

AUDIT REPORT

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

For the Years Ended December 31, 2018 and 2017

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

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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 aggregate 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, 2018 and 2017, 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 aggregate 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, 2018 and 2017, 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 management's discussion and analysis, 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 management's discussion and analysis, 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 management's discussion and analysis, 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 October 4, 2019 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

October 4, 2019

CITY OF TURTLE LAKE

Management's Discussion and Analysis

December 31, 2018 and 2017

The Management's Discussion and Analysis (MD&A) of the City of Turtle Lake's financial performance provides an overall review of the city's financial activities for the fiscal years ended December 31, 2018 and 2017. The intent of the MD&A is to look at the city's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

The MD&A is a new element of the Required Supplementary Information specified in the Government Accounting Standards Board's (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments". Certain comparative information between the current fiscal year and prior years is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2018 are as follows:

- * Total net position of the city increased \$107,439 as a result of the current year's operations. Net position of the governmental activities increased \$36,688 and net position of the business-type activities increased \$70,751.
- * Governmental net position totaled \$1,818,612 and business-type net position totaled \$1,516,714.
- * Total revenues from all sources were \$381,883 for governmental activities and \$277,902 for business-type activities.
- * Total expenses were \$345,195 for governmental activities and \$207,151 for business-type activities.
- * The city's general fund had \$256,975 in total revenues and \$246,759 in total expenditures. Overall, the general fund balance increased by \$10,216 for the year ended December 31, 2018.

Key financial highlights for the year ended December 31, 2017 are as follows:

- * Total net position of the city increased \$126,144 as a result of the current year's operations. Net position of the governmental activities increased \$48,568 and net position of the business-type activities increased \$77,576.
- * Governmental net position totaled \$1,781,924 and business-type net position totaled \$1,445,963.
- * Total revenues from all sources were \$351,664 for governmental activities and \$275,034 for business-type activities.
- * Total expenses were \$303,096 for governmental activities and \$197,458 for business-type activities.
- * The city's general fund had \$221,170 in total revenues and \$209,622 in total expenditures. There was a total of \$36,759 received from other financing sources. Overall, the general fund balance increased by \$48,307 for the year ended December 31, 2017.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand the city as a financial whole. The statements then proceed to provide an increasingly detailed look at financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole city, presenting both an aggregate view of the city's finances and a longer-term view of those finances. These statements present information as follows:

- * Governmental activities - this includes most of the city's basic services which are primarily supported by property taxes, user fees and intergovernmental revenues.
- * Business-type activities - this includes those services which are intended to recover all or a significant part of their costs through user fees.

Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. 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.

REPORTING ON THE CITY AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the city to provide programs and activities and attempt to answer the question "How did the city do financially during the years ended December 31, 2018 and 2017?"

The Statement of Net Position presents information on all the city's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating.

The Statement of Activities presents information on how the city's net position changed during the fiscal year. This statement is presented using the modified cash basis of accounting. This basis recognizes revenues and expenses when they result from cash transactions with provisions for depreciation of capital assets, and issuance of and payments made on long-term debt issues.

These two statements report the city's net position and changes in that position. This change in net position is important because it tells the reader whether, for the city as a whole, the financial position of the city has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the city reports governmental and business-type activities. Governmental activities are the activities where most of the city's programs and services are reported including, but not limited to, general government, public safety and streets and public works. Business-type activities are where the city's enterprise services are reported including, but not limited to, water and sewer.

REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

The city uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the city to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the city's major funds. Using the criteria established by GASB Statement No. 34, the city's general fund, highway distribution fund, sales tax fund and capital improvement fund are considered "major governmental funds". The city's water fund and sewer fund are considered "major enterprise funds".

The city's other fund, which is used to account for the financial transactions of the cemetery fund, is summarized under the heading "Other Governmental Funds".

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I provides a summary of the city's net position as of December 31, 2018 and 2017. A comparative analysis of city-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the city's net position increased by \$107,439 and \$126,144 for the years ended December 31, 2018 and 2017, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2018, the city's net position of \$3,335,326 is segregated into three separate categories. Net investment in capital assets represents 23% of the city's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 16% of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 61% of the city's net position and is available to meet the city's ongoing obligations.

Table I

Net Position
As of December 31, 2018

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,424,155	1,149,475
Capital Assets (net of accumulated depreciation)	394,457	367,239
Total Assets	1,818,612	1,516,714
<u>Net Position</u>		
Net Investment in Capital Assets	394,457	367,239
Restricted	545,941	
Unrestricted	878,214	1,149,475
Total Net Position	1,818,612	1,516,714

As of December 31, 2017, the city's net position of \$3,227,887 is segregated into three separate categories. Net investment in capital assets represents 24% of the city's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 17% of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 59% of the city's net position and is available to meet the city's ongoing obligations.

Net Position
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,397,655	1,047,872
Capital Assets (net of accumulated depreciation)	384,269	398,091
Total Assets	1,781,924	1,445,963
<u>Net Position</u>		
Net Investment in Capital Assets	384,269	398,091
Restricted	529,656	
Unrestricted	867,998	1,047,872
Total Net Position	1,781,924	1,445,963

Net Position
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
Assets		
Current Assets	1,302,173	967,767
Capital Assets (net of accumulated depreciation)	431,182	400,620
Total Assets	1,733,355	1,368,387
Net Position		
Net Investment in Capital Assets	431,182	400,620
Restricted	486,244	
Unrestricted	815,929	967,767
Total Net Position	1,733,355	1,368,387

Table II shows the changes in net position for the fiscal years ended December 31, 2018 and 2017. A comparative analysis of city-wide data is presented for both current years and prior year.

Table II

Changes in Net Position
As of December 31, 2018

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
Program Revenues:		
Charges for Services	5,083	275,270
Operating Grants and Contributions	55,981	
General Revenues:		
Property Taxes	38,844	
Other Taxes	187,962	
Intergovernmental - Unrestricted	36,508	
Interest Earnings and Other Revenue	57,506	2,632
Total Revenues	381,883	277,902
Expenses		
General Government	178,926	
Public Safety	42,180	
Streets and Public Works	67,484	
Culture and Recreation	964	
Other	55,641	
Water		194,128
Sewer		13,023
Total Expenses	345,195	207,151
Net Change in Position	36,688	70,751

Property taxes constituted 6%, other taxes 28%, unrestricted intergovernmental 6%, grants and contributions 8%, and charges for services made up 42% of the total revenues of all activities of the city for the fiscal year ended December 31, 2018.

General government constituted 32%, public safety 8%, streets and public works 12%, and enterprise 38% of total expenses for all activities during the fiscal year ended December 31, 2018.

Changes in Net Position
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	4,961	273,178
Operating Grants and Contributions	54,879	
<u>General Revenues:</u>		
Property Taxes	37,222	
Other Taxes	177,254	
Intergovernmental - Unrestricted	33,530	
Interest Earnings and Other Revenue	43,819	1,856
Total Revenues	351,664	275,034
Expenses		
General Government	171,030	
Public Safety	40,447	
Streets and Public Works	67,264	
Culture and Recreation	957	
Other	23,398	
Water		183,360
Sewer		14,098
Total Expenses	303,096	197,458
Net Change in Position	48,568	77,576

Property taxes constituted 6%, other taxes 28%, unrestricted intergovernmental 5%, grants and contributions 9%, and charges for services made up 44% of the total revenues of all activities of the city for the fiscal year ended December 31, 2017.

General government constituted 34%, public safety 8%, streets and public works 13%, and enterprise 39% of total expenses for all activities during the fiscal year ended December 31, 2017.

Changes in Net Position
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	6,364	247,481
Operating Grants and Contributions	73,938	
<u>General Revenues:</u>		
Property Taxes	31,539	
Other Taxes	170,439	
Intergovernmental - Unrestricted	37,850	
Interest Earnings and Other Revenue	44,631	2,088
Total Revenues	<u>364,762</u>	<u>249,570</u>
Expenses		
General Government	156,205	
Public Safety	40,670	
Streets and Public Works	85,047	
Culture and Recreation	955	
Other	50,539	
Water		172,806
Sewer		13,919
Total Expenses	<u>333,415</u>	<u>186,725</u>
Net Change in Position	<u>31,346</u> =====	<u>62,845</u> =====

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table III shows the total cost of services and the net cost of services for governmental activities. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table III

Total and Net Cost of Services
As of December 31, 2018

	Total Cost Year Ended <u>Dec. 31, 2018</u>	Net Cost Year Ended <u>Dec. 31, 2018</u>
General Government	178,926	170,665
Public Safety	42,180	41,858
Streets and Public Works	67,484	16,527
Culture and Recreation	964	964
Other	55,641	54,117
Total Expenses	<u>345,195</u> =====	<u>284,132</u> =====

Total and Net Cost of Services
As of December 31, 2017

	Total Cost Year Ended <u>Dec. 31, 2017</u>	Net Cost Year Ended <u>Dec. 31, 2017</u>
General Government	171,030	163,310
Public Safety	40,447	40,206
Streets and Public Works	67,264	17,252
Culture and Recreation	957	957
Other	23,398	21,531
Total Expenses	303,096	243,256

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the city's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the city's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified cash basis of accounting. The city's governmental funds had total revenue of \$381,883 and expenditures of \$355,383 for the year ended December 31, 2018. For the year ended December 31, 2017, the city's governmental funds had total revenue of \$351,664 and expenditures of \$256,183. As of December 31, 2018, the unassigned fund balance of the city's general fund was \$878,214. As of December 31, 2017, the unassigned fund balance of the city's general fund was \$867,998.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal years 2018 and 2017, the city did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2018 was \$46,960 more than budgeted. This variance was mainly due to the city underestimating collections from various intergovernmental sources. Actual expenditures for the year ended December 31, 2018 were under budget by \$283,041. This variance was mainly due to the city overestimating appropriations for streets and public works.

Actual revenue for the year ended December 31, 2017 was \$42,929 more than budgeted. This variance was mainly due to the city underestimating collections from various intergovernmental sources. Actual expenditures for the year ended December 31, 2017 were under budget by \$353,622. This variance was due to the city overestimating appropriations for streets and public works.

CAPITAL ASSETS

As of December 31, 2018 and 2017, the city had \$761,696 and \$782,360, respectively, invested in capital assets. The following tables show the balances, for governmental and business-type activities, as of December 31, 2018, 2017 and 2016.

Table IV

Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2018

	<u>Governmental</u>	<u>Business- Type</u>
Land	40,000	41,700
Buildings and Infrastructure	292,472	215,852
Machinery and Vehicles	61,985	109,687
Total (net of depreciation)	<u>394,457</u> =====	<u>367,239</u> =====

This total represents a decrease of \$20,664 in capital assets from January 1, 2018.

Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
Land	12,500	41,700
Buildings and Infrastructure	293,539	231,214
Machinery and Vehicles	78,230	125,177
Total (net of depreciation)	<u>384,269</u> =====	<u>398,091</u> =====

This total represents a decrease of \$49,442 in capital assets from January 1, 2017.

Capital Assets
(Net of Accumulated Depreciation)
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
Land	12,500	41,700
Buildings and Infrastructure	324,206	246,577
Machinery and Vehicles	94,476	112,343
Total (net of depreciation)	<u>431,182</u> =====	<u>400,620</u> =====

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 4 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2018 and 2017, the city had no outstanding debt.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the city's finances and to show the city's accountability for the money it receives. Anyone who has questions about information contained in this report or who is interested in receiving additional information is encouraged to contact Darwin Saari, City Auditor, Turtle Lake, ND.

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Turtle Lake Airport Authority	Turtle Lake Library
ASSETS:					
Cash, Cash Equivalents and Investments	1,424,155.03	1,149,475.17	2,573,630.20	3,715.55	7,963.95
Capital Assets (net of accumulated depreciation):					
Land	40,000.00	41,700.00	81,700.00		
Buildings and Infrastructure	292,472.00	215,852.00	508,324.00		
Machinery and Vehicles	61,985.00	109,687.00	171,672.00	23,000.00	
Total Capital Assets	394,457.00	367,239.00	761,696.00	23,000.00	
Total Assets	1,818,612.03	1,516,714.17	3,335,326.20	26,715.55	7,963.95
NET POSITION:					
Net Investment in Capital Assets	394,457.00	367,239.00	761,696.00	23,000.00	
Restricted for:					
Special Purposes	545,941.00		545,941.00		
Unrestricted	878,214.03	1,149,475.17	2,027,689.20	3,715.55	7,963.95
Total Net Position	1,818,612.03	1,516,714.17	3,335,326.20	26,715.55	7,963.95

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, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Turtle Lake Airport Authority	Turtle Lake Library
ASSETS:					
Cash, Cash Equivalents and Investments	1,397,654.66	1,047,872.26	2,445,526.92	3,830.71	8,489.96
Capital Assets (net of accumulated depreciation):					
Land	12,500.00	41,700.00	54,200.00		
Buildings and Infrastructure	293,539.00	231,214.00	524,753.00		
Machinery and Vehicles	78,230.00	125,177.00	203,407.00	27,600.00	
Total Capital Assets	384,269.00	398,091.00	782,360.00	27,600.00	
Total Assets	1,781,923.66	1,445,963.26	3,227,886.92	31,430.71	8,489.96
NET POSITION:					
Net Investment in Capital Assets	384,269.00	398,091.00	782,360.00	27,600.00	
Restricted for:					
Special Purposes	529,656.25		529,656.25		
Unrestricted	867,998.41	1,047,872.26	1,915,870.67	3,830.71	8,489.96
Total Net Position	1,781,923.66	1,445,963.26	3,227,886.92	31,430.71	8,489.96

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, 2018

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	178,925.89	4,760.80	3,500.00	(170,665.09)		(170,665.09)		
Public Safety	42,180.48	322.00		(41,858.48)		(41,858.48)		
Streets and Public Works	67,483.82		50,956.79	(16,527.03)		(16,527.03)		
Culture and Recreation	963.62			(963.62)		(963.62)		
Other	55,641.15		1,523.86	(54,117.29)		(54,117.29)		
Total Governmental Activities	345,194.96	5,082.80	55,980.65	(284,131.51)		(284,131.51)		
<u>Business-Type Activities:</u>								
Water	194,128.34	252,736.76			58,608.42	58,608.42		
Sewer	13,022.61	22,533.00			9,510.39	9,510.39		
Total Business-Type Activities	207,150.95	275,269.76			68,118.81	68,118.81		
Total Primary Government	552,345.91	280,352.56	55,980.65	(284,131.51)	68,118.81	(216,012.70)		

<u>Component Units:</u>								
Airport Authority	9,138.87						(9,138.87)	
Library	13,709.45		4,000.00					(9,709.45)
Total Component Units	22,848.32		4,000.00				(9,138.87)	(9,709.45)

General Revenues:

Taxes:					
Property taxes; levied for general purposes	36,983.99		36,983.99	4,334.91	5,735.98
Property taxes; levied for special purposes	1,860.20		1,860.20		
Sales taxes	72,091.73		72,091.73		
Cigarette taxes	1,615.34		1,615.34		
Oil and gas production taxes	29,479.59		29,479.59		
Coal severance taxes	66,741.12		66,741.12		
Coal conversion taxes	18,034.53		18,034.53		
Intergovernmental revenue not restricted to specific programs	36,507.83		36,507.83		527.15
Earnings on investments and other revenue	57,505.55	2,632.10	60,137.65	88.80	2,920.31
Total General Revenues	320,819.88	2,632.10	323,451.98	4,423.71	9,183.44
Change in Net Position	36,688.37	70,750.91	107,439.28	(4,715.16)	(526.01)
Net Position - January 1	1,781,923.66	1,445,963.26	3,227,886.92	31,430.71	8,489.96
Net Position - December 31	1,818,612.03	1,516,714.17	3,335,326.20	26,715.55	7,963.95
	=====	=====	=====	=====	=====

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, 2017

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>								
Primary Government:								
<u>Governmental Activities:</u>								
General Government	171,029.79	4,719.87	3,000.00	(163,309.92)		(163,309.92)		
Public Safety	40,447.13	241.00		(40,206.13)		(40,206.13)		
Streets and Public Works	67,263.80		50,011.65	(17,252.15)		(17,252.15)		
Culture and Recreation	957.26			(957.26)		(957.26)		
Other	23,397.59		1,866.86	(21,530.73)		(21,530.73)		
Total Governmental Activities	303,095.57	4,960.87	54,878.51	(243,256.19)		(243,256.19)		
<u>Business-Type Activities:</u>								
Water	183,360.42	250,907.32			67,546.90	67,546.90		
Sewer	14,097.99	22,270.50			8,172.51	8,172.51		
Total Business-Type Activities	197,458.41	273,177.82			75,719.41	75,719.41		
Total Primary Government	500,553.98	278,138.69	54,878.51	(243,256.19)	75,719.41	(167,536.78)		

Component Units:								
Airport Authority	5,198.95						(5,198.95)	
Library	16,034.60	442.87	4,281.42					(11,310.31)
Total Component Units	21,233.55	442.87	4,281.42				(5,198.95)	(11,310.31)

General Revenues:

Taxes:					
Property taxes; levied for general purposes	34,899.66		34,899.66	4,554.13	4,984.91
Property taxes; levied for special purposes	2,322.75		2,322.75		
Sales taxes	76,292.55		76,292.55		
Cigarette taxes	1,671.53		1,671.53		
Oil and gas production taxes	23,006.80		23,006.80		
Coal severance taxes	58,248.40		58,248.40		
Coal conversion taxes	18,034.53		18,034.53		
Intergovernmental revenue not restricted to specific programs	33,529.59		33,529.59		581.00
Earnings on investments and other revenue	43,818.85	1,856.48	45,675.33	143.08	4,345.52
Total General Revenues	291,824.66	1,856.48	293,681.14	4,697.21	9,911.43
Change in Net Position	48,568.47	77,575.89	126,144.36	(501.74)	(1,398.88)
Net Position - January 1	1,733,355.19	1,368,387.37	3,101,742.56	31,932.45	9,888.84
Net Position - December 31	1,781,923.66	1,445,963.26	3,227,886.92	31,430.71	8,489.96

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, 2018

Major Funds

	General	Highway Distribution	Sales Tax	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash, Cash Equivalents and Investments	878,214.03	189,020.73	-0-	356,846.36	73.91	1,424,155.03
<hr style="border-top: 1px dashed black;"/>						
FUND BALANCES:						
Restricted for:						
Streets and Public Works		189,020.73				189,020.73
Capital Improvements				356,846.36		356,846.36
Other Special Purposes					73.91	73.91
Unassigned	878,214.03					878,214.03
<hr style="border-top: 1px solid black;"/>						
Total Fund Balances	878,214.03	189,020.73	-0-	356,846.36	73.91	1,424,155.03
<hr style="border-top: 1px dashed black;"/>						

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, 2017

Major Funds

	General	Highway Distribution	Sales Tax	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash, Cash Equivalents and Investments	867,998.41	191,046.76	17,066.62	320,800.46	742.41	1,397,654.66
=====						
FUND BALANCES:						
Restricted for:						
Streets and Public Works		191,046.76				191,046.76
Capital Improvements				320,800.46		320,800.46
Other Special Purposes			17,066.62		742.41	17,809.03
Unassigned	867,998.41					867,998.41

Total Fund Balances	867,998.41	191,046.76	17,066.62	320,800.46	742.41	1,397,654.66
=====						

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, 2018

Total Fund Balances for Governmental Funds		1,424,155.03
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	(817,402.00)	
Net Capital Assets	<hr/>	394,457.00
Total Net Position of Governmental Activities		<hr/> <u>1,818,612.03</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, 2017

Total Fund Balances for Governmental Funds		1,397,654.66
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	1,154,359.00	
Less Accumulated Depreciation	(770,090.00)	
Net Capital Assets	<hr/>	384,269.00
Total Net Position of Governmental Activities		<hr/> <u>1,781,923.66</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, 2018

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Highway Distribution	Sales Tax	Capital Improvement		
Revenues:						
Taxes	36,983.99		36,045.83	36,045.90	1,860.20	110,935.92
Special Assessments	1,523.86					1,523.86
Licenses, Permits and Fees	4,760.80					4,760.80
Intergovernmental	155,878.41	50,956.79				206,835.20
Fines and Forfeits	322.00					322.00
Miscellaneous	57,505.55					57,505.55
Total Revenues	256,974.61	50,956.79	36,045.83	36,045.90	1,860.20	381,883.33
Expenditures:						
Current:						
General Government	176,827.89					176,827.89
Public Safety	42,180.48					42,180.48
Streets and Public Works		22,982.82				22,982.82
Culture and Recreation	250.62					250.62
Other			53,112.45		2,528.70	55,641.15
Capital Outlay	27,500.00	30,000.00				57,500.00
Total Expenditures	246,758.99	52,982.82	53,112.45		2,528.70	355,382.96
Net Change in Fund Balances	10,215.62	(2,026.03)	(17,066.62)	36,045.90	(668.50)	26,500.37
Fund Balance - January 1	867,998.41	191,046.76	17,066.62	320,800.46	742.41	1,397,654.66
Fund Balance - December 31	878,214.03	189,020.73	-0-	356,846.36	73.91	1,424,155.03

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, 2017

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General	Highway Distribution	Sales Tax	Capital Improvement		
Revenues:						
Taxes	34,899.66		38,146.24	38,146.31	2,322.75	113,514.96
Special Assessments					1,866.86	1,866.86
Licenses, Permits and Fees	4,719.87					4,719.87
Intergovernmental	137,490.85	50,011.65				187,502.50
Fines and Forfeits	241.00					241.00
Miscellaneous	43,818.85					43,818.85
Total Revenues	221,170.23	50,011.65	38,146.24	38,146.31	4,189.61	351,664.04
Expenditures:						
Current:						
General Government	168,930.79					168,930.79
Public Safety	40,447.13					40,447.13
Streets and Public Works		23,162.80				23,162.80
Culture and Recreation	244.26					244.26
Other			21,079.62		2,317.97	23,397.59
Total Expenditures	209,622.18	23,162.80	21,079.62		2,317.97	256,182.57
Excess (Deficiency) of Revenues Over Expenditures	11,548.05	26,848.85	17,066.62	38,146.31	1,871.64	95,481.47
Other Financing Sources (Uses):						
Transfers In	38,759.09				2,000.00	40,759.09
Transfers Out	(2,000.00)				(38,759.09)	(40,759.09)
Total Other Financing Sources (Uses)	36,759.09				(36,759.09)	
Net Change in Fund Balances	48,307.14	26,848.85	17,066.62	38,146.31	(34,887.45)	95,481.47
Fund Balance - January 1	819,691.27	164,197.91	-0-	282,654.15	35,629.86	1,302,173.19
Fund Balance - December 31	867,998.41	191,046.76	17,066.62	320,800.46	742.41	1,397,654.66

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, 2018

Net Change in Fund Balances - Total Governmental Funds	26,500.37
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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 capital outlay exceeded depreciation in the current year.

Current Year Capital Outlay	57,500.00	
Current Year Depreciation Expense	(47,312.00)	10,188.00
Change in Net Position of Governmental Activities		36,688.37

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, 2017

Net Change in Fund Balances - Total Governmental Funds		95,481.47
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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	(46,913.00)	(46,913.00)
	_____	_____
Change in Net Position of Governmental Activities		48,568.47
		=====

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
Proprietary Funds
December 31, 2018

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	877,729.35	271,745.82	1,149,475.17
Noncurrent Assets:			
Capital Assets (net of accumulated depr):			
Land		41,700.00	41,700.00
Buildings and Infrastructure	210,400.00	5,452.00	215,852.00
Machinery and Vehicles	98,357.00	11,330.00	109,687.00
Total Noncurrent Assets	308,757.00	58,482.00	367,239.00
Total Assets	1,186,486.35	330,227.82	1,516,714.17
NET POSITION			
Net Investment in Capital Assets	308,757.00	58,482.00	367,239.00
Unrestricted	877,729.35	271,745.82	1,149,475.17
Total Net Position	1,186,486.35	330,227.82	1,516,714.17

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, 2017

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and Cash Equivalents	790,652.83	257,219.43	1,047,872.26
<u>Noncurrent Assets:</u>			
Capital Assets (net of accumulated depr):			
Land		41,700.00	41,700.00
Buildings and Infrastructure	223,037.00	8,177.00	231,214.00
Machinery and Vehicles	112,431.00	12,746.00	125,177.00
Total Noncurrent Assets	335,468.00	62,623.00	398,091.00
 Total Assets	 1,126,120.83	 319,842.43	 1,445,963.26
=====			
<u>NET POSITION</u>			
Net Investment in Capital Assets	335,468.00	62,623.00	398,091.00
Unrestricted	790,652.83	257,219.43	1,047,872.26
 Total Net Position	 1,126,120.83	 319,842.43	 1,445,963.26
=====			

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, 2018

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<u>Operating Revenues:</u>			
<u>Charges for Sales and Services:</u>			
Water Sales	161,538.99		161,538.99
Sewer Charges		22,533.00	22,533.00
Garbage Collections	91,197.77		91,197.77
Total Operating Revenues	252,736.76	22,533.00	275,269.76
<u>Operating Expenses:</u>			
Salaries and Benefits	55,806.59	8,562.61	64,369.20
Water Analysis	557.33		557.33
Utilities	2,002.07		2,002.07
Gas and Oil	7,413.89		7,413.89
McLean-Sheridan Rural Water	73,958.60		73,958.60
Landfill Fees	18,718.60		18,718.60
Waste Expense	3,338.57		3,338.57
Maintenance	583.25	309.00	892.25
Office Supplies and Equipment	2,054.34		2,054.34
Travel Expense	1,563.09		1,563.09
Miscellaneous	1,421.01	10.00	1,431.01
Depreciation	26,711.00	4,141.00	30,852.00
Total Operating Expenses	194,128.34	13,022.61	207,150.95
Operating Income (Loss)	58,608.42	9,510.39	68,118.81
<u>Non-Operating Revenues:</u>			
Interest Income	182.49	875.00	1,057.49
Miscellaneous Receipts	1,574.61		1,574.61
Total Non-Operating Revenues	1,757.10	875.00	2,632.10
Change in Net Position	60,365.52	10,385.39	70,750.91
Net Position - January 1	1,126,120.83	319,842.43	1,445,963.26
Net Position - December 31	1,186,486.35	330,227.82	1,516,714.17

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, 2017

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<u>Operating Revenues:</u>			
Charges for Sales and Services:			
Water Sales	159,681.76		159,681.76
Sewer Charges		22,270.50	22,270.50
Garbage Collections	91,225.56		91,225.56
Total Operating Revenues	250,907.32	22,270.50	273,177.82
<u>Operating Expenses:</u>			
Salaries and Benefits	45,927.74	4,629.50	50,557.24
Water Analysis	1,454.07		1,454.07
Utilities	1,841.57		1,841.57
Gas and Oil	5,353.71		5,353.71
McLean-Sheridan Rural Water	75,217.47		75,217.47
Landfill Fees	19,129.80		19,129.80
Waste Expense	3,998.08		3,998.08
Water Meters and Repairs	375.00		375.00
Maintenance		5,312.24	5,312.24
Office Supplies and Equipment	1,918.46		1,918.46
Travel Expense	398.14		398.14
Miscellaneous	1,034.38	15.25	1,049.63
Depreciation	26,712.00	4,141.00	30,853.00
Total Operating Expenses	183,360.42	14,097.99	197,458.41
Operating Income (Loss)	67,546.90	8,172.51	75,719.41
<u>Non-Operating Revenues:</u>			
Interest Income	71.75		71.75
Miscellaneous Receipts	1,784.73		1,784.73
Total Non-Operating Revenues	1,856.48		1,856.48
Change in Net Position	69,403.38	8,172.51	77,575.89
Net Position - January 1	1,056,717.45	311,669.92	1,368,387.37
Net Position - December 31	1,126,120.83	319,842.43	1,445,963.26

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, 2018

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<u>Cash flows from operating activities:</u>			
Receipts from customers	252,736.76	22,533.00	275,269.76
Payments to employees	(55,806.59)	(8,562.61)	(64,369.20)
Payments to suppliers	(111,610.75)	(319.00)	(111,929.75)
Net cash provided (used) by operating activities	85,319.42	13,651.39	98,970.81
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	1,574.61		1,574.61
<u>Cash flows from investing activities:</u>			
Interest income	182.49	875.00	1,057.49
Net increase in cash and cash equivalents	87,076.52	14,526.39	101,602.91
Cash and cash equivalents, January 1	790,652.83	257,219.43	1,047,872.26
Cash and cash equivalents, December 31	877,729.35	271,745.82	1,149,475.17
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating income	58,608.42	9,510.39	68,118.81
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	26,711.00	4,141.00	30,852.00
Net cash provided (used) by operating activities	85,319.42	13,651.39	98,970.81

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, 2017

	Major Enterprise Funds		
	Water Operating	Sewer Operating	Total Enterprise Funds
<u>Cash flows from operating activities:</u>			
Receipts from customers	250,907.32	22,270.50	273,177.82
Payments to employees	(45,927.74)	(4,629.50)	(50,557.24)
Payments to suppliers	(110,720.68)	(5,327.49)	(116,048.17)
Net cash provided (used) by operating activities	94,258.90	12,313.51	106,572.41
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	1,784.73		1,784.73
<u>Cash flows from capital and related financing activities:</u>			
Vehicle purchase	(14,162.00)	(14,162.00)	(28,324.00)
<u>Cash flows from investing activities:</u>			
Interest income	71.75		71.75
Net increase in cash and cash equivalents	81,953.38	(1,848.49)	80,104.89
Cash and cash equivalents, January 1	708,699.45	259,067.92	967,767.37
Cash and cash equivalents, December 31	790,652.83	257,219.43	1,047,872.26
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating income	67,546.90	8,172.51	75,719.41
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	26,712.00	4,141.00	30,853.00
Net cash provided (used) by operating activities	94,258.90	12,313.51	106,572.41

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, 2018 and 2017

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 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 fund type:

Agency Fund. This fund accounts for assets held by the city in a custodial capacity as an agent on behalf of the Turtle Lake Park District. The city's agency fund is used to account for deposits of the Turtle Lake Park District.

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, 2018 the city's carrying amount of deposits was \$2,573,630 and the bank balance was \$2,614,892. Of the bank balance, \$299,565 was covered by Federal Depository Insurance and the National Credit Union Association. The remaining balance of \$2,315,327 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2017 the city's carrying amount of deposits was \$2,445,527 and the bank balance was \$2,468,267. Of the bank balance, \$264,760 was covered by Federal Depository Insurance and the National Credit Union Association. The remaining balance of \$2,203,507 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, 2018 the city held certificates of deposit in the amount of \$2,350,243, which are all considered deposits.

At December 31, 2017 the city held certificates of deposit in the amount of \$2,350,243, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 CAPITAL ASSETS

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

	<u>2018</u>			Balance December 31
	Balance January 1	Increases	Decreases	
Governmental Activities:				
Capital assets not being depreciated:				
Land	12,500	27,500		40,000
Capital assets being depreciated:				
Buildings and Infrastructure	827,200	30,000		857,200
Machinery and Vehicles	314,659			314,659
Total	<u>1,141,859</u>	<u>30,000</u>		<u>1,171,859</u>
Less accumulated depreciation for:				
Buildings and Infrastructure	533,661	31,067		564,728
Machinery and Vehicles	236,429	16,245		252,674
Total	<u>770,090</u>	<u>47,312</u>		<u>817,402</u>
Total capital assets being depreciated, net	371,769	(17,312)		354,457
Governmental Activities Capital Assets, Net	<u>384,269</u>	<u>10,188</u>	-0-	<u>394,457</u>

	<u>2017</u>			Balance December 31
	Balance January 1	Increases	Decreases	
Governmental Activities:				
Capital assets not being depreciated:				
Land	12,500			12,500
Capital assets being depreciated:				
Buildings and Infrastructure	827,200			827,200
Machinery and Vehicles	314,659			314,659
Total	<u>1,141,859</u>			<u>1,141,859</u>
Less accumulated depreciation for:				
Buildings and Infrastructure	502,994	30,667		533,661
Machinery and Vehicles	220,183	16,246		236,429
Total	<u>723,177</u>	<u>46,913</u>		<u>770,090</u>
Total capital assets being depreciated, net	418,682	(46,913)		371,769
Governmental Activities Capital Assets, Net	<u>431,182</u>	<u>(46,913)</u>	-0-	<u>384,269</u>

	<u>2018</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	469,186	15,362		484,548
Machinery and Vehicles	153,187	15,490		168,677
Total	<u>622,373</u>	<u>30,852</u>		<u>653,225</u>
Total capital assets being depreciated, net	356,391	(30,852)		325,539
Business-type Activities Capital Assets, Net	<u>398,091</u>	<u>(30,852)</u>	<u>-0-</u>	<u>367,239</u>

	<u>2017</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	250,040	28,324		278,364
Total	<u>950,440</u>	<u>28,324</u>		<u>978,764</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	453,823	15,363		469,186
Machinery and Vehicles	137,697	15,490		153,187
Total	<u>591,520</u>	<u>30,853</u>		<u>622,373</u>
Total capital assets being depreciated, net	358,920	(2,529)		356,391
Business-type Activities Capital Assets, Net	<u>400,620</u>	<u>(2,529)</u>	<u>-0-</u>	<u>398,091</u>

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

	<u>2018</u>	<u>2017</u>
<u>Governmental Activities:</u>		
General Government	2,098	2,099
Streets and Public Works	44,501	44,101
Culture and Recreation	713	713
 Total	<u>47,312</u>	<u>46,913</u>
	=====	=====
 <u>Business-type Activities:</u>		
Water	26,711	26,712
Sewer	4,141	4,141
 Total	<u>30,852</u>	<u>30,853</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>2018</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	18,400	4,600		23,000
Governmental Activities Capital Assets, Net	<u>27,600</u>	<u>(4,600)</u>	<u>-0-</u>	<u>23,000</u>
	=====	=====	=====	=====

	<u>2017</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	13,800	4,600		18,400
Governmental Activities Capital Assets, Net	<u>32,200</u>	<u>(4,600)</u>	<u>-0-</u>	<u>27,600</u>
	=====	=====	=====	=====

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

	<u>2018</u>	<u>2017</u>
Airport Authority	4,600	4,600
	=====	=====

Note 5 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, 2017:

<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.		
General	38,759.09	
SID 2008-1		38,759.09
To close fund.		

Note 6 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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability and automobile; and \$330,625 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 \$680,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 7 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 12.5% of the auditor's gross salary. During the years ended December 3, 2018 and 2017, the city contributed \$10,267.44 and \$9,694.38, respectively.

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	39,625.00	39,625.00	36,983.99	(2,641.01)
Special Assessments			1,523.86	1,523.86
Licenses, Permits and Fees	4,240.00	4,240.00	4,760.80	520.80
Intergovernmental	124,850.00	124,850.00	155,878.41	31,028.41
Fines and Forfeits	100.00	100.00	322.00	222.00
Miscellaneous	41,200.00	41,200.00	57,505.55	16,305.55
Total Revenues	210,015.00	210,015.00	256,974.61	46,959.61
<u>Expenditures:</u>				
Current:				
General Government	220,000.00	220,000.00	176,827.89	43,172.11
Public Safety	19,000.00	19,000.00	42,180.48	(23,180.48)
Streets and Public Works	247,500.00	247,500.00		247,500.00
Culture and Recreation	300.00	300.00	250.62	49.38
Other	15,500.00	15,500.00		15,500.00
Capital Outlay	27,500.00	27,500.00	27,500.00	
Total Expenditures	529,800.00	529,800.00	246,758.99	283,041.01
Net Change in Fund Balances	(319,785.00)	(319,785.00)	10,215.62	330,000.62
Fund Balance - January 1	867,998.41	867,998.41	867,998.41	
Fund Balance - December 31	548,213.41	548,213.41	878,214.03	330,000.62

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	36,532.08	36,532.08	34,899.66	(1,632.42)
Licenses, Permits and Fees	4,375.00	4,375.00	4,719.87	344.87
Intergovernmental	108,400.00	108,400.00	137,490.85	29,090.85
Fines and Forfeits	400.00	400.00	241.00	(159.00)
Miscellaneous	28,534.00	28,534.00	43,818.85	15,284.85
Total Revenues	178,241.08	178,241.08	221,170.23	42,929.15
<u>Expenditures:</u>				
Current:				
General Government	215,622.00	215,622.00	168,930.79	46,691.21
Public Safety	55,621.78	55,621.78	40,447.13	15,174.65
Streets and Public Works	275,000.00	275,000.00		275,000.00
Culture and Recreation	500.00	500.00	244.26	255.74
Other	16,500.00	16,500.00		16,500.00
Total Expenditures	563,243.78	563,243.78	209,622.18	353,621.60
Excess (Deficiency) of Revenues Over Expenditures	(385,002.70)	(385,002.70)	11,548.05	396,550.75
<u>Other Financing Sources (Uses):</u>				
Transfers In			38,759.09	38,759.09
Transfers Out	(500.00)	(500.00)	(2,000.00)	(1,500.00)
Total Other Financing Sources (Uses)	(500.00)	(500.00)	36,759.09	37,259.09
Net Change in Fund Balances	(385,502.70)	(385,502.70)	48,307.14	433,809.84
Fund Balance - January 1	819,691.27	819,691.27	819,691.27	
Fund Balance - December 31	434,188.57	434,188.57	867,998.41	433,809.84

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	48,000.00	48,000.00	50,956.79	2,956.79
Miscellaneous	200.00	200.00		(200.00)
Total Revenues	48,200.00	48,200.00	50,956.79	2,756.79
<u>Expenditures:</u>				
Current:				
Streets and Public Works	38,113.00	38,113.00	22,982.82	15,130.18
Capital Outlay	30,000.00	30,000.00	30,000.00	
Total Expenditures	68,113.00	68,113.00	52,982.82	15,130.18
Net Change in Fund Balances	(19,913.00)	(19,913.00)	(2,026.03)	17,886.97
Fund Balance - January 1	191,046.76	191,046.76	191,046.76	
Fund Balance - December 31	171,133.76	171,133.76	189,020.73	17,886.97

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Distribution Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	48,000.00	48,000.00	50,011.65	2,011.65
Miscellaneous	200.00	200.00		(200.00)
Total Revenues	48,200.00	48,200.00	50,011.65	1,811.65
<u>Expenditures:</u>				
Current:				
Streets and Public Works	50,113.00	50,113.00	23,162.80	26,950.20
Net Change in Fund Balances	(1,913.00)	(1,913.00)	26,848.85	28,761.85
Fund Balance - January 1	164,197.91	164,197.91	164,197.91	
Fund Balance - December 31	162,284.91	162,284.91	191,046.76	28,761.85

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	37,000.00	37,000.00	36,045.83	(954.17)
<u>Expenditures:</u>				
Current:				
Other	37,000.00	37,000.00	53,112.45	(16,112.45)
Net Change in Fund Balances			(17,066.62)	(17,066.62)
Fund Balance - January 1	17,066.62	17,066.62	17,066.62	
Fund Balance - December 31	17,066.62	17,066.62	-0-	(17,066.62)

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Sales Tax Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	30,000.00	30,000.00	38,146.24	8,146.24
<u>Expenditures:</u>				
Current:				
Other	30,000.00	30,000.00	21,079.62	8,920.38
 Net Change in Fund Balances			17,066.62	17,066.62
 Fund Balance - January 1	-0-	-0-	-0-	
 Fund Balance - December 31	-0-	-0-	17,066.62	17,066.62

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	37,000.00	37,000.00	36,045.90	(954.10)
<u>Expenditures:</u>				
Current:				
Other	-0-	-0-	-0-	
Net Change in Fund Balances	37,000.00	37,000.00	36,045.90	(954.10)
Fund Balance - January 1	320,800.46	320,800.46	320,800.46	
Fund Balance - December 31	357,800.46	357,800.46	356,846.36	(954.10)

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Capital Improvement Fund
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	35,000.00	35,000.00	38,146.31	3,146.31
<u>Expenditures:</u>				
Current:				
Other	-0-	-0-	-0-	
Net Change in Fund Balances	35,000.00	35,000.00	38,146.31	3,146.31
Fund Balance - January 1	282,654.15	282,654.15	282,654.15	
Fund Balance - December 31	317,654.15	317,654.15	320,800.46	3,146.31

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2018 and 2017

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, 2018 and 2017.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following fund for the year ending December 31, 2018:

<u>Special Revenue Fund</u>	
Sales Tax	16,112.45

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, 2018

	Balance 1-1-18	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-18
<u>Major Governmental Funds</u>						
General Fund	867,998.41	256,974.61			246,758.99	878,214.03
Highway Distribution	191,046.76	50,956.79			52,982.82	189,020.73
Sales Tax	17,066.62	36,045.83			53,112.45	
Capital Improvement	320,800.46	36,045.90				356,846.36
Total Major Governmental Funds	1,396,912.25	380,023.13			352,854.26	1,424,081.12
<u>Non-Major Governmental Fund</u>						
Cemetery	742.41	1,860.20			2,528.70	73.91
Total Governmental Funds	1,397,654.66	381,883.33			355,382.96	1,424,155.03
<u>Major Enterprise Funds</u>						
Water Operating	790,652.83	254,493.86			167,417.34	877,729.35
Sewer Operating	257,219.43	23,408.00			8,881.61	271,745.82
Total Major Enterprise Funds	1,047,872.26	277,901.86			176,298.95	1,149,475.17
<u>Agency Fund</u>						
Turtle Lake Park District		6,953.89			6,953.89	
Total Primary Government	2,445,526.92	666,739.08			538,635.80	2,573,630.20
<u>Discretely Presented</u>						
<u>Component Units:</u>						
Turtle Lake Airport Authority	3,830.71	4,423.71			4,538.87	3,715.55
Turtle Lake Library	8,489.96	13,183.44			13,709.45	7,963.95
Total Discretely Presented Component Units	12,320.67	17,607.15			18,248.32	11,679.50
Total Reporting Entity	2,457,847.59	684,346.23			556,884.12	2,585,309.70

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
<u>Major Governmental Funds</u>						
General Fund	817,191.27	223,670.23	38,759.09	2,000.00	209,622.18	867,998.41
Highway Distribution	164,197.91	50,011.65			23,162.80	191,046.76
Sales Tax		38,146.24			21,079.62	17,066.62
Capital Improvement	282,654.15	38,146.31				320,800.46
Total Major Governmental Funds	1,264,043.33	349,974.43	38,759.09	2,000.00	253,864.60	1,396,912.25
<u>Non-Major Governmental Funds</u>						
Cemetery	(1,262.37)	2,322.75	2,000.00		2,317.97	742.41
SID 2008-1	36,892.23	1,866.86		38,759.09		
Total Nonmajor Governmental Funds	35,629.86	4,189.61	2,000.00	38,759.09	2,317.97	742.41
Total Governmental Funds	1,299,673.19	354,164.04	40,759.09	40,759.09	256,182.57	1,397,654.66
<u>Major Enterprise Funds</u>						
Water Operating	708,699.45	252,763.80			170,810.42	790,652.83
Sewer Operating	259,067.92	22,270.50			24,118.99	257,219.43
Total Major Enterprise Funds	967,767.37	275,034.30			194,929.41	1,047,872.26
<u>Agency Fund</u>						
Turtle Lake Park District		6,386.61			6,386.61	
Total Primary Government	2,267,440.56	635,584.95	40,759.09	40,759.09	457,498.59	2,445,526.92
<u>Discretely Presented</u>						
<u>Component Units:</u>						
Turtle Lake Airport Authority	2,232.45	4,697.21			3,098.95	3,830.71
Turtle Lake Library	9,888.84	14,635.72			16,034.60	8,489.96
Total Discretely Presented	12,121.29	19,332.93			19,133.55	12,320.67
Total Reporting Entity	2,279,561.85	654,917.88	40,759.09	40,759.09	476,632.14	2,457,847.59

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of 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 aggregate 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, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated October 4, 2019.

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 2018-001 and 2018-002, 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

October 4, 2019

CITY OF TURTLE LAKE
Turtle Lake, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2018 and 2017

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. 2018-001 Segregation of Duties

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.

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

Cause: The city 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: Segregation of duties would provide better control over the assets of the city. However, due to the size of the city, it is not feasible to obtain proper separation of duties. These functions should be monitored by the Governing Board.

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

2. 2018-002 Financial Statement Preparation

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

Criteria: A good system of internal controls requires the city to determine that the financial statements are prepared based on the modified cash basis of accounting. This means that the city must maintain knowledge of current accounting principles and required financial statement disclosures.

Cause: The city does not have the internal expertise needed to handle all aspects of the external financial reporting.

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

Recommendation: For entities of the city's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Views of Responsible Officials and Planned Corrective Actions: 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.