

# **AUDIT REPORT**

CITY OF BERTHOLD  
Berthold, North Dakota

For the Years Ended December 31, 2015 and 2014

**RATH & MEHRER, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF BERTHOLD  
Berthold, North Dakota

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For the Years Ended December 31, 2015 and 2014

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CITY OF BERTHOLD  
Berthold, North Dakota

CITY OFFICIALS

Alan Lee	Mayor
Michael Chris Burnside	Council Member
Nathan Fegley	Council Member
Steven Ibach	Council Member
Alechia Neubauer	Council Member
Penni Miller	Auditor

# Rath & Mehrer

Certified Public Accountants

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Bismarck, ND 58501

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Berthold  
Berthold, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Berthold, Berthold, 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**

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, each major fund, and the aggregate remaining fund information of the City of Berthold, Berthold, North Dakota, as of December 31, 2015 and 2014, 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, schedule of employer's share of net pension liability and 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The management's discussion and analysis, budgeting comparison information, schedule of employer's share of net pension liability, schedules of fund activity arising from cash transactions and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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, schedule of employer's share of net pension liability, schedules of fund activity arising from cash transactions and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2016 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

September 16, 2016

CITY OF BERTHOLD

Management's Discussion and Analysis

December 31, 2015 and 2014

The Management's Discussion and Analysis (MD&A) of the City of Berthold's financial performance provides an overall review of the city's financial activities for the fiscal years ended December 31, 2015 and 2014. 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 the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the year ended December 31, 2015 are as follows:

- \* Total net position of the city increased \$248,339 as a result of the current year's operations. Net position of the governmental activities increased \$297,454 and net position of the business-type activities decreased \$49,115.
- \* Governmental net position totaled \$1,661,156 and business-type net position totaled \$134,249.
- \* Total revenues from all sources were \$994,941 for governmental activities and \$228,700 for business-type activities.
- \* Total expenses were \$697,486 for governmental activities and \$277,816 for business-type activities.
- \* The city's general fund had \$636,228 in total revenues and \$486,225 in total expenditures. There was a total of \$92,167 received from other financing sources. Overall, the general fund balance increased by \$242,170 for the year ended December 31, 2015.

Key financial highlights for the year ended December 31, 2014 are as follows:

- \* Total net position of the city increased \$213,562 as a result of the current year's operations. Net position of the governmental activities increased \$204,695 and net position of the business-type activities increased \$8,867.
- \* Governmental net position totaled \$1,370,187 and business-type net position totaled \$183,365.
- \* Total revenues from all sources were \$867,476 for governmental activities and \$198,511 for business-type activities.
- \* Total expenses were \$662,781 for governmental activities and \$189,644 for business-type activities.
- \* The city's general fund had \$233,436 in total revenues and \$271,173 in total expenditures. There was a total of \$56,070 received from other financing sources. Overall, the general fund balance increased by \$18,334 for the year ended December 31, 2014.

## 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 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, 2015 and 2014?"

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, streets and public works, urban and economic development and debt service. Business-type activities are where the city's enterprise services are reported including, but not limited to utility.

#### **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, municipal highway fund, city sales tax fund, paving district principal and interest fund and lagoon fund are considered "major governmental funds". The city's utility fund is considered a "major enterprise fund".

The city's other funds, which are used to account for a multitude of financial transactions, are 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, 2015 and 2014. 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 \$248,339 and \$213,562 for the years ended December 31, 2015 and 2014, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2015, the city's net position of \$1,795,405 is segregated into three separate categories. Net investment in capital assets totals \$1,220,550. It should be noted that these assets are not available for future spending. The restricted component of net position is \$250,300 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 is \$324,555 which includes (\$3,857) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$328,412 is available to meet the city's ongoing obligations.



Table I

Net Position  
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	534,710	44,002
Capital Assets (net of accumulated depreciation)	2,454,695	90,247
Total Assets	<u>2,989,405</u>	<u>134,249</u>
Deferred Outflows of Resources	<u>3,441</u>	<u>0</u>
<u>Liabilities</u>		
Current Liabilities	55,290	
Long-Term Liabilities	1,269,102	
Net Pension Liability	6,106	
Total Liabilities	<u>1,330,498</u>	<u>0</u>
Deferred Inflows of Resources	<u>1,192</u>	<u>0</u>
<u>Net Position</u>		
Net Investment in Capital Assets	1,130,303	90,247
Restricted	250,300	
Unrestricted	280,553	44,002
Total Net Position	<u>1,661,156</u> =====	<u>134,249</u> =====

As of December 31, 2014, the city's net position of \$1,553,552 is segregated into three separate categories. Net investment in capital assets totals \$667,404. It should be noted that these assets are not available for future spending. The restricted component of net position is \$751,884 of the city's total net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is \$134,264 and is available to meet the city's ongoing obligations.

Net Position  
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	798,472	87,676
Capital Assets (net of accumulated depreciation)	1,671,784	95,689
Total Assets	<u>2,470,256</u>	<u>183,365</u>
<u>Liabilities</u>		
Current Liabilities	74,100	
Long-Term Liabilities	1,025,969	
Total Liabilities	<u>1,100,069</u>	<u>0</u>
<u>Net Position</u>		
Net Investment in Capital Assets	571,715	95,689
Restricted	751,884	
Unrestricted	46,588	87,676
Total Net Position	<u>1,370,187</u> =====	<u>183,365</u> =====

Net Position  
As of December 31, 2013

	<u>Governmental</u>	<u>Business- Type</u>
<b><u>Assets</u></b>		
Current Assets	566,330	73,367
Capital Assets (net of accumulated depreciation)	721,437	101,131
<b>Total Assets</b>	<b>1,287,767</b>	<b>174,498</b>
<b><u>Liabilities</u></b>		
Current Liabilities	59,100	
Long-Term Liabilities	63,175	
<b>Total Liabilities</b>	<b>122,275</b>	<b>0</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	599,162	101,131
Restricted	538,075	
Unrestricted	28,255	73,367
<b>Total Net Position</b>	<b>1,165,492</b>	<b>174,498</b>
	=====	=====

Table II shows the changes in net position for the fiscal years ended December 31, 2015 and 2014. 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, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<b><u>Program Revenues:</u></b>		
Charges for Services	80,070	228,700
Operating Grants and Contributions	208,851	
<b><u>General Revenues:</u></b>		
Property Taxes	286,132	
Other Taxes	128,985	
Intergovernmental - Unrestricted	256,851	
Interest Earnings and Other Revenue	34,053	
<b>Total Revenues</b>	<b>994,941</b>	<b>228,700</b>
<b>Expenses</b>		
General Government	193,265	
Public Safety	132,271	
Streets and Public Works	281,437	
Urban and Economic Development	53,626	
Other	10,600	
Interest on Long-Term Debt	26,288	
Utility		277,816
<b>Total Expenses</b>	<b>697,486</b>	<b>277,816</b>
<b>Net Change in Position</b>	<b>297,454</b>	<b>(49,116)</b>
	=====	=====

Property taxes constituted 23%, other taxes 11%, unrestricted intergovernmental 21%, operating grants and contributions 17%, and charges for services made up 25% of the total revenues of all activities of the city for the fiscal year ended December 31, 2015.

General government constituted 20%, streets and public works 29% and enterprise 28% of total expenses for all activities during the fiscal year ended December 31, 2015.

Changes in Net Position  
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	39,868	198,505
Operating Grants and Contributions	472,590	
<u>General Revenues:</u>		
Property Taxes	68,557	
Other Taxes	197,603	
Intergovernmental - Unrestricted	50,455	
Interest Earnings and Other Revenue	38,404	6
<b>Total Revenues</b>	<b>867,476</b>	<b>198,511</b>
<b>Expenses</b>		
General Government	124,545	
Public Safety	120,769	
Streets and Public Works	323,681	
Urban and Economic Development	81,195	
Interest on Long-Term Debt	12,591	
Utility		189,644
<b>Total Expenses</b>	<b>662,781</b>	<b>189,644</b>
<b>Net Change in Position</b>	<b>204,695</b>	<b>8,867</b>

Property taxes constituted 6%, other taxes 19%, unrestricted intergovernmental 5%, operating grants and contributions 44% and charges for services made up 22% of the total revenues of all activities of the city for the fiscal year ended December 31, 2014.

General government constituted 15%, streets and public works 38% and enterprise 22% of total expenses for all activities during the fiscal year ended December 31, 2014.

Changes in Net Position  
As of December 31, 2013

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	70,864	214,420
Operating Grants and Contributions	113,581	
<u>General Revenues:</u>		
Property Taxes	50,040	
Other Taxes	336,688	
Intergovernmental - Unrestricted	47,502	
Interest Earnings and Other Revenue	6,147	4
Total Revenues	624,821	214,424
<b>Expenses</b>		
General Government	99,544	
Streets and Public Works	70,099	
Urban and Economic Development	247,181	
Other	248,472	
Interest on Long-Term Debt	6,914	
Utility		212,819
Total Expenses	672,208	212,819
Net Change in Position Before Transfers	(47,387)	1,606
Transfers	4,000	(4,000)
Net Change in Position	(43,387)	(2,394)
	=====	=====

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, 2015

	<u>Total Cost Year Ended Dec. 31, 2015</u>	<u>Net Cost Year Ended Dec. 31, 2015</u>
General Government	193,265	185,648
Public Safety	132,271	60,851
Streets and Public Works	281,437	234,081
Urban and Economic Development	53,626	53,626
Other	10,600	10,600
Interest on Long-Term Debt	26,288	(136,240)
Total Expenses	697,486	408,566
	=====	=====

Total and Net Cost of Services  
As of December 31, 2014

	Total Cost Year Ended <u>Dec. 31, 2014</u>	Net Cost Year Ended <u>Dec. 31, 2014</u>
General Government	124,545	102,305
Public Safety	120,769	66,038
Streets and Public Works	323,681	283,766
Urban and Economic Development	81,195	(18,805)
Interest on Long-Term Debt	12,591	(282,980)
Total Expenses	662,781	150,323

**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 \$871,981 and expenditures of \$1,675,960 for the year ended December 31, 2015. For the year ended December 31, 2014, the city's governmental funds had total revenue of \$615,949 and expenditures of \$1,672,228. As of December 31, 2015, the unassigned fund balance of the city's general fund was \$288,758 and total unassigned fund balances for all the city's governmental funds was \$284,410. As of December 31, 2014, the unassigned fund balance of the city's general fund was \$46,588.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal years 2015 and 2014, the city did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2015 was \$462,248 more than budgeted. This variance was due to the city underestimating collections for property taxes and intergovernmental sources. Actual expenditures for the year ended December 31, 2015 were over budget by \$133,680. This variance was due to the city underestimating appropriations for general government purposes.

Actual revenue for the year ended December 31, 2014 was \$54,770 more than budgeted. This variance was due to the city underestimating collections from intergovernmental sources. Actual expenditures for the year ended December 31, 2014 were over budget by \$75,117. This variance mainly due to the underestimating appropriations for capital outlay.

**CAPITAL ASSETS**

As of December 31, 2015 and 2014, the city had \$2,544,942 and \$1,767,473, respectively, invested in capital assets. The following tables show the balances, for governmental activities and business-type activities, as of December 31, 2015, 2014 and 2013.

Table IV

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Land	650,923	
Buildings and Infrastructure	1,543,842	90,247
Machinery and Vehicles	259,930	
Total (net of depreciation)	<u>2,454,695</u> =====	<u>90,247</u> =====

This total represents an increase of \$777,469 in capital assets from January 1, 2015. During the year, the city purchased a wheel loader with attachments and had a lagoon project.

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
Land	650,923	
Buildings and Infrastructure	922,055	95,689
Machinery and Vehicles	98,806	
Total (net of depreciation)	<u>1,671,784</u> =====	<u>95,689</u> =====

This total represents an increase of \$944,905 in capital assets from January 1, 2014. During the year, the city purchased a police vehicle, land and had a lagoon project.

Capital Assets  
(Net of Accumulated Depreciation)  
As of December 31, 2013

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	645,949	101,131
Machinery and Vehicles	75,488	
Total (net of depreciation)	<u>721,437</u> =====	<u>101,131</u> =====

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 5 to the audited financial statements which follow this analysis.

## **DEBT ADMINISTRATION**

As of December 31, 2015, the city had \$1,324,392 in outstanding debt of which \$55,290 was due within one year. As of December 31, 2014, the city had \$1,100,069 in outstanding debt of which \$74,100 was due within one year. During fiscal years 2015 and 2014, the city issued three new long-term debt obligations.

Capital Lease Payable, in the amount of \$130,350. The city obtained financing to purchase a wheel loader. This lease will have a final payment on October 23, 2018.

Special Assessment Bonds Payable, in the amount of \$450,000. The city issued Definitive Improvement Warrant, Series 2014A to finance the purchase of land for a lagoon project. These bonds will have a final payment on June 1, 2019.

Special Assessment Bonds Payable, in the amount of \$1,994,822. The city issued Definitive Improvement Warrant, Series 2014B to finance a lagoon project. The city received loan forgiveness of \$374,487 as part of this project. A final repayment schedule is not yet available as the city has not received all funds approved for this project.

For a detailed breakdown of the long-term debt, readers are referred to Note 7 to the audited financial statements which follow this analysis.

## **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 Penni Miller, City Auditor, Berthold, ND.

CITY OF BERTHOLD  
Berthold, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	534,709.86	44,002.00	578,711.86
Capital Assets (net of accumulated depreciation):			
Land	650,923.00		650,923.00
Buildings and Infrastructure	1,543,842.00	90,247.00	1,634,089.00
Machinery and Vehicles	259,930.00		259,930.00
Total Capital Assets	2,454,695.00	90,247.00	2,544,942.00
Total Assets	2,989,404.86	134,249.00	3,123,653.86
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Changes in Resources Related to Pensions	3,441.00		3,441.00
<b>LIABILITIES:</b>			
Long-Term Liabilities:			
Due Within One Year:			
Capital Lease Payable	31,190.40		31,190.40
Special Assessment Bonds Payable	20,000.00		20,000.00
Revenue Bonds Payable	4,100.00		4,100.00
Due After One Year:			
Capital Lease Payable	65,147.85		65,147.85
Special Assessment Bonds Payable	1,198,979.00		1,198,979.00
Revenue Bonds Payable	4,975.00		4,975.00
Net Pension Liability	6,106.00		6,106.00
Total Liabilities	1,330,498.25		1,330,498.25
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Changes in Resources Related to Pensions	1,192.00		1,192.00
<b>NET POSITION:</b>			
Net Investment in Capital Assets	1,130,302.75	90,247.00	1,220,549.75
Restricted for:			
Debt Service	882.54		882.54
Special Purposes	249,417.76		249,417.76
Unrestricted	280,552.56	44,002.00	324,554.56
Total Net Position	1,661,155.61	134,249.00	1,795,404.61

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



CITY OF BERTHOLD  
Berthold, North Dakota

Statement of Net Position - Modified Cash Basis  
December 31, 2014

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	798,472.28	87,675.65	886,147.93
Capital Assets (net of accumulated depreciation):			
Land	650,923.00		650,923.00
Buildings and Infrastructure	922,055.00	95,689.00	1,017,744.00
Machinery and Vehicles	98,806.00		98,806.00
Total Capital Assets	1,671,784.00	95,689.00	1,767,473.00
Total Assets	2,470,256.28	183,364.65	2,653,620.93
<b>LIABILITIES:</b>			
Long-Term Liabilities:			
Due Within One Year:			
Special Assessment Bonds Payable	70,000.00		70,000.00
Revenue Bonds Payable	4,100.00		4,100.00
Due After One Year:			
Special Assessment Bonds Payable	1,016,894.00		1,016,894.00
Revenue Bonds Payable	9,075.00		9,075.00
Total Liabilities	1,100,069.00		1,100,069.00
<b>NET POSITION:</b>			
Net Investment in Capital Assets	571,715.00	95,689.00	667,404.00
Restricted for:			
Debt Service	106,322.72		106,322.72
Special Purposes	645,561.18		645,561.18
Unrestricted	46,588.38	87,675.65	134,264.03
Total Net Position	1,370,187.28	183,364.65	1,553,551.93

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

CITY OF BERTHOLD  
Berthold, North Dakota

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2015

	Net (Expense) Revenue and Changes in Net Position				
	Expenses	Program Revenues		Primary Government	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Functions/Programs</b>					
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	193,265.44	7,617.44		(185,648.00)	(185,648.00)
Public Safety	132,271.15	62,722.20	8,697.80	(60,851.15)	(60,851.15)
Streets and Public Works	281,437.02	9,730.00	37,625.53	(234,081.49)	(234,081.49)
Urban and Economic Development	53,625.51			(53,625.51)	(53,625.51)
Other	10,599.76			(10,599.76)	(10,599.76)
Interest on Long-Term Debt	26,287.57		162,527.83	136,240.26	136,240.26
<b>Total Governmental Activities</b>	<b>697,486.45</b>	<b>80,069.64</b>	<b>208,851.16</b>	<b>(408,565.65)</b>	<b>(408,565.65)</b>
<b>Business-Type Activities:</b>					
Utility	277,816.08	228,700.43		(49,115.65)	(49,115.65)
<b>Total Primary Government</b>	<b>975,302.53</b>	<b>308,770.07</b>	<b>208,851.16</b>	<b>(408,565.65)</b>	<b>(49,115.65)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
Property taxes; levied for general purposes			273,564.43		273,564.43
Property taxes; levied for special purposes			12,567.19		12,567.19
Sales taxes			126,547.39		126,547.39
Cigarette taxes			1,473.56		1,473.56
Oil and gas production taxes			963.62		963.62
Intergovernmental revenue not restricted to specific programs			256,851.28		256,851.28
Earnings on investments and other revenue			34,052.51		34,052.51
<b>Total General Revenues</b>			<b>706,019.98</b>		<b>706,019.98</b>
<b>Change in Net Position</b>			<b>297,454.33</b>	<b>(49,115.65)</b>	<b>248,338.68</b>
<b>Net Position - January 1</b>			<b>1,370,187.28</b>	<b>183,364.65</b>	<b>1,553,551.93</b>
<b>Prior Period Adjustment, see Note 12</b>			<b>(6,486.00)</b>		<b>(6,486.00)</b>
<b>Net Position - January 1, as Restated</b>			<b>1,363,701.28</b>	<b>183,364.65</b>	<b>1,547,065.93</b>
<b>Net Position - December 31</b>			<b>1,661,155.61</b>	<b>134,249.00</b>	<b>1,795,404.61</b>

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

CITY OF BERTHOLD  
Berthold, North Dakota

Statement of Activities - Modified Cash Basis  
For the Year Ended December 31, 2014

	Net (Expense) Revenue and Changes in Net Position				
	Expenses	Program Revenues		Primary Government	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<b><u>Functions/Programs</u></b>					
<b>Primary Government:</b>					
<b><u>Governmental Activities:</u></b>					
General Government	124,544.55	22,239.70		(102,304.85)	(102,304.85)
Public Safety	120,769.04	16,828.00	37,903.09	(66,037.95)	(66,037.95)
Streets and Public Works	323,681.39	800.00	39,115.27	(283,766.12)	(283,766.12)
Urban and Economic Development	81,194.82		100,000.00	18,805.18	18,805.18
Interest on Long-Term Debt	12,591.15		295,571.64	282,980.49	282,980.49
<b>Total Governmental Activities</b>	<b>662,780.95</b>	<b>39,867.70</b>	<b>472,590.00</b>	<b>(150,323.25)</b>	<b>(150,323.25)</b>
<b><u>Business-Type Activities:</u></b>					
Utility	189,643.96	198,504.79		8,860.83	8,860.83
<b>Total Primary Government</b>	<b>852,424.91</b>	<b>238,372.49</b>	<b>472,590.00</b>	<b>(150,323.25)</b>	<b>(141,462.42)</b>
-----					
<b><u>General Revenues:</u></b>					
<b>Taxes:</b>					
Property taxes; levied for general purposes			66,086.46		66,086.46
Property taxes; levied for special purposes			2,470.58		2,470.58
Sales taxes			192,341.84		192,341.84
Financial institution taxes			1,709.20		1,709.20
Cigarette taxes			1,496.65		1,496.65
Oil and gas production taxes			2,054.92		2,054.92
Intergovernmental revenue not restricted to specific programs			50,454.71		50,454.71
Earnings on investments and other revenue			38,404.06	5.88	38,409.94
<b>Total General Revenues</b>			<b>355,018.42</b>	<b>5.88</b>	<b>355,024.30</b>
<b>Change in Net Position</b>			<b>204,695.17</b>	<b>8,866.71</b>	<b>213,561.88</b>
<b>Net Position - January 1</b>			<b>1,165,492.11</b>	<b>174,497.94</b>	<b>1,339,990.05</b>
<b>Net Position - December 31</b>			<b>1,370,187.28</b>	<b>183,364.65</b>	<b>1,553,551.93</b>
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The accompanying notes are an integral part of these financial statements.

CITY OF BERTHOLD  
Berthold, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2015

	Major Funds				Other Governmental Fund	Total Governmental Funds
	General	Municipal Highway	City Sales Tax	Lagoon		
<b>ASSETS:</b>						
Cash	284,409.56	24,511.66	193,189.75	22,929.78	9,669.11	534,709.86
Interfund Receivable	4,348.56					4,348.56
<b>Total Assets</b>	<b>288,758.12</b>	<b>24,511.66</b>	<b>193,189.75</b>	<b>22,929.78</b>	<b>9,669.11</b>	<b>539,058.42</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Interfund Payable					4,348.56	4,348.56
<b>Fund Balances:</b>						
Restricted for:						
Streets and Public Works		24,511.66				24,511.66
Community and Economic Development			193,189.75			193,189.75
Emergency Purposes					8,786.57	8,786.57
Lagoon Construction				22,929.78		22,929.78
Debt Service					882.54	882.54
Unassigned	288,758.12				(4,348.56)	284,409.56
<b>Total Fund Balances</b>	<b>288,758.12</b>	<b>24,511.66</b>	<b>193,189.75</b>	<b>22,929.78</b>	<b>5,320.55</b>	<b>534,709.86</b>
<b>Total Liabilities and Fund Balances</b>	<b>288,758.12</b>	<b>24,511.66</b>	<b>193,189.75</b>	<b>22,929.78</b>	<b>9,669.11</b>	<b>539,058.42</b>

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

CITY OF BERTHOLD  
Berthold, North Dakota

Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2014

	Major Funds					Total Governmental Funds
	General	Municipal Highway	City Sales Tax	Paving District Prin. & Int.	Lagoon	
ASSETS:						
Cash	46,588.38	132,693.23	161,331.67	102,973.42	349,065.70	798,472.28
<b>FUND BALANCES:</b>						
Restricted for:						
Streets and Public Works		132,693.23				132,693.23
Community and Economic Development			161,331.67			161,331.67
Emergency Purposes					2,470.58	2,470.58
Lagoon Construction					349,065.70	349,065.70
Debt Service				102,973.42		106,322.72
Unassigned	46,588.38				3,349.30	46,588.38
<b>Total Fund Balances</b>	<b>46,588.38</b>	<b>132,693.23</b>	<b>161,331.67</b>	<b>102,973.42</b>	<b>349,065.70</b>	<b>798,472.28</b>

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

CITY OF BERTHOLD  
Berthold, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
For the Year Ended December 31, 2015

Total Fund Balances for Governmental Funds	534,709.86
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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	3,206,955.00	
Less Accumulated Depreciation	(752,260.00)	
Net Capital Assets		2,454,695.00

The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.

Total Deferred Outflows of Resources	3,441.00	
Total Deferred Inflows of Resources	(1,192.00)	
Net Deferred Outflows/Inflows of Resources		2,249.00

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2015 are:

Capital Lease Payable	(96,338.25)	
Special Assessment Bonds Payable	(1,218,979.00)	
Revenue Bonds Payable	(9,075.00)	
Net Pension Liability	(6,106.00)	
Total Long-Term Liabilities		(1,330,498.25)

Total Net Position of Governmental Activities	1,661,155.61
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The accompanying notes are an integral part of these financial statements.

CITY OF BERTHOLD  
Berthold, North Dakota

Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Position - Modified Cash Basis  
For the Year Ended December 31, 2014

Total Fund Balances for Governmental Funds		798,472.28
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	2,330,985.00	
Less Accumulated Depreciation	(659,201.00)	
Net Capital Assets		1,671,784.00
<p>Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2014 are:</p>		
Special Assessment Bonds Payable	(1,086,894.00)	
Revenue Bonds Payable	(13,175.00)	
Total Long-Term Liabilities		(1,100,069.00)
Total Net Position of Governmental Activities		1,370,187.28
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The accompanying notes are an integral part of these financial statements.

CITY OF BERTHOLD  
Berthold, 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					Other Governmental Funds	Total Governmental Funds
	General	Municipal Highway	City Sales Tax	Paving District Prin. & Int.	Lagoon		
<b>Revenues:</b>							
Taxes	273,564.43		126,547.39			12,567.19	412,679.01
Special Assessments				39,567.83			39,567.83
Licenses, Permits and Fees	7,617.44	9,730.00					17,347.44
Intergovernmental	267,986.26	37,625.53					305,611.79
Charges for Services	62,722.20						62,722.20
Miscellaneous	24,338.06		196.20		7,500.00	2,018.25	34,052.51
<b>Total Revenues</b>	<b>636,228.39</b>	<b>47,355.53</b>	<b>126,743.59</b>	<b>39,567.83</b>	<b>7,500.00</b>	<b>14,585.44</b>	<b>871,980.78</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General Government	194,561.44						194,561.44
Public Safety	127,302.15						127,302.15
Streets and Public Works		155,537.10			39,142.92		194,680.02
Urban and Economic Development			53,625.51				53,625.51
Other						10,599.76	10,599.76
Capital Outlay	130,350.00		41,260.00		704,360.00		875,970.00
<b>Debt Service:</b>							
Principal	34,011.75			50,000.00	104,822.00	4,100.00	192,933.75
Interest and Service Charges				1,782.00	24,120.56	385.01	26,287.57
<b>Total Expenditures</b>	<b>486,225.34</b>	<b>155,537.10</b>	<b>94,885.51</b>	<b>51,782.00</b>	<b>872,445.48</b>	<b>15,084.77</b>	<b>1,675,960.20</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>150,003.05</b>	<b>(108,181.57)</b>	<b>31,858.08</b>	<b>(12,214.17)</b>	<b>(864,945.48)</b>	<b>(499.33)</b>	<b>(803,979.42)</b>
<b>Other Financing Sources (Uses):</b>							
Transfers In	90,759.25				128,942.56		219,701.81
Transfers Out	(128,942.56)			(90,759.25)			(219,701.81)
Proceeds from Capital lease	130,350.00						130,350.00
Special Assessment Bonds Issued					286,907.00		286,907.00
Loan Forgiveness					122,960.00		122,960.00
<b>Total Other Financing Sources (Uses)</b>	<b>92,166.69</b>			<b>(90,759.25)</b>	<b>538,809.56</b>		<b>540,217.00</b>
<b>Net Change in Fund Balances</b>	<b>242,169.74</b>	<b>(108,181.57)</b>	<b>31,858.08</b>	<b>(102,973.42)</b>	<b>(326,135.92)</b>	<b>(499.33)</b>	<b>(263,762.42)</b>
<b>Fund Balance - January 1</b>	<b>46,588.38</b>	<b>132,693.23</b>	<b>161,331.67</b>	<b>102,973.42</b>	<b>349,065.70</b>	<b>5,819.88</b>	<b>798,472.28</b>
<b>Fund Balance - December 31</b>	<b>288,758.12</b>	<b>24,511.66</b>	<b>193,189.75</b>	<b>-0-</b>	<b>22,929.78</b>	<b>5,320.55</b>	<b>534,709.86</b>

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



CITY OF BERTHOLD  
Berthold, 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					Other Governmental Funds	Total Governmental Funds
	General	Municipal Highway	City Sales Tax	Paving District Prin. & Int.	Lagoon		
<b>Revenues:</b>							
Taxes	67,795.66		192,341.84			2,470.58	262,608.08
Special Assessments				44,044.64			44,044.64
Licenses, Permits and Fees	22,239.70	800.00					23,039.70
Intergovernmental	91,909.37	39,115.27			100,000.00		231,024.64
Charges for Services	16,828.00						16,828.00
Miscellaneous	34,663.35	1,481.44	165.11	20.55		2,073.61	38,404.06
<b>Total Revenues</b>	<b>233,436.08</b>	<b>41,396.71</b>	<b>192,506.95</b>	<b>44,065.19</b>	<b>100,000.00</b>	<b>4,544.19</b>	<b>615,949.12</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General Government	123,211.55						123,211.55
Public Safety	115,800.04						115,800.04
Streets and Public Works		58,814.09			207,927.30		266,741.39
Urban and Economic Development			81,194.82				81,194.82
Capital Outlay	32,161.00				981,428.00		1,013,589.00
<b>Debt Service:</b>							
Principal				55,000.00		4,100.00	59,100.00
Interest and Service Charges				5,792.53	6,290.61	508.01	12,591.15
<b>Total Expenditures</b>	<b>271,172.59</b>	<b>58,814.09</b>	<b>81,194.82</b>	<b>60,792.53</b>	<b>1,195,645.91</b>	<b>4,608.01</b>	<b>1,672,227.95</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(37,736.51)</b>	<b>(17,417.38)</b>	<b>111,312.13</b>	<b>(16,727.34)</b>	<b>(1,095,645.91)</b>	<b>(63.82)</b>	<b>(1,056,278.83)</b>
<b>Other Financing Sources (Uses):</b>							
Transfers In	62,360.86	84,615.91			156,290.61		303,267.38
Transfers Out	(6,290.61)		(150,000.00)			(146,976.77)	(303,267.38)
Special Assessment Bonds Issued					1,036,894.00		1,036,894.00
Loan Forgiveness					251,527.00		251,527.00
<b>Total Other Financing Sources (Uses)</b>	<b>56,070.25</b>	<b>84,615.91</b>	<b>(150,000.00)</b>		<b>1,444,711.61</b>	<b>(146,976.77)</b>	<b>1,288,421.00</b>
<b>Net Change in Fund Balances</b>	<b>18,333.74</b>	<b>67,198.53</b>	<b>(38,687.87)</b>	<b>(16,727.34)</b>	<b>349,065.70</b>	<b>(147,040.59)</b>	<b>232,142.17</b>
<b>Fund Balance - January 1</b>	<b>28,254.64</b>	<b>65,494.70</b>	<b>200,019.54</b>	<b>119,700.76</b>		<b>152,860.47</b>	<b>566,330.11</b>
<b>Fund Balance - December 31</b>	<b>46,588.38</b>	<b>132,693.23</b>	<b>161,331.67</b>	<b>102,973.42</b>	<b>349,065.70</b>	<b>5,819.88</b>	<b>798,472.28</b>

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

CITY OF BERTHOLD  
Berthold, 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, 2015

Net Change in Fund Balances - Total Governmental Funds (263,762.42)

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	875,970.00	
Current Year Depreciation Expense	(93,059.00)	782,911.00

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded repayment of debt.

Debt Proceeds	(417,257.00)	
Repayment of Debt	192,933.75	(224,323.25)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Decrease to Pension Expense		2,629.00

Change in Net Position of Governmental Activities		297,454.33

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

CITY OF BERTHOLD  
Berthold, 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, 2014

Net Change in Fund Balances - Total Governmental Funds 232,142.17

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	1,013,589.00	
Current Year Depreciation Expense	(63,242.00)	950,347.00

The proceeds of debt issuances are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, issuing debt increases long-term liabilities and does not affect the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which debt proceeds exceeded repayment of debt.

Debt Proceeds	(1,036,894.00)	
Repayment of Debt	59,100.00	(977,794.00)

Change in Net Position of Governmental Activities 204,695.17

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

CITY OF BERTHOLD  
Berthold, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2015

	Major Enterprise Fund
	Utility
<b><u>ASSETS</u></b>	
<b><u>Current Assets:</u></b>	
Cash and Cash Equivalents	44,002.00
<b><u>Noncurrent Assets:</u></b>	
Capital Assets (net of accumulated depr):	
Buildings and Infrastructure	90,247.00
Total Assets	134,249.00
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	90,247.00
Unrestricted	44,002.00
Total Net Position	134,249.00

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

CITY OF BERTHOLD  
Berthold, North Dakota

Statement of Net Position - Modified Cash Basis  
Proprietary Funds  
December 31, 2014

	Major Enterprise Fund
	Utility
<b><u>ASSETS</u></b>	
<b><u>Current Assets:</u></b>	
Cash and Cash Equivalents	87,675.65
<b><u>Noncurrent Assets:</u></b>	
Capital Assets (net of accumulated depr):	
Buildings and Infrastructure	95,689.00
Total Assets	183,364.65
	183,364.65
<b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	95,689.00
Unrestricted	87,675.65
Total Net Position	183,364.65
	183,364.65

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

CITY OF BERTHOLD  
Berthold, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position  
Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2015

	Major Enterprise Fund
	Utility
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Water Charges	72,631.98
Sewer Charges	30,030.60
Garbage Charges	51,122.96
Bulk Water Sales	58,830.63
Other Charges	16,084.26
Total Operating Revenues	228,700.43
<u>Operating Expenses:</u>	
Salaries and Benefits	36,996.72
Water Purchases	39,169.48
Garbage Contract	55,910.29
Operating Expenses	7,490.15
Repairs and Maintenance	121,027.27
Publications	359.69
Utilities	3,643.05
Professional Services	5,487.94
Other	2,289.49
Depreciation	5,442.00
Total Operating Expenses	277,816.08
Change in Net Position	(49,115.65)
Net Position - January 1	183,364.65
Net Position - December 31	134,249.00

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

CITY OF BERTHOLD  
Berthold, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position  
Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2014

	Major Enterprise Fund
	Utility
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Water Charges	84,016.46
Sewer Charges	34,374.44
Garbage Charges	56,091.98
Bulk Water Sales	21,010.68
Other Charges	3,011.23
Total Operating Revenues	198,504.79
<u>Operating Expenses:</u>	
Salaries and Benefits	35,411.13
Water Purchases	41,211.47
Garbage Contract	50,225.25
Operating Expenses	1,877.31
Repairs and Maintenance	36,975.85
Publications	406.96
Utilities	3,278.85
Bulk Water Station	8,353.07
Professional Services	377.00
Other	6,085.07
Depreciation	5,442.00
Total Operating Expenses	189,643.96
Operating Income (Loss)	8,860.83
<u>Non-Operating Revenues:</u>	
Interest Income	5.88
Change in Net Position	8,866.71
Net Position - January 1	174,497.94
Net Position - December 31	183,364.65

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

CITY OF BERTHOLD  
Berthold, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2015

	Major Enterprise Fund
	Utility
<u>Cash flows from operating activities:</u>	
Receipts from customers	228,700.43
Payments to suppliers and employees	(272,374.08)
	(43,673.65)
Net decrease in cash and cash equivalents	
Cash and cash equivalents, January 1	87,675.65
Cash and cash equivalents, December 31	44,002.00
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating (loss)	(49,115.65)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>	
Depreciation expense	5,442.00
Net cash provided (used) by operating activities	(43,673.65)

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



CITY OF BERTHOLD  
Berthold, North Dakota

Statement of Cash Flows - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2014

	Major Enterprise Fund
	Utility
<u>Cash flows from operating activities:</u>	
Receipts from customers	198,504.79
Payments to suppliers and employees	(184,201.96)
	14,302.83
<u>Net cash provided (used) by operating activities</u>	
<u>Cash flows from investing activities:</u>	
Interest income	5.88
	14,308.71
<u>Net decrease in cash and cash equivalents</u>	
Cash and cash equivalents, January 1	73,366.94
	87,675.65
	87,675.65
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating income	8,860.83
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>	
Depreciation expense	5,442.00
	14,302.83
<u>Net cash provided (used) by operating activities</u>	14,302.83

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

CITY OF BERTHOLD  
Berthold, North Dakota

Notes to the Financial Statements  
December 31, 2015 and 2014

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Berthold operates under a city council 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, there are no component units to be included within the City of Berthold as a reporting entity.

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 Berthold. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the city. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the city's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees 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.

*Municipal Highway.* This fund accounts for the highway distribution tax used for street repairs and maintenance.

*City Sales Tax.* This fund accounts for the city's sales tax collections, which are used for urban and economic development and to provide funds for various projects.

*Paving District Principal and Interest.* This fund accounts for the accumulation of resources to be used for the payment of long-term debt principal and interest related to the Refunding Improvement Bonds of 2005.

*Lagoon.* This fund accounts for the construction of a lagoon and the related principal and interest payments related to the project.

The city reports the following major enterprise fund:

*Utility.* This fund accounts for the activities of the city's water distribution system, sewage collection system and garbage collection system.

#### 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 and business-like 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 and Cash Equivalents

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.

#### 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	20 to 75 years
Machinery and Vehicles	7 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. 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 position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

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

#### H. Pension

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS); additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### I. 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.

#### J. 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.

#### K. Use of Estimates

The preparation of financial statements in conformity with the special reporting framework (SRF) 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, 2015 the city's carrying amount of deposits was \$578,712 and the bank balance was \$675,386. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$425,386 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2014 the city's carrying amount of deposits was \$886,148 and the bank balance was \$911,983. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$661,983 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.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 INTERFUND RECEIVABLE/PAYABLE

Interfund receivable/payable is created by a negative cash balance in the cemetery fund. The amount shown as interfund payable represents the amount of negative cash in the fund. Interfund receivable/payable for the year ended December 31, 2015 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	4,348.56	
Cemetery		4,348.56

Note 5 CAPITAL ASSETS

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

	<u>2015</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	650,923			650,923
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,543,115	704,360		2,247,475
Machinery and Vehicles	136,947	171,610		308,557
<b>Total</b>	<u>1,680,062</u>	<u>875,970</u>		<u>2,556,032</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	621,060	82,573		703,633
Machinery and Vehicles	38,141	10,486		48,627
<b>Total</b>	<u>659,201</u>	<u>93,059</u>		<u>752,260</u>
<b>Total capital assets being depreciated, net</b>	<u>1,020,861</u>	<u>782,911</u>		<u>1,803,772</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>1,671,784</u>	<u>782,911</u>	<u>-0-</u>	<u>2,454,695</u>



2014

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land		650,923		650,923
<hr/>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,212,610	330,505		1,543,115
Machinery and Vehicles	104,786	32,161		136,947
Total	1,317,396	362,666		1,680,062
<hr/>				
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	566,661	54,399		621,060
Machinery and Vehicles	29,298	8,843		38,141
Total	595,959	63,242		659,201
<hr/>				
Total capital assets being depreciated, net	721,437	299,424		1,020,861
<hr/>				
Governmental Activities Capital Assets, Net	721,437	950,347	-0-	1,671,784
<hr/> <hr/>				

2015

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	249,000			249,000
<hr/>				
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	153,311	5,442		158,753
<hr/>				
Business-type Activities Capital Assets, Net	95,689	(5,442)	-0-	90,247
<hr/> <hr/>				

2014

	Balance January 1	Increases	Decreases	Balance December 31
<b>Business-type Activities:</b>				
<i>Capital assets   being depreciated:</i>				
Buildings and Infrastructure	249,000			249,000
<i>Less accumulated   depreciation for:</i>				
Buildings and Infrastructure	147,869	5,442		153,311
Business-type Activities Capital Assets, Net	101,131	(5,442)	-0-	95,689
	101,131	(5,442)	-0-	95,689

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

	2015	2014
<u>Governmental Activities:</u>		
General Government	1,333	1,333
Public Safety	4,969	4,969
Streets and Public Works	86,757	56,940
Total	93,059	63,242
 <u>Business-type Activities:</u>		
Utility	5,442	5,442

**Note 6**    CAPITAL LEASE PAYABLE

The city has entered into the following lease agreement.

\$130,350.00 lease-purchase of a Case 621F Wheel Loader, due in annual installments of \$34,011.75 through October 23, 2018; interest is at 2.89%	96,338.25
	96,338.25

This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under this capital lease, and the net present value of the minimum lease payments at December 31, 2015:

Year Ending December 31	Governmental Activities Lease Payments
2016	34,011.75
2017	34,011.75
2018	34,011.75
Total minimum lease payments	102,035.25
Less: amount representing interest	(5,697.00)
Present value of future minimum lease payments	96,338.25

Note 7 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2015 and 2014, the following changes occurred in liabilities reported in the long-term liabilities - Governmental Activities:

<u>2015</u>					
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Capital Lease Payable		130,350	34,012	96,338	31,190
Special Assessment Bonds	1,086,894	286,907	154,822	1,218,979	20,000
Revenue Bonds Payable	13,175		4,100	9,075	4,100
<b>Total</b>	<u>1,100,069</u>	<u>417,257</u>	<u>192,934</u>	<u>1,324,392</u>	<u>55,290</u>

<u>2014</u>					
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Special Assessment Bonds	105,000	1,036,894	55,000	1,086,894	70,000
Revenue Bonds Payable	17,275		4,100	13,175	4,100
<b>Total</b>	<u>122,275</u>	<u>1,036,894</u>	<u>59,100</u>	<u>1,100,069</u>	<u>74,100</u>

Outstanding debt at December 31, 2015 consists of the following:

Governmental Activities:

Special Assessment Debt. The city has issued special assessment bonds to provide funds for the construction and/or improvement of streets. Special assessment bonds outstanding at December 31, 2015, are as follows:

\$450,000.00 Definitive Improvement Warrant, Series 2014A due in annual installments of \$20,000.00 to \$370,000.00 through June 1, 2019; interest is at 2.75%.	430,000.00 =====
--	---------------------

The annual requirements to amortize the outstanding special assessment bond debt are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	20,000.00	11,550.00
2017	20,000.00	11,000.00
2018	20,000.00	10,450.00
2019	370,000.00	5,087.50
<b>Total</b>	<u>430,000.00</u>	<u>38,087.50</u>

The city is in the process of a lagoon project and issued Definitive Improvement Warrant, Series 2014B, in the amount of \$1,994,822. As of December 31, 2015, the city had requested drawdowns of \$1,248,288, received loan forgiveness of \$374,487 and made payments of \$84,822. The project was not completed as of December 31, 2015 and a final debt service repayment schedule is not yet available since the city had not yet received the full amount of the drawdowns under this agreement. The outstanding balance at December 31, 2015 was \$788,979. The city has \$746,534 of drawdowns still available as of December 31, 2015.

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2015, are as follows:

\$82,875.00 Wastewater Improvement Revenue Bonds of 1997, due in annual installments of \$4,100.00 to \$4,975.00 through September 1, 2017; interest is at 2.5%.	9,075.00
	=====

The annual requirements to amortize the outstanding revenue bond debt are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	4,100.00	226.88
2017	4,975.00	124.38
Total	9,075.00	351.26
	=====	=====

Note 8 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2015</u>		
General	90,759.25	
Paving Dist. Prin. & Int.		90,759.25
To close fund.		
Lagoon Debt Service	128,942.56	
General		128,942.56
To provide funds for annual bond payment.		

December 31, 2014

General	62,360.86	
Improvement		62,360.86
Municipal Highway	84,615.91	
Paving District Maintenance		84,615.91
To close funds.		
Lagoon Construction	150,000.00	
City Sales Tax		150,000.00
To subsidize expenditures.		
Lagoon Debt Service	6,290.61	
General		6,290.61
To provide funds for annual bond payment.		

Note 9 DEFICIT FUND BALANCE

The following fund had a deficit balance at December 31, 2015:

<u>Special Revenue Fund</u>	
Cemetery	(4,348.56)

The city plans to eliminate this deficit with future revenue collections and/or transfers from other funds.

Note 10 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDRIF for its general liability, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$126,530 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 \$231,000 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.

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

Note 11 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the NDPERS plan is financed by investment income and contributions.

Responsibility for administration of the NDPERS benefits program is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by active membership of the NDPERS system; and one member elected by the retired public employees.

**Pension Benefits**

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

**Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

#### **Refunds of Member Account Balance**

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service -  
Greater of one percent of monthly salary or \$25
  
- 13 to 25 months of service -  
Greater of two percent of monthly salary or \$25
  
- 25 to 36 months of service -  
Greater of three percent of monthly salary or \$25
  
- Longer than 36 months of service -  
Greater of four percent of monthly salary or \$25

#### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

#### **Pension Liabilities, Pension Expense; and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, the City of Berthold reported a liability of \$6,106 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on the city's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2014 the city's proportion was .000962 percent.

For the year ended December 31, 2015 the city recognized pension expense of \$604. At December 31, 2015 the city reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources -----	Deferred Inflows of Resources -----
Differences between expected and actual experience	198	
Net difference between projected and actual earnings on pension plan investments		1,192
City contributions subsequent to the measurement date (see below)	3,243	
Total	<u>3,441</u> =====	<u>1,192</u> =====

\$3,441 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30: -----	
2016	(256)
2017	(256)
2018	(256)
2019	(256)
2020	29
Thereafter	0

**Actuarial assumptions.** The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, net of investment expenses.
Cost-of-living adjustments	None



For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Morality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Equity Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash Equivalents	5%	0.00%

**Discount rate.** The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

Sensitivity of the city's proportionate share of the net pension liability to changes in the discount rate. The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
	-----	-----	-----
The city's proportionate share of the net pension liability	9,417	6,106	3,337

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Note 12 PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the Governmental Activities. This adjustment was made to account for the district's net pension liability less it's deferred outflows of resources at December 31, 2014.

CITY OF BERTHOLD  
Berthold, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	79,365.00	79,365.00	273,564.43	194,199.43
Licenses, Permits and Fees	7,120.00	7,120.00	7,617.44	497.44
Intergovernmental	51,345.00	51,345.00	267,986.26	216,641.26
Charges for Services	10,000.00	10,000.00	62,722.20	52,722.20
Miscellaneous	26,150.00	26,150.00	24,338.06	(1,811.94)
<b>Total Revenues</b>	<b>173,980.00</b>	<b>173,980.00</b>	<b>636,228.39</b>	<b>462,248.39</b>
<u>Expenditures:</u>				
Current:				
General Government	109,030.00	109,030.00	194,561.44	(85,531.44)
Public Safety	113,165.00	113,165.00	127,302.15	(14,137.15)
Capital Outlay	130,350.00	130,350.00	130,350.00	
Debt Service:				
Principal			34,011.75	(34,011.75)
<b>Total Expenditures</b>	<b>352,545.00</b>	<b>352,545.00</b>	<b>486,225.34</b>	<b>(133,680.34)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(178,565.00)</b>	<b>(178,565.00)</b>	<b>150,003.05</b>	<b>328,568.05</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In			90,759.25	90,759.25
Transfers Out			(128,942.56)	(128,942.56)
Proceeds from Capital Lease	130,350.00	130,350.00	130,350.00	
<b>Total Other Financing Sources (Uses)</b>	<b>130,350.00</b>	<b>130,350.00</b>	<b>92,166.69</b>	<b>(38,183.31)</b>
<b>Net Change in Fund Balances</b>	<b>(48,215.00)</b>	<b>(48,215.00)</b>	<b>242,169.74</b>	<b>290,384.74</b>
<b>Fund Balance - January 1</b>	<b>46,588.38</b>	<b>46,588.38</b>	<b>46,588.38</b>	
<b>Fund Balance - December 31</b>	<b>(1,626.62)</b>	<b>(1,626.62)</b>	<b>288,758.12</b>	<b>290,384.74</b>

CITY OF BERTHOLD  
Berthold, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
General Fund  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	64,414.00	64,414.00	67,795.66	3,381.66
Licenses, Permits and Fees	21,505.00	21,505.00	22,239.70	734.70
Intergovernmental	59,146.95	59,146.95	91,909.37	32,762.42
Charges for Services	15,000.00	15,000.00	16,828.00	1,828.00
Miscellaneous	18,600.00	18,600.00	34,663.35	16,063.35
<b>Total Revenues</b>	<b>178,665.95</b>	<b>178,665.95</b>	<b>233,436.08</b>	<b>54,770.13</b>
<u>Expenditures:</u>				
Current:				
General Government	111,072.66	111,072.66	123,211.55	(12,138.89)
Public Safety	84,983.00	84,983.00	115,800.04	(30,817.04)
Capital Outlay			32,161.00	(32,161.00)
<b>Total Expenditures</b>	<b>196,055.66</b>	<b>196,055.66</b>	<b>271,172.59</b>	<b>(75,116.93)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(17,389.71)</b>	<b>(17,389.71)</b>	<b>(37,736.51)</b>	<b>(20,346.80)</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In			62,360.86	62,360.86
Transfers Out	(100,000.00)	(100,000.00)	(6,290.61)	93,709.39
<b>Total Other Financing Sources (Uses)</b>	<b>(100,000.00)</b>	<b>(100,000.00)</b>	<b>56,070.25</b>	<b>156,070.25</b>
<b>Net Change in Fund Balances</b>	<b>(117,389.71)</b>	<b>(117,389.71)</b>	<b>18,333.74</b>	<b>135,723.45</b>
<b>Fund Balance - January 1</b>	<b>28,254.64</b>	<b>28,254.64</b>	<b>28,254.64</b>	
<b>Fund Balance - December 31</b>	<b>(89,135.07)</b>	<b>(89,135.07)</b>	<b>46,588.38</b>	<b>135,723.45</b>

CITY OF BERTHOLD  
Berthold, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Municipal Highway Fund  
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Licenses, Permits and Fees			9,730.00	9,730.00
Intergovernmental	38,150.00	38,150.00	37,625.53	(524.47)
<b>Total Revenues</b>	<b>38,150.00</b>	<b>38,150.00</b>	<b>47,355.53</b>	<b>9,205.53</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	17,550.00	17,550.00	155,537.10	(137,987.10)
<b>Net Change in Fund Balances</b>	<b>20,600.00</b>	<b>20,600.00</b>	<b>(108,181.57)</b>	<b>(128,781.57)</b>
<b>Fund Balance - January 1</b>	<b>132,693.23</b>	<b>132,693.23</b>	<b>132,693.23</b>	
<b>Fund Balance - December 31</b>	<b>153,293.23</b>	<b>153,293.23</b>	<b>24,511.66</b>	<b>(128,781.57)</b>

CITY OF BERTHOLD  
Berthold, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
Municipal Highway Fund  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Licenses, Permits and Fees			800.00	800.00
Intergovernmental	52,260.00	52,260.00	39,115.27	(13,144.73)
Miscellaneous	160.00	160.00	1,481.44	1,321.44
<b>Total Revenues</b>	<b>52,420.00</b>	<b>52,420.00</b>	<b>41,396.71</b>	<b>(11,023.29)</b>
<u>Expenditures:</u>				
<u>Current:</u>				
Streets and Public Works	70,685.00	70,685.00	58,814.09	11,870.91
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(18,265.00)</b>	<b>(18,265.00)</b>	<b>(17,417.38)</b>	<b>847.62</b>
<u>Other Financing Sources:</u>				
Transfers In			84,615.91	84,615.91
<b>Net Change in Fund Balances</b>	<b>(18,265.00)</b>	<b>(18,265.00)</b>	<b>67,198.53</b>	<b>85,463.53</b>
<b>Fund Balance - January 1</b>	<b>65,494.70</b>	<b>65,494.70</b>	<b>65,494.70</b>	
<b>Fund Balance - December 31</b>	<b>47,229.70</b>	<b>47,229.70</b>	<b>132,693.23</b>	<b>85,463.53</b>

CITY OF BERTHOLD  
Berthold, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
City Sales Tax Fund  
For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	100,000.00	100,000.00	126,547.39	26,547.39
Miscellaneous	100.00	100.00	196.20	96.20
<b>Total Revenues</b>	<b>100,100.00</b>	<b>100,100.00</b>	<b>126,743.59</b>	<b>26,643.59</b>
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	100,100.00	100,100.00	53,625.51	46,474.49
Capital Outlay			41,260.00	(41,260.00)
<b>Total Expenditures</b>	<b>100,100.00</b>	<b>100,100.00</b>	<b>94,885.51</b>	<b>5,214.49</b>
<b>Net Change in Fund Balances</b>			<b>31,858.08</b>	<b>31,858.08</b>
<b>Fund Balance - January 1</b>	<b>161,331.67</b>	<b>161,331.67</b>	<b>161,331.67</b>	
<b>Fund Balance - December 31</b>	<b>161,331.67</b>	<b>161,331.67</b>	<b>193,189.75</b>	<b>31,858.08</b>

CITY OF BERTHOLD  
Berthold, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis  
City Sales Tax Fund  
For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	374,100.00	374,100.00	192,341.84	(181,758.16)
Miscellaneous	250.00	250.00	165.11	(84.89)
<b>Total Revenues</b>	<b>374,350.00</b>	<b>374,350.00</b>	<b>192,506.95</b>	<b>(181,843.05)</b>
<u>Expenditures:</u>				
<u>Current:</u>				
Urban and Economic Development	224,460.00	224,460.00	81,194.82	143,265.18
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>149,890.00</b>	<b>149,890.00</b>	<b>111,312.13</b>	<b>(38,577.87)</b>
<u>Other Financing (Uses):</u>				
Transfers Out			(150,000.00)	(150,000.00)
<b>Net Change in Fund Balances</b>	<b>149,890.00</b>	<b>149,890.00</b>	<b>(38,687.87)</b>	<b>(188,577.87)</b>
<b>Fund Balance - January 1</b>	<b>200,019.54</b>	<b>200,019.54</b>	<b>200,019.54</b>	
<b>Fund Balance - December 31</b>	<b>349,909.54</b>	<b>349,909.54</b>	<b>161,331.67</b>	<b>(188,577.87)</b>



CITY OF BERTHOLD  
Berthold, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2015 and 2014

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, special revenue and debt service 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, 2015 and 2014.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31, 2015 and 2014:

	2015	2014
General Fund	133,680.34	75,116.93
<u>Special Revenue Funds</u>		
Municipal Highway	137,987.10	
Cemetery	10,599.76	
<u>Debt Service Funds</u>		
Paving District Prin. & Int.	347.00	7,392.53
* Water & Sewer Prin. & Int.		4,608.01

\* A budget was not prepared for this fund for the year ending December 31, 2014.

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

CITY OF BERTHOLD  
Berthold, North Dakota

Schedule of Employer's Share of Net Pension Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years\*

	2015
City's proportion of the net pension liability	0.000962%
City's proportionate share of the net pension liability	6,106
City's covered-employee payroll	8,095
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.43%
Plan fiduciary net position as a percentage of the total pension liability	77.7%

Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years\*

	2015
Statutorily required contribution	576
Contributions in relation to the statutorily required contribution	(576)
Contribution deficiency (excess)	0
City's covered-employee payroll	8,095
Contributions as a percentage of covered-employee payroll	7.12%

\* Complete data for this schedule is not available prior to 2015.

CITY OF BERTHOLD  
Berthold, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2015

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
<b><u>Major Governmental Funds</u></b>						
General Fund	46,588.38	636,228.29	90,759.25	128,942.56	355,875.24	288,758.12
Municipal Highway	132,693.23	47,355.53			155,537.10	24,511.66
City Sales Tax	161,331.67	126,743.59			94,885.51	193,189.75
Paving Dist. Prin. & Int. Lagoon:	102,973.42	39,567.83		90,759.25	51,782.00	
Construction	349,065.70	417,367.00			743,502.92	22,929.78
Debt Service			128,942.56		128,942.56	
<b>Total Major Governmental Funds</b>	<b>792,652.40</b>	<b>1,267,262.24</b>	<b>219,701.81</b>	<b>219,701.81</b>	<b>1,530,525.33</b>	<b>529,389.31</b>
<b><u>Non-Major Governmental Funds</u></b>						
Emergency	2,470.58	6,315.99				8,786.57
Cemetery		6,251.20			10,599.76	(4,348.56)
Water & Sewer Prin. & Int.	3,349.30	2,018.25			4,485.01	882.54
<b>Total Non-Major Governmental Funds</b>	<b>5,819.88</b>	<b>14,585.44</b>			<b>15,084.77</b>	<b>5,320.55</b>
<b>Total Governmental Funds</b>	<b>798,472.28</b>	<b>1,281,847.68</b>	<b>219,701.81</b>	<b>219,701.81</b>	<b>1,545,610.10</b>	<b>534,709.86</b>
<b><u>Major Enterprise Fund</u></b>						
Utility	87,675.65	228,700.43			272,374.08	44,002.00
<b>Total All Funds</b>	<b>886,147.93</b>	<b>1,510,548.11</b>	<b>219,701.81</b>	<b>219,701.81</b>	<b>1,817,984.18</b>	<b>578,711.86</b>

CITY OF BERTHOLD  
Berthold, North Dakota

Schedule of Fund Activity  
Arising from Cash Transactions  
For the Year Ended December 31, 2014

	Balance 1-1-14	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-14
<u>Major Governmental Funds</u>						
General Fund	28,254.64	233,436.08	62,360.86	6,290.61	271,172.59	46,588.38
Municipal Highway	65,494.70	41,396.71	84,615.91		58,814.09	132,693.23
City Sales Tax	200,019.54	192,506.95		150,000.00	81,194.82	161,331.67
Paving Dist. Prin. & Int. Lagoon:	119,700.76	44,065.19			60,792.53	102,973.42
Construction		1,388,421.00	150,000.00		1,189,355.30	349,065.70
Debt Service			6,290.61		6,290.61	
<b>Total Major Governmental Funds</b>	<b>413,469.64</b>	<b>1,899,825.93</b>	<b>303,267.38</b>	<b>156,290.61</b>	<b>1,667,619.94</b>	<b>792,652.40</b>
<u>Non-Major Governmental Funds</u>						
Paving District Maintenance Improvement	84,615.91			84,615.91		
Emergency	62,360.86			62,360.86		
Water & Sewer Prin. & Int.		2,470.58				2,470.58
	5,883.70	2,073.61			4,608.01	3,349.30
<b>Total Non-Major Governmental Funds</b>	<b>152,860.47</b>	<b>4,544.19</b>		<b>146,976.77</b>	<b>4,608.01</b>	<b>5,819.88</b>
<b>Total Governmental Funds</b>	<b>566,330.11</b>	<b>1,904,370.12</b>	<b>303,267.38</b>	<b>303,267.38</b>	<b>1,672,227.95</b>	<b>798,472.28</b>
<u>Major Enterprise Fund</u>						
Utility	73,366.94	198,510.67			184,201.96	87,675.65
<b>Total All Funds</b>	<b>639,697.05</b>	<b>2,102,880.79</b>	<b>303,267.38</b>	<b>303,267.38</b>	<b>1,856,429.91</b>	<b>886,147.93</b>

CITY OF BERTHOLD  
Berthold, North Dakota

Schedule of Expenditures of Federal Awards  
For the Years Ended December 31, 2015 and 2014

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Grant Number	Expenditures	
			2015	2014
<u>Environmental Protection Agency</u>				
Passed Through the ND Finance Authority				
Capitalization Grants for Clean Water State Revolving Fund	66.458	380976-01	409,867.00	838,421.00
<u>U.S. Department of Homeland Security</u>				
Passed Through State Department of Emergency Services:				
Homeland Security Grant Program	97.067			2,839.00
Total Expenditures of Federal Awards			409,867.00	841,260.00

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the modified cash basis of accounting.

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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 Berthold  
Berthold, 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, each major fund and the aggregate remaining fund information of the City of Berthold, Berthold, 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, and have issued our report thereon dated September 16, 2016.

### 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 II-1 and II-2, 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 audits 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*

Rath and Mehrer, P.C.

Bismarck, North Dakota

September 16, 2016

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Berthold  
Berthold, North Dakota

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Berthold's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the city's major federal programs for the years ended December 31, 2015 and 2014. The city's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the city's major federal programs based on our audits of the types of compliance requirements referred to above. We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the city's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major federal program. However, our audits do not provide a legal determination of the city's compliance.



## Opinion on Each Major Federal Program

In our opinion, the city complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2015 and 2014.

## Report on Internal Control Over Compliance

Management of the City of Berthold is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered the city's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

September 16, 2016

CITY OF BERTHOLD  
Berthold, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2015 and 2014

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
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       No

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

Noncompliance Material to financial statements noted?       Yes       No

Federal Awards

Internal control over major program(s):

\* Material weakness(es) identified?       Yes       No

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

Type of auditor's report issued on compliance for major program(s):

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?       Yes       No

Identification of major program(s):

CFDA Number

66.458

Name of Federal Program

Capitalization Grants for Clean Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes       No

**SECTION II - FINANCIAL STATEMENT FINDINGS:**

Significant Deficiencies

1. Segregation of Duties

*Condition:* The city has one person responsible for most accounting functions.

*Criteria:* There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over 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.

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

*Client Response:* No response is considered necessary.

2. Financial Statement Preparation

*Condition:* The city's financial statements as of December 31, 2015 and 2014 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.

*Effect:* A control system is not in place to determine that the financial statements are properly stated and in compliance with the modified cash basis of accounting.

*Recommendation:* We recommend the city obtain the necessary knowledge of current accounting principles to prepare financial statements or outsource the preparation of its financial statements.

*Client Response:* It is not cost effective for the city to prepare its own financial statements.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported