



Audit Report

**City of Abercrombie
Abercrombie, North Dakota
Years Ended December 31, 2015 and 2014
Nadine Julson, LLC**

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
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CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
AS OF DECEMBER 31, 2015

CITY OFFICIALS

<u>Office</u>	<u>Name</u>
Mayor	Kevin Bernier
Council Members	David Hammond
	Torina Lelm
	Al Berg
	Loretta Hendrickson
City Auditor	Kevin Paczkowski

Nadine Julson, LLC

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Abercrombie
Abercrombie, North Dakota

Report on the Financial Statements

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Abercrombie, North Dakota, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

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CITY OF ABERCROMBIE
Independent Auditor's Report - Continued

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Abercrombie, North Dakota, as of December 31, 2015 and 2014, and the respective changes in financial position-modified cash basis thereof for the years then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1 of the financial statements, the City of Abercrombie, North Dakota prepares its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Other Matter

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 34-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the

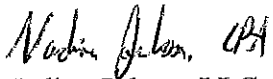
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CITY OF ABERCROMBIE
Independent Auditor's Report - Continued

United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 18, 2017, on my consideration of the City of Abercrombie's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Abercrombie's internal control over financial reporting and compliance.


Nadine Julson, LLC
Wahpeton, North Dakota

January 18, 2017

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ -	\$ 225,503	\$ 225,503
Cash - restricted	-	5,000	5,000
Due from other funds	-	58,632	58,632
Capital Assets:			
Land	45,677	4,747	50,424
Building	46,456	-	46,456
Water reservoir	-	244,238	244,238
Improvements	-	1,306,944	1,306,944
Equipment	7,200	7,200	14,400
Less accumulated depreciation	<u>(15,929)</u>	<u>(1,009,721)</u>	<u>(1,025,650)</u>
Total assets	83,404	842,543	925,947
LIABILITIES:			
Due to other funds	58,632	-	58,632
Current portion long-term debt; Bonds payable	-	32,000	32,000
Due after one year; Bonds payable	<u>-</u>	<u>154,875</u>	<u>154,875</u>
Total liabilities	58,632	186,875	245,507
NET POSITION:			
Net investment in capital assets	83,404	366,533	449,937
Restricted for;			
Maintenance and replacement	-	5,000	5,000
Unrestricted (Deficit)	<u>(58,632)</u>	<u>284,135</u>	<u>225,503</u>
Total net position	<u>\$ 24,772</u>	<u>\$ 655,668</u>	<u>\$ 680,440</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF DECEMBER 31, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ -	\$ 220,065	\$ 220,065
Cash - restricted	-	5,000	5,000
Due from other funds	-	64,427	64,427
Capital Assets:			
Land	45,677	-	45,677
Building	46,456	-	46,456
Water reservoir	-	244,238	244,238
Improvements	-	1,284,695	1,284,695
Equipment	7,200	7,200	14,400
Less accumulated depreciation	<u>(14,280)</u>	<u>(947,398)</u>	<u>(961,678)</u>
Total assets	85,053	878,227	963,280
LIABILITIES:			
Due to other funds	64,427	-	64,427
Current portion long-term debt;			
Bonds payable	-	27,000	27,000
Due after one year;			
Bonds payable	<u>-</u>	<u>186,875</u>	<u>186,875</u>
Total liabilities	64,427	213,875	278,302
NET POSITION:			
Net investment in capital assets	85,053	379,607	464,660
Restricted for;			
Maintenance and replacement	-	5,000	5,000
Unrestricted (Deficit)	<u>(64,427)</u>	<u>284,492</u>	<u>220,065</u>
Total net position	<u>\$ 20,626</u>	<u>\$ 669,099</u>	<u>\$ 689,725</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General government	\$ 51,144	\$ 5,850	\$ 31,864	\$ (13,430)	\$ -	\$ (13,430)
Public safety	19,594	2,749	14,664	(2,181)	-	(2,181)
Total governmental activities	70,738	8,599	46,528	(15,611)	-	(15,611)
Business-type Activities:						
Water and sewer	83,231	46,875	-	-	(36,356)	(36,356)
Garbage	12,162	10,808	-	-	(1,354)	(1,354)
Total business-type activities	95,393	57,683	-	-	(37,710)	(37,710)
Total primary government	\$ 166,131	\$ 66,282	\$ 46,528	(15,611)	(37,710)	(53,321)
General Revenues:						
Taxes:						
Taxes levied for general purposes				18,202	-	18,202
Taxes levied for special revenues				703	-	703
Taxes levied for special assessments				-	22,865	22,865
Interest and investment earnings				15	1,414	1,429
Miscellaneous				837	-	837
Total general revenues				19,757	24,279	44,036
Change in Net Position				4,146	(13,431)	(9,285)
Net Position - Beginning of year				20,626	669,099	689,725
Net Position - End of year				\$ 24,772	\$ 655,668	\$ 680,440

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Governmental Activities:</u>						
General government	\$ 45,722	\$ 4,099	\$ 30,095	\$ (11,528)	\$ -	\$ (11,528)
Public safety	19,227	3,065	16,605	443	-	443
Total governmental activities	64,949	7,164	46,700	(11,085)	-	(11,085)
<u>Business-type Activities:</u>						
Water and sewer	80,788	52,923	-	-	(27,865)	(27,865)
Garbage	12,057	12,052	-	-	(5)	(5)
Total business-type activities	92,845	64,975	-	-	(27,870)	(27,870)
Total primary government	\$ 157,794	\$ 72,139	\$ 46,700	(11,085)	(27,870)	(38,955)
<u>General Revenues:</u>						
<u>Taxes:</u>						
Taxes levied for general purposes				14,638	-	14,638
Taxes levied for special revenues				590	-	590
Taxes levied for special assessments				-	23,562	23,562
Interest and investment earnings				12	1,257	1,269
Miscellaneous				14,149	-	14,149
Total general revenues				29,389	24,819	54,208
Change in Net Position				18,304	(3,051)	15,253
Net Position - Beginning of year				2,322	672,150	674,472
Net Position - End of year				\$ 20,626	\$ 669,099	\$ 689,725

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2015

	Major Funds		Total
	General	Street	Governmental Funds
ASSETS;			
Cash	\$ -	\$ -	\$ -
Total assets	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES:			
Liabilities;			
Due to other funds	\$ 35,895	\$ 22,737	\$ 58,632
Fund Balances;			
Unassigned (Deficit)	(35,895)	(22,737)	(58,632)
Total liabilities and fund balances	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2014

	<u>Major Funds</u>		Total Governmental Funds
	<u>General</u>	<u>Street</u>	
ASSETS;			
Cash	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES:			
Liabilities;			
Due to other funds	\$ 43,168	\$ 21,259	\$ 64,427
Fund Balances;			
Unassigned (Deficit)	<u>(43,168)</u>	<u>(21,259)</u>	<u>(64,427)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE
STATEMENTS OF NET POSITION - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Total Fund Balances (Deficits) - Governmental Funds	\$ (58,632)	\$ (64,427)
Total net positions reported for governmental activities in the statements of net position are different because:		
1) Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	99,333	99,333
2) Accumulated depreciation has not been included in the governmental fund financial statements.	<u>(15,929)</u>	<u>(14,280)</u>
Total Net Positions of Governmental Activities	<u>\$ 24,772</u>	<u>\$ 20,626</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Major Funds		Total Governmental Funds
	General	Street	
REVENUES:			
Taxes	\$ 18,202	\$ 703	\$ 18,905
Rent	5,100	-	5,100
Licenses, permits and fees	750	2,749	3,499
Intergovernmental	31,864	14,664	46,528
Interest	15	-	15
Miscellaneous	837	-	837
	56,768	18,116	74,884
Total revenues			
EXPENDITURES:			
Current:			
General government	49,495	-	49,495
Public safety	-	19,594	19,594
	49,495	19,594	69,089
Total expenditures			
NET CHANGE IN FUND BALANCES	7,273	(1,478)	5,795
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(43,168)	(21,259)	(64,427)
FUND BALANCE (DEFICIT), END OF YEAR	\$ (35,895)	\$ (22,737)	\$ (58,632)

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Major Funds		Total Governmental Funds
	General	Street	
REVENUES:			
Taxes	\$ 14,638	\$ 590	\$ 15,228
Rent	3,349	-	3,349
Licenses, permits and fees	750	3,065	3,815
Intergovernmental	30,095	16,605	46,700
Federal sources	-	-	-
Interest	12	-	12
Miscellaneous	14,149	-	14,149
	62,993	20,260	83,253
Total revenues			
EXPENDITURES:			
Current:			
General government	44,402	-	44,402
Public safety	-	19,227	19,227
Capital Outlay;			
Building	32,956	-	32,956
	77,358	19,227	96,585
Total expenditures			
NET CHANGE IN FUND BALANCES	(14,365)	1,033	(13,332)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(28,803)	(22,292)	(51,095)
FUND BALANCE (DEFICIT), END OF YEAR	\$ (43,168)	\$ (21,259)	\$ (64,427)

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
RECONCILIATIONS OF THE GOVERNMENTAL FUNDS STATEMENTS OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Net Changes in Fund Balances - Governmental Funds	\$ 5,795	\$ (13,332)
The changes in net position reported for governmental activities in the statements of activities are different because:		
1) Current year outlays are expenditures in the governmental fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements.	-	32,956
2) Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial assets. The effect of the current year's depreciation is to decrease net assets.	<u>(1,649)</u>	<u>(1,320)</u>
Changes in Net Position of Governmental Activities	<u>\$ 4,146</u>	<u>\$ 18,304</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2015

	ENTERPRISE FUNDS		
	Water and Sewer	Garbage	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 220,010	\$ 5,493	\$ 225,503
Cash - restricted	5,000	-	5,000
Due from other funds	58,632	-	58,632
Total current assets	283,642	5,493	289,135
Noncurrent Assets:			
Capital Assets:			
Land	-	4,747	4,747
Equipment	7,200	-	7,200
Water reservoir	244,238	-	244,238
Water and sewer improvements	1,306,944	-	1,306,944
Less accumulated depreciation	(1,009,721)	-	(1,009,721)
Total noncurrent assets	548,661	4,747	553,408
Total assets	832,303	10,240	842,543
LIABILITIES:			
Current portion long-term debt;			
Bonds payable	32,000	-	32,000
Due after one year;			
Bonds payable	154,875	-	154,875
Total liabilities	186,875	-	186,875
NET POSITION:			
Net investment in capital assets	361,786	4,747	366,533
Restricted for;			
Maintenance and replacement	5,000	-	5,000
Unrestricted	278,642	5,493	284,135
Total net position	\$ 645,428	\$ 10,240	\$ 655,668

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
AS OF DECEMBER 31, 2014

	ENTERPRISE FUNDS		
	Water and Sewer	Garbage	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 213,218	\$ 6,847	\$ 220,065
Cash - restricted	5,000	-	5,000
Due from other funds	64,427	-	64,427
Total current assets	282,645	6,847	289,492
Noncurrent Assets:			
Capital Assets:			
Land	-	4,747	4,747
Equipment	7,200	-	7,200
Water reservoir	244,238	-	244,238
Water and sewer improvements	1,284,695	-	1,284,695
Less accumulated depreciation	(947,398)	-	(947,398)
Total noncurrent assets	588,735	-	588,735
Total assets	871,380	6,847	878,227
LIABILITIES:			
Current portion long-term debt:			
Bonds payable	27,000	-	27,000
Due after one year;			
Bonds payable	186,875	-	186,875
Total liabilities	213,875	-	213,875
NET POSITION:			
Net investment in capital assets	374,860	4,747	379,607
Restricted for;			
Maintenance and replacement	5,000	-	5,000
Unrestricted	277,645	6,847	284,492
Total net position	\$ 657,505	\$ 11,594	\$ 669,099

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2015

	ENTERPRISE FUNDS		
	Water and Sewer	Garbage	Total
OPERATING REVENUES;			
Charges for services	\$ 46,875	\$ 10,808	\$ 57,683
OPERATING EXPENSES:			
Utilities	6,456	-	6,456
Contracted services	-	12,162	12,162
Supplies	1,321	-	1,321
Repairs	6,782	-	6,782
Depreciation	62,323	-	62,323
	76,882	12,162	89,044
Total operating expenses			
OPERATING INCOME (LOSS)	(30,007)	(1,354)	(31,361)
NONOPERATING REVENUES (EXPENDITURES):			
Interest and fiscal fees	(6,349)	-	(6,349)
Special assessments	22,865	-	22,865
Interest income	1,414	-	1,414
	17,930	-	17,930
Total net nonoperating revenues			
CHANGES IN NET POSITION	(12,077)	(1,354)	(13,431)
NET POSITION, BEGINNING OF YEAR	657,505	11,594	669,099
NET POSITION, END OF YEAR	\$ 645,428	\$ 10,240	\$ 655,668

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2014

	ENTERPRISE FUNDS		
	Water and Sewer	Garbage	Total
OPERATING REVENUES;			
Charges for services	\$ 52,923	\$ 12,052	\$ 64,975
OPERATING EXPENSES:			
Utilities	6,704	-	6,704
Contracted services	-	12,057	12,057
Repairs	5,047	-	5,047
Depreciation	61,878	-	61,878
Total operating expenses	73,629	12,057	85,686
OPERATING INCOME (LOSS)	(20,706)	(5)	(20,711)
NONOPERATING REVENUES (EXPENDITURES):			
Interest and fiscal fees	(7,159)	-	(7,159)
Special assessments	23,562	-	23,562
Interest income	1,257	-	1,257
Total net nonoperating revenues	17,660	-	17,660
CHANGES IN NET POSITION	(3,046)	(5)	(3,051)
NET POSITION, BEGINNING OF YEAR	660,551	11,599	672,150
NET POSITION, END OF YEAR	\$ 657,505	\$ 11,594	\$ 669,099

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2015

	ENTERPRISE FUNDS		
	Water and sewer	Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 46,875	\$ 10,808	\$ 57,683
Payments to suppliers	(14,559)	(12,162)	(26,721)
Net cash provided (used) by operating activities	32,316	(1,354)	30,962
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Special assessment receipts	22,865	-	22,865
Loans to other funds	5,795	-	5,795
Net cash provided (used) by noncapital financing activities	28,660	-	28,660
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital asset	(22,249)	-	(22,249)
Interest and fiscal fees	(6,349)	-	(6,349)
Principal paid on capital debt	(27,000)	-	(27,000)
Net cash provided (used) by capital and related financing activities	(55,598)	-	(55,598)
CASH FLOW FROM INVESTING ACTIVITIES;			
Interest on investments	1,414	-	1,414
Net increase (decrease) in cash and cash equivalents	6,792	(1,354)	5,438
Cash and cash equivalents, beginning of year	218,218	6,847	225,065
Cash and cash equivalents, end of year	<u>\$ 225,010</u>	<u>\$ 5,493</u>	<u>\$ 230,503</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (30,007)	\$ (1,354)	\$ (31,361)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES;			
Depreciation	62,323	-	62,323
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 32,316</u>	<u>\$ (1,354)</u>	<u>\$ 30,962</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
 ABERCROMBIE, NORTH DAKOTA
 STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2014

	ENTERPRISE FUNDS		
	Water and sewer	Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 52,923	\$ 12,052	\$ 64,975
Payments to suppliers	(11,751)	(12,057)	(23,808)
Net cash provided (used) by operating activities	41,172	(5)	41,167
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Special assessment receipts	23,562	-	23,562
Loans to other funds	(13,332)	-	(13,332)
Net cash provided (used) by noncapital financing activities	10,230	-	10,230
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest and fiscal fees	(7,159)	-	(7,159)
Principal paid on capital debt	(27,000)	-	(27,000)
Net cash provided (used) by capital and related financing activities	(34,159)	-	(34,159)
CASH FLOW FROM INVESTING ACTIVITIES;			
Interest on investments	1,257	-	1,257
Net increase (decrease) in cash and cash equivalents	18,500	(5)	18,495
Cash and cash equivalents, beginning of year	199,718	6,852	206,570
Cash and cash equivalents, end of year	<u>\$ 218,218</u>	<u>\$ 6,847</u>	<u>\$ 225,065</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (20,706)	\$ (5)	\$ (20,711)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES;			
Depreciation	61,878	-	61,878
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 41,172</u>	<u>\$ (5)</u>	<u>\$ 41,167</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDING DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy of the City is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

Government-wide statements - The statement of net position and the statement of activities display information about the primary government, the City of Abercrombie 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, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Continued on Next Page

CITY OF ABERCROMBIE

Notes to the Financial Statements - Continued

Fund Financial Statements - The fund financial statements provide information about the City's funds including its blended component units. 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.

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 investment 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.

Street - This fund accounts for resources used for street repair and maintenance.

The City reports the following major enterprise funds:

Water and Sewer Fund - This fund accounts for the activity of the water and sewer development. The department operates the water distribution system, sewage pumping stations and collection systems in the City of Abercrombie.

Garbage Fund - This fund accounts for the activities of the garbage collection system within the City of Abercrombie.

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 the 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 under the "*Basis of Accounting*".

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:

CITY OF ABERCROMBIE

Notes to the Financial Statements - Continued

- 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 propriety 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 and business-like 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, proprietary fund statements, and the similar discretely presented component unit statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, 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 includes amounts in demand deposits, money market accounts and highly liquid short-term investments with original maturities of three months or less.

CITY OF ABERCROMBIE

Notes to the Financial Statements - Continued

E. Capital Assets

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

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

Equipment	5-15 years
Sewer and water systems	25 years
Building	50 years

F. Long-Term Obligations

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

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

G. Fund Balances and Net Position

Prior to GASB Statement No. 54 in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints (restrictions or limitations) imposed upon the use of the resources reported in governmental funds.

Fund Balance Spending Policy:

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

Continued on Next Page

CITY OF ABERCROMBIE

Notes to the Financial Statements - Continued

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

Governmental Accounting Standards Board (GASB) Statement No. 54, requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

CLASSIFICATION	DEFINITION	EXAMPLES
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the City Council. Formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the board and the business manager.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance; (b) A negative unassigned fund balance may be reported in other governmental funds, if Expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.	Available for any remaining general fund expenditure.

The City of Abercrombie only has unassigned fund balances reported in the balance sheet at December 31, 2015 and 2014.

CITY OF ABERCROMBIE

Notes to the Financial Statements - Continued

Net Position:

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Net investment in capital assets is reported for capital assets less accumulated depreciation, and less any related debt to purchase/finance the construction of those capital assets. These assets are not available for future spending.

Restrictions of net position shown in the Statement of Net Position are due to restricted tax levies and restricted Federal & State grants/reimbursements. Net position in the Statement of Net Position is restricted for maintenance and replacement costs related to the water and sewer fund.

Unrestricted net position is primarily unrestricted amounts related to the water, sewer and garbage funds and negative general and street funds at year-end. The unrestricted net position is available to meet the City's ongoing obligations.

H. Subsequent Events

Subsequent events have been evaluated through January 18, 2017, the date the financial statements were available to be issued.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

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

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

At year ended December 31, 2015, the City's carrying amount of deposits was \$230,503 and the bank balances were \$229,494. All the bank balances were covered by Federal Depository Insurance.

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CITY OF ABERCROMBIE

Notes to the Financial Statements - Continued

Credit Risk:

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

- a) 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.
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- c) Certificates of Deposit fully insured by the federal insurance corporation.
- d) Obligations of the state.

As of December 31, 2015, the City held \$58,021 in Certificates of Deposit.

Interest Rate Risk:

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

Concentration on Credit Risk:

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

NOTE 3 – RESTRICTED CASH

Restricted cash in the Enterprise Funds is restricted by the USDA Rural Development for maintenance and replacement expenses.

NOTE 4 – 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.

Continued on Next Page

CITY OF ABERCROMBIE

Notes to the Financial Statements - Continued

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2015 and 2014:

	Balance <u>January 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31, 2015</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 45,677	\$ --	\$ --	\$ 45,677
<i>Capital assets being depreciated:</i>				
Building	46,456	--	--	46,456
Equipment	7,200	--	--	7,200
Total Capital Assets, Being Depreciated	53,656	--	--	53,656
<i>Less accumulated depreciation for:</i>				
Building	(11,400)	(929)	--	(12,329)
Equipment	(2,880)	(720)	--	(3,600)
Total Accumulated Depreciation	(14,280)	(1,649)	--	(15,929)
Total Capital Assets Being Depreciated, Net	39,376	(1,649)	--	37,727
Governmental Activities Capital Assets, Net	<u>\$ 85,053</u>	<u>\$ (1,649)</u>	<u>\$ --</u>	<u>\$ 83,404</u>

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

Governmental Activities;

General government \$ 1,649

	Balance <u>January 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31, 2015</u>
Business-Type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,747	\$ --	\$ --	\$ 4,747
<i>Capital assets being depreciated:</i>				
Equipment	7,200	--	--	7,200
Water reservoir	244,238	--	--	244,238
Improvements	1,284,695	22,249	--	1,306,944
Total Capital Assets, Being Depreciated	1,536,133	22,249	--	1,558,382
<i>Less accumulated depreciation for:</i>				
Equipment	(2,880)	(720)	--	(3,600)
Improvements	(944,518)	(61,603)	--	(1,006,121)
Total Accumulated Depreciation	(947,398)	(62,323)	--	(1,009,721)

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CITY OF ABERCROMBIE

Notes to the Financial Statements - Continued

Total Capital Assets Being Depreciated, Net	\$ 588,735	\$ (40,074)	\$ --	\$ 548,661
Business-type Activities Capital Assets, Net	\$ 593,482	\$ (40,074)	\$ --	\$ 553,408

In 2015 the City's capital assets in the business-type activities increased by \$22,249 for new hydrants purchased.

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

Business-Type Activities:

Water and sewer \$ 62,323

	Balance January 1, 2014	Additions	Retirements	Balance December 31, 2014
Governmental Activities:				
<i>Capital assets not being depreciated;</i>				
Land	\$ 45,677	\$ --	\$ --	\$ 45,677
<i>Capital assets being depreciated:</i>				
Building	13,500	32,956	--	46,456
Equipment	7,200	--	--	7,200
Total Capital Assets, Being Depreciated	20,700	32,956	--	53,656
<i>Less accumulated depreciation for:</i>				
Building	(10,800)	(600)	--	(11,400)
Equipment	(2,160)	(720)	--	(2,880)
Total Accumulated Depreciation	(12,960)	(1,320)	--	(14,280)
Total Capital Assets Being Depreciated, Net	7,740	31,636	--	39,376
Governmental Activities Capital Assets, Net	<u>\$ 53,417</u>	<u>\$ 31,636</u>	<u>\$ --</u>	<u>\$ 85,053</u>

In 2014 the City's capital assets in the governmental activities increased by \$32,956 for kitchen improvements done in the City Hall.

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

Governmental Activities:

General government \$ 1,320

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CITY OF ABERCROMBIE

Notes to the Financial Statements - Continued

	Balance January 1, 2014	Additions	Retirements	Balance December 31, 2014
Business-Type Activities:				
<i>Capital assets not being depreciated;</i>				
Land	\$ 4,747	\$ --	\$ --	\$ 4,747
<i>Capital assets being depreciated:</i>				
Equipment	7,200	--	--	7,200
Water reservoir	244,238	--	--	244,238
Improvements	1,284,695	--	--	1,284,695
Total Capital Assets, Being Depreciated	1,536,133	--	--	1,536,133
<i>Less accumulated depreciation for:</i>				
Equipment	(2,160)	(720)	--	(2,880)
Improvements	(883,360)	(61,158)	--	(944,518)
Total Accumulated Depreciation	(885,520)	(61,878)	--	(947,398)
Total Capital Assets Being Depreciated, Net	\$ 650,613	\$ (61,878)	\$ --	\$ 588,735
Business-type Activities Capital Assets, Net	\$ 655,360	\$ (61,878)	\$ --	\$ 593,482

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

Business-Type Activities:

Water and sewer \$ 61,878

NOTE 6 – DUE TO / FROM OTHER FUNDS

The composition of due to and due from other funds are as follows:

Fund	2015		2014	
	<u>Due From</u>	<u>Due To</u>	<u>Due From</u>	<u>Due To</u>
General	\$ --	\$ 35,895	\$ --	\$ 43,168
Street	--	22,737	--	21,259
Enterprise	58,632	--	64,427	--
	<u>\$ 58,632</u>	<u>\$ 58,632</u>	<u>\$ 64,427</u>	<u>\$ 64,427</u>

The composition of due to and due from other funds is related to negative cash balances in the general and street funds.

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CITY OF ABERCROMBIE
Notes to the Financial Statements - Continued

NOTE 7 – VACATION PAY, SICK PAY AND SEVERANCE PAY

The City employees are part-time, consequently, no severance pay, vacation, or sick leave is paid.

NOTE 8 – LONG-TERM LIABILITIES

During the years ended December 31, 2015 and 2014, the following changes occurred in long-term liabilities of the City:

Business-type Activities (Proprietary Funds):

	<u>Water Improvement 2004-1</u>	<u>Sewer Improvement Warrants of 1998</u>	<u>Total</u>
Long-term debt payable, January 1, 2014	\$ 150,000	\$ 90,875	\$ 240,875
Debt issued	--	--	--
Debt retired	<u>(12,000)</u>	<u>(15,000)</u>	<u>(27,000)</u>
Long-term debt payable, December 31, 2014	138,000	75,875	213,875
Debt issued	--	--	--
Debt retired	<u>(12,000)</u>	<u>(15,000)</u>	<u>(27,000)</u>
Long-term debt payable, December 31, 2015	<u>\$ 126,000</u>	<u>\$ 60,875</u>	<u>\$ 186,875</u>
Due within one year	<u>\$ 12,000</u>	<u>\$ 20,000</u>	<u>\$ 32,000</u>

Outstanding debt at December 31, 2015, is comprised of the following individual issues:

A. Water Improvement 2004 – 1 – from an original issuance of \$226,726 at an interest rate of 2.50%, \$126,000 of bonds remains outstanding. The principal and interest are payable through September 1, 2024.

B. Sewer Improvement Warrants 1998 – from an original issuance of \$290,875, at an interest rate of 2.50%, \$60,875 of bonds remains outstanding. The principal and interest are payable through September 1, 2018.

CITY OF ABERCROMBIE
Notes to the Financial Statements - Continued

Water Improvement District 2004-1

(Dated Jun 1, 2004 Due serially to September 1, 2024)
 (Interest paid semiannually on September 1st and March 1st)

<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
3/1/2016	2.500%	\$ -	\$ 1,575	\$ 1,575
9/1/2016		12,000	1,575	13,575
3/1/2017	2.500%	-	1,425	1,425
9/1/2017		13,000	1,425	14,425
3/1/2018	2.500%	-	1,263	1,263
9/1/2018		13,000	1,263	14,263
3/1/2019	2.500%	-	1,100	1,100
9/1/2019		13,000	1,100	14,100
3/1/2020	2.500%	-	937	937
9/1/2020		14,000	937	14,937
3/1/2021 to 9/1/2024	2.500%	61,000	3,850	64,850
		<u>\$ 126,000</u>	<u>\$ 16,450</u>	<u>\$ 142,450</u>

Bonds are subject to prepayment on any interest payment date with the consent of the Bond Bank.

CITY OF ABERCROMBIENotes to the Financial Statements - ContinuedSewer Replacement Assessment Warrant Series 1998

(Dated October 1, 1998 serially to September 1, 2018)
 (Interest paid semiannually on September 1st and March 1st)

<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
3/1/2016	2.500%	\$ -	\$ 761	\$ 761
9/1/2016		20,000	761	20,761
3/1/2017	2.500%	-	511	511
9/1/2017		20,000	511	20,511
3/1/2018	2.500%	-	261	261
9/1/2018		20,875	261	21,136
		<u>\$ 60,875</u>	<u>\$ 3,066</u>	<u>\$ 63,941</u>

NOTE 9 - RISK MANAGEMENT

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

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

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 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 \$2,000,000 per occurrence during a twelve month period. The State Bonding Fund currently provides the City of Abercrombie with blanket fidelity bond coverage in the amount of \$10,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

NOTE 10 - LEGAL COMPLIANCE - BUDGETS

Expenditures Over Appropriations - The City of Abercrombie expenditures exceeded appropriations as described in Note 2 of the Notes to the Required Supplementary Information.

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Taxes	\$ 20,100	\$ 20,100	\$ 18,202	\$ (1,898)
Rent	2,800	2,800	5,100	2,300
Licenses, permits and fees	750	750	750	-
Intergovernmental	4,290	4,290	31,864	27,574
Interest income	200	200	15	(185)
Miscellaneous	500	500	837	337
Total revenues	28,640	28,640	56,768	28,128
EXPENDITURES:				
Current;				
General governmental	30,167	30,167	49,495	(19,328)
NET CHANGE IN FUND BALANCES	(1,527)	(1,527)	7,273	8,800
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(43,168)	(43,168)	(43,168)	-
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (44,695)</u>	<u>\$ (44,695)</u>	<u>\$ (35,895)</u>	<u>\$ 8,800</u>

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 25,000	\$ 25,000	\$ 14,638	\$ (10,362)
Rent	3,000	3,000	3,349	349
Licenses, permits and fees	750	750	750	-
Intergovernmental	9,685	9,685	30,095	20,410
Interest income	200	200	12	(188)
Miscellaneous	500	500	14,149	13,649
Total revenues	<u>39,135</u>	<u>39,135</u>	<u>62,993</u>	<u>23,858</u>
EXPENDITURES;				
Current;				
General governmental	30,268	30,268	44,402	(14,134)
Capital Outlay;				
Building	<u>-</u>	<u>-</u>	<u>32,956</u>	<u>(32,956)</u>
Total expenditures	<u>30,268</u>	<u>30,268</u>	<u>77,358</u>	<u>(47,090)</u>
NET CHANGE IN FUND BALANCES	8,867	8,867	(14,365)	(23,232)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>(28,803)</u>	<u>(28,803)</u>	<u>(28,803)</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ (19,936)</u>	<u>\$ (19,936)</u>	<u>\$ (43,168)</u>	<u>\$ (23,232)</u>

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 4,485	\$ 4,485	\$ 14,664	\$ 10,179
License, permits and fees	-	-	2,749	
Taxes	-	-	703	703
Total revenues	4,485	4,485	18,116	13,631
EXPENDITURES;				
Current;				
Public safety	7,000	7,000	19,594	(12,594)
NET CHANGE IN FUND BALANCES	(2,515)	(2,515)	(1,478)	1,037
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(21,259)	(21,259)	(21,259)	-
FUND BALANCE (DEFICIT), END OF YEAR	\$ (23,774)	\$ (23,774)	\$ (22,737)	\$ 1,037

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 4,485	\$ 4,485	\$ 16,605	\$ 12,120
License, permits and fees	-	-	3,065	3,065
Taxes	-	-	590	590
	4,485	4,485	20,260	15,775
EXPENDITURES;				
Current;				
Public safety	7,000	7,000	19,227	(12,227)
NET CHANGE IN FUND BALANCES	(2,515)	(2,515)	1,033	3,548
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	(22,292)	(22,292)	(22,292)	-
FUND BALANCE (DEFICIT), END OF YEAR	\$ (24,807)	\$ (24,807)	\$ (21,259)	\$ 3,548

CITY OF ABERCROMBIE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015 AND 2014

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

The City Council adopts an annual budget on the modified cash basis of accounting for the general fund and the special revenue funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- The annual budget must be prepared and city taxes must be levied on or before the seventh day of October of each year.
- The taxes levied must be certified to the county auditor by October tenth.
- The operating budget includes proposed expenditures and means of financing them.
- Each budget is controlled by the city auditor at the revenue and expenditure function/object level.
- The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.
- All appropriations lapse at year-end.

NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET

A. Deficit Fund Balance or Retained Earnings – The General Fund and Street Fund deficits are a result of prior years and current operating losses.

B. Excess of Expenditures Over Appropriations in Individual Funds –

	<u>2015</u>		<u>2014</u>	
	<u>Expenditure</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Appropriation</u>
General Fund	\$ 49,495	\$ 30,167	\$ 77,358	\$ 30,268
Street Fund	\$ 19,594	\$ 7,000	\$ 19,227	\$ 7,000

Continued on Next page

CITY OF ABERCROMBIE

Notes to the Required Supplementary Information - Continued

In 2015 the excess expenditures in the General Fund were due to additional repairs and maintenance expenses. The excess expenditures in the Street Fund were due to additional street maintenance expenses.

In 2014 the excess expenditures in the General Fund were due to kitchen improvements made the in the City Hall. The excess expenditures in the Street Fund were due to additional snow removal expenses.

Nadine Julson, LLC

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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

City Council
City of Abercrombie
Abercrombie, North Dakota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Abercrombie as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City of Abercrombie's basic financial statements, and have issued our report thereon dated January 18, 2017.

Internal Control Over Financial Reporting

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

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, significant deficiencies, or material weaknesses may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses and other deficiencies that I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow

Continued on Next Page

CITY OF ABERCROMBIE

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* - Continued

management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. Of the deficiencies described in the accompanying *schedule of findings and questioned costs* I consider items 2015.1 and 2015.2 to be material weaknesses.

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. Of the deficiencies described in the accompanying *schedule of findings and questioned costs* I consider items 2015.3 and 2015.4 to be significant deficiencies.

Compliance and Other Matters


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

The City of Abercrombie's Response to Findings

The City of Abercrombie's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Abercrombie's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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


Nadine Julson, LLC
Wahpeton, North Dakota

January 18, 2017

CITY OF ABERCROMBIE
ABERCROMBIE, NORTH DAKOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued?

Governmental Activities	Unmodified on modified cash basis
Business-Type Activities	Unmodified on modified cash basis
Major Governmental Funds	Unmodified on modified cash basis
Major Business-Type Funds	Unmodified on modified cash basis

Internal Control over financial reporting:

Material weaknesses identified?	<u> X </u> Yes	<u> </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> No
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Section II - Financial Statement Findings

2015.01 - LACK OF SEGREGATION OF DUTIES

Condition:

The City of Abercrombie, North Dakota has one city auditor responsible for most accounting functions.

Criteria:

Proper internal control over financial reporting dictates that there should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the city.

Effect:

There is no segregation of duties as one 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 financial statements. This increases the risk of misstatement of the City's financial condition.

Continued on the Next Page

CITY OF ABERCROMBIE

Schedule of Findings and Questioned Costs - Continued

Recommendation:

Due to the size of the city, it is not feasible to obtain proper separation of duties and no recommendation will be made.

Views of Responsible Officials/Client Response:

No response is considered necessary.

2015.02 - PREPARATION OF FINANCIAL STATEMENTS

Condition:

The City of Abercrombie does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditor, I was requested to draft the financial statements and accompanying notes to the financial statements.

Criteria:

A good system of internal accounting control contemplates and adequate system for recording and processing entries material to the financial statements.

Effect:

This control deficiency could result in a lack of required disclosures in the notes to the financial statements that would not be prevented or detected.

Recommendation:

This circumstance is not unusual in a city of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials/Client Response:

Due to cost constraints, the City will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.

2015.03 - PREPARATION OF 1099'S

Condition:

Not all required individuals who performed services for the City of Abercrombie received a 1099.

CITY OF ABERCROMBIE

Schedule of Findings and Questioned Costs - Continued

Criteria:

There should be a 1099 form issued to individuals who receive \$600 or more for services performed for the City of Abercrombie.

Effect:

Internal Revenue Service could issue a penalty.

Recommendation:

It is recommended that 1099 forms be issued to all required individuals performing services for the City of Abercrombie for any amount of \$600 or greater.

Views of Responsible Officials/Client Response:

Client will follow requirements for issuing 1099's.

2015.04 - LACK OF INVOICES

Condition:

The City of Abercrombie issued payments for which there were no invoices on file to document the payment.

Criteria:

For each payment issued there should be a corresponding invoice kept on file to verify the reason for the payment.

Effect:

Payments could be issued for fraudulent expenses.

Recommendation:

All checks should have an invoice to verify payment.

Views of Responsible Officials/Client Response:

The City of Abercrombie will retain invoices for payments issued.

Nadine Julson, LLC
Nadine Julson, Certified Public Accountant

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Wahpeton, ND 58075
(701) 642-8146
Fax (701) 642-8165

City Council
City of Abercrombie
Abercrombie, North Dakota

I have audited the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the of the City of Abercrombie, North Dakota for the years ended December 31, 2015 and 2014, which collectively comprise the City's basic financial statements, and have issued my report thereon dated, January 18, 2017. Professional standards require that I provide you with the following information related to my audit.

MY RESPONSIBILITIES UNDER U.S. GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS

As stated in my engagement letter dated June 3, 2016, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. My audit of the financial statements does not relieve you or management of your responsibilities.

As part of my audit, I will consider the internal control of the City of Abercrombie. Such considerations are solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the City of Abercrombie's financial statements are free of material misstatement, I will also perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of my audit.

SIGNIFICANT ACCOUNTING POLICIES/QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Abercrombie are described in Note 1 to the financial statements. Application of existing policies was not changed during the years ended December 31, 2015 and 2014. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or

Continued on the Next Page

CITY OF ABERCROMBIE

Communication Letter - Continued

consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

MANAGEMENT REPRESENTATIONS

I have requested certain representations from management that are included in the management representation letter dated January 18, 2017.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the city's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Continued on the Next Page

OTHER AUDIT FINDINGS OR ISSUES

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

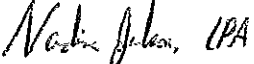
OTHER MATTERS

I applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

RESTRICTION ON USE

This information is intended solely for the use of the City Council and management of the City of Abercrombie and is not intended to be, and should not be, used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Very truly yours,


Nadine Julson, LLC
Wahpeton, North Dakota

January 18, 2017