499,910
Machinery and Vehicles	168,677	14,855		183,532
Total	<u>653,225</u>	<u>30,217</u>		<u>683,442</u>
Total capital assets being depreciated, net	<u>325,539</u>	<u>(30,217)</u>		<u>295,322</u>
Business-type Activities Capital Assets, Net	<u>367,239</u>	<u>(30,217)</u>	<u>-0-</u>	<u>337,022</u>

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

	<u>2020</u>	<u>2019</u>
<u>Governmental Activities:</u>		
General Government	2,099	2,099
Streets and Public Works	39,713	39,710
Culture and Recreation	713	713
Total	<u>42,525</u>	<u>42,522</u>
	=====	=====
<u>Business-type Activities:</u>		
Water	26,077	26,077
Sewer	4,144	4,140
Total	<u>30,221</u>	<u>30,217</u>
	=====	=====

Discretely Presented Component Unit

Turtle Lake Airport Authority

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

	<u>2020</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
Capital assets				
being depreciated:				
Machinery & Vehicles	46,000			46,000
Less accumulated				
depreciation for:				
Machinery & Vehicles	27,600	4,600		32,200
Governmental Activities				
Capital Assets, Net	18,400	(4,600)	-0-	13,800
	=====	=====	=====	=====

	<u>2019</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
Capital assets				
being depreciated:				
Machinery & Vehicles	46,000			46,000
Less accumulated				
depreciation for:				
Machinery & Vehicles	23,000	4,600		27,600
Governmental Activities				
Capital Assets, Net	23,000	(4,600)	-0-	18,400
	=====	=====	=====	=====

Depreciation expense was charged to the airport authority as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Airport Authority	4,600	4,600
	=====	=====

Note 6 TRANSFERS

The following is a reconciliation between transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2020:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Cemetery	2,000.00	
General		2,000.00

To subsidize expenditures/eliminate deficit fund balance.

Note 7 DEFICIT FUND BALANCE

The following fund had a deficit balance at December 31, 2019:

<u>Special Revenue Funds</u>	
Cemetery	(841.75)

The city eliminated this deficit with a transfer from the general fund during 2020.

Note 8 RISK MANAGEMENT

The City of Turtle Lake 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 (NDRIF), 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 NDRIF for its general liability, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$1,000,000 per occurrence for general liability and automobile; and \$215,174 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$808,354 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 9 PENSION PLAN

The city provides benefits for the city auditor through a defined contribution plan with Annuity Service Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city pays 15.5% of the auditor's gross salary. During the years ended December 31, 2020 and 2019, the city contributed \$14,378.40 and \$12,267.48, respectively.

Note 10 TAX ABATEMENTS

The city has not entered into any tax abatement agreements that would reduce the city's tax revenues for the years ended December 31, 2020 or 2019.

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	45,846.00	45,846.00	43,324.45	(2,521.55)
Special Assessments			59.88	59.88
Licenses, Permits and Fees	4,455.00	4,455.00	5,346.09	891.09
Intergovernmental	126,400.00	126,400.00	176,493.07	50,093.07
Fines and Forfeits	300.00	300.00	190.00	(110.00)
Miscellaneous	41,000.00	41,000.00	59,636.72	18,636.72
Total Revenues	218,001.00	218,001.00	285,050.21	67,049.21
<u>Expenditures:</u>				
Current:				
General Government	217,044.00	217,044.00	174,673.72	42,370.28
Public Safety	57,347.00	57,347.00	43,832.33	13,514.67
Streets and Public Works	10,000.00	10,000.00	10,255.60	(255.60)
Culture and Recreation	300.00	300.00	400.00	(100.00)
Other	27,000.00	27,000.00		27,000.00
Capital Outlay	190,000.00	190,000.00	396,000.00	(206,000.00)
Total Expenditures	501,691.00	501,691.00	625,161.65	(123,470.65)
Excess (Deficiency) of Revenues Over Expenditures	(283,690.00)	(283,690.00)	(340,111.44)	(56,421.44)
<u>Other Financing (Uses):</u>				
Transfers Out			(2,000.00)	(2,000.00)
Net Change in Fund Balances	(283,690.00)	(283,690.00)	(342,111.44)	(58,421.44)
Fund Balance - January 1	866,261.34	866,261.34	866,261.34	
Fund Balance - December 31	582,571.34	582,571.34	524,149.90	(58,421.44)

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	42,250.00	42,250.00	40,959.56	(1,290.44)
Special Assessments			1,273.14	1,273.14
Licenses, Permits and Fees	4,505.00	4,505.00	4,805.75	300.75
Intergovernmental	142,795.00	142,795.00	134,785.42	(8,009.58)
Fines and Forfeits	300.00	300.00	505.00	205.00
Miscellaneous	41,800.00	41,800.00	46,945.37	5,145.37
Total Revenues	231,650.00	231,650.00	229,274.24	(2,375.76)
Expenditures:				
Current:				
General Government	244,750.00	244,750.00	197,482.40	47,267.60
Public Safety	52,183.00	52,183.00	43,085.95	9,097.05
Streets and Public Works	250,000.00	250,000.00		250,000.00
Culture and Recreation	300.00	300.00	298.58	1.42
Other	20,000.00	20,000.00		20,000.00
Total Expenditures	567,233.00	567,233.00	240,866.93	326,366.07
Net Change in Fund Balances	(335,583.00)	(335,583.00)	(11,592.69)	323,990.31
Fund Balance - January 1	878,214.03	878,214.03	878,214.03	
Fund Balance - December 31	542,631.03	542,631.03	866,621.34	323,990.31

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Distribution Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	50,000.00	50,000.00	45,605.22	(4,394.78)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	74,900.00	74,900.00	75,535.81	(635.81)
Net Change in Fund Balances	(24,900.00)	(24,900.00)	(29,930.59)	(5,030.59)
Fund Balance - January 1	65,441.68	65,441.68	65,441.68	
Fund Balance - December 31	40,541.68	40,541.68	35,511.09	(5,030.59)

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	50,000.00	50,000.00	51,539.60	1,539.60
<u>Expenditures:</u>				
Current:				
Streets and Public Works	79,900.00	79,900.00	175,118.65	(95,218.65)
Net Change in Fund Balances	(29,900.00)	(29,900.00)	(123,579.05)	(93,679.05)
Fund Balance - January 1	189,020.73	189,020.73	189,020.73	
Fund Balance - December 31	159,120.73	159,120.73	65,441.68	(93,679.05)

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Sales Tax Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	34,000.00	34,000.00	43,470.13	9,470.13
<u>Expenditures:</u>				
Current:				
Health and Welfare	34,000.00	34,000.00	43,470.13	(9,470.13)
Net Change in Fund Balances				
Fund Balance - January 1	-0-	-0-	-0-	
Fund Balance - December 31	-0-	-0-	-0-	

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	34,000.00	34,000.00	37,484.80	3,484.80
<u>Expenditures:</u>				
Current:				
Health and Welfare	34,000.00	34,000.00	37,484.80	(3,484.80)
Net Change in Fund Balances				
Fund Balance - January 1	-0-	-0-	-0-	
Fund Balance - December 31	-0-	-0-	-0-	

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Capital Improvement Fund
For the Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	34,000.00	34,000.00	43,470.17	9,470.17
<u>Expenditures:</u>				
Current:				
Other	-0-	-0-	-0-	
Net Change in Fund Balances	34,000.00	34,000.00	43,470.17	9,470.17
Fund Balance - January 1	394,331.21	394,331.21	394,331.21	
Fund Balance - December 31	428,331.21	428,331.21	437,801.38	9,470.17

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	34,000.00	34,000.00	37,484.85	3,484.85
<u>Expenditures:</u>				
Current:				
Other	-0-	-0-	-0-	
Net Change in Fund Balances	34,000.00	34,000.00	37,484.85	3,484.85
Fund Balance - January 1	356,846.36	356,846.36	356,846.36	
Fund Balance - December 31	390,846.36	390,846.36	394,331.21	3,484.85

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2020 and 2019

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

The governing board did not amend the budgets during the years ended December 31, 2020 and 2019.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following fund for the years ending December 31, 2020 and 2019:

	<u>2020</u>	<u>2109</u>
General	123,470.65	
<u>Special Revenue Fund</u>		
Highway Distribution	635.81	95,218.65
Sales Tax	9,470.13	3,484.80

No remedial action is anticipated or required by the city regarding these excess expenditures.

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2020

	Balance 1-1-20	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-20
<u>Major Governmental Funds</u>						
General Fund	866,261.34	285,050.21		2,000.00	625,161.65	524,149.90
Highway Distribution	65,441.68	45,605.22			75,535.81	35,511.09
Sales Tax		43,470.13			43,470.13	
Capital Improvement	394,331.21	43,470.17				437,801.38
Total Major Governmental Funds	1,326,034.23	417,595.73		2,000.00	744,167.59	997,462.37
<u>Non-Major Governmental Fund</u>						
Cemetery	(841.75)	2,392.27	2,000.00		2,737.50	813.02
Total Governmental Funds	1,325,192.48	419,988.00	2,000.00	2,000.00	746,905.09	998,275.39
<u>Major Enterprise Funds</u>						
Water Operating	904,614.89	258,833.47			260,406.55	903,041.81
Sewer Operating	280,756.02	22,082.80			21,793.62	281,045.20
Total Major Enterprise Funds	1,185,370.91	280,916.27			282,200.17	1,184,087.01
<u>Fiduciary Fund</u>						
<u>Custodial Funds</u>						
Turtle Lake Park District		6,856.77			6,856.77	
CDBG #4453-SL18-MS		49,503.55			49,503.55	
Total Custodial Funds		56,360.32			56,360.32	
Total Primary Government	2,510,563.39	757,264.59	2,000.00	2,000.00	1,085,465.58	2,182,362.40
<u>Discretely Presented</u>						
<u>Component Units:</u>						
Turtle Lake Airport Authority	8,819.94	36,459.57			36,484.38	8,795.13
Turtle Lake Library	15,635.17	14,172.50			18,523.20	11,284.47
Total Discretely Presented						
Component Units	24,455.11	50,632.07			55,007.58	20,079.60
Total Reporting Entity	2,535,018.50	807,896.66	2,000.00	2,000.00	1,140,473.16	2,202,442.00

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Balance 1-1-19	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-19
<u>Major Governmental Funds</u>						
General Fund	878,214.03	229,274.24			241,226.93	866,261.34
Highway Distribution	189,020.73	51,539.60			175,118.65	65,441.68
Sales Tax		37,484.80			37,484.80	
Capital Improvement	356,846.36	37,484.85				394,331.21
Total Major Governmental Funds	1,424,081.12	355,783.49			453,830.38	1,326,034.23
<u>Non-Major Governmental Fund</u>						
Cemetery	73.91	2,447.89			3,363.55	(841.75)
Total Governmental Funds	1,424,155.03	358,231.38			457,193.93	1,325,192.48
<u>Major Enterprise Funds</u>						
Water Operating	877,729.35	241,036.30			214,150.76	904,614.89
Sewer Operating	271,745.82	22,263.45			13,253.25	280,756.02
Total Major Enterprise Funds	1,149,475.17	263,299.75			227,404.01	1,185,370.91
<u>Fiduciary Fund</u>						
<u>Custodial Funds</u>						
Turtle Lake Park District		7,732.36			7,732.36	
CDBG #4453-SL18-MS		1,620.00			1,620.00	
Total Custodial Funds		9,352.36			9,352.36	
Total Primary Government	2,573,630.20	630,883.49			693,950.30	2,510,563.39
<u>Discretely Presented</u>						
<u>Component Units:</u>						
Turtle Lake Airport Authority	3,715.55	7,467.55			2,363.16	8,819.94
Turtle Lake Library	7,963.95	19,993.71			12,322.49	15,635.17
Total Discretely Presented						
Component Units	11,679.50	27,461.26			14,685.65	24,455.11
Total Reporting Entity	2,585,309.70	658,344.75			708,635.95	2,535,018.50

Rath & Mehler, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehler, CPA
Bryce Fischer, CPA

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

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 Turtle Lake
Turtle Lake, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Turtle Lake, Turtle Lake, North Dakota, 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, and have issued our report thereon dated September 3, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002, that we consider to be significant deficiencies.

Compliance and Other Matters

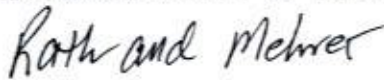
As part of obtaining reasonable assurance about whether the city's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City's Response to Findings

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

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

September 3, 2021

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2020 and 2019

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified-Modified Cash Basis
Business-Type Activities	Unmodified-Modified Cash Basis
Discretely Presented Component Units	Unmodified-Modified Cash Basis
Major Governmental Funds	Unmodified-Modified Cash Basis
Major Business-Type Funds	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No

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

Noncompliance Material to financial
statements noted? Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2020-001 Segregation of Duties

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

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

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

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

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

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

2. 2020-002 Financial Statement Preparation

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

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

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

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

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

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