

AUDIT REPORT

CITY OF BOWBELLS
Bowbells, North Dakota

For the Years Ended December 31, 2017, and 2016

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF BOWBELLS
Bowbells, North Dakota

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CITY OF BOWBELLS
Bowbells, North Dakota

CITY OFFICIALS

Tony Pandolfo	Mayor
Shannon Holter	Council Member
Barry Jager	Council Member
Jared Mahlum	Council Member
Kyle Melby	Council Member
Lanette Jager	Auditor

Rath & Mehler, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Bowbells
Bowbells, 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 Bowbells, Bowbells, North Dakota, as of and for the years ended December 31, 2017 and 2016, 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 Bowbells, Bowbells, North Dakota, as of December 31, 2017 and 2016, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018 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

June 22, 2018

CITY OF BOWBELLS

Management's Discussion and Analysis

December 31, 2017 and 2016

The Management's Discussion and Analysis (MD&A) of the City of Bowbell's financial performance provides an overall review of the city's financial activities for the fiscal years ended December 31, 2017 and 2016. 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, 2017 are as follows:

- * Total net position of the city decreased \$153,014 as a result of the current year's operations. Net position of the governmental activities decreased \$159,089 and net position of the business-type activities increased \$6,075.
- * Governmental net position totaled \$1,755,345 and business-type net position totaled \$1,938,196.
- * Total revenues from all sources were \$529,357 for governmental activities and \$259,716 for business-type activities.
- * Total expenses were \$668,446 for governmental activities and \$273,641 for business-type activities.
- * The city's general fund had \$439,451 in total revenues and \$166,371 in total expenditures. There was a total of \$254,687 paid from other financing uses. Overall, the general fund balance increased by \$18,392 for the year ended December 31, 2017.

Key financial highlights for the year ended December 31, 2016 are as follows:

- * Total net position of the city decreased \$193,970 as a result of the current year's operations. Net position of the governmental activities decreased \$161,828 and net position of the business-type activities decreased \$32,142.
- * Governmental net position totaled \$1,914,434 and business-type net position totaled \$1,932,121.
- * Total revenues from all sources were \$521,057 for governmental activities and \$226,319 for business-type activities.
- * Total expenses were \$682,885 for governmental activities and \$258,461 for business-type activities.
- * The city's general fund had \$436,801 in total revenues and \$196,805 in total expenditures. There was a total of \$591,644 paid from other financing uses. Overall, the general fund balance decreased by \$351,649 for the year ended December 31, 2016.

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, 2017 and 2016?"

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, and culture and recreation. Business-type activities are where the city's enterprise services are reported including, but not limited to, water, sewer and garbage.

REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

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

The city's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds" or "Other Enterprise Fund".

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I provides a summary of the city's net position as of December 31, 2017 and 2016. 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 decreased by \$153,014 and 193,970 for the years ended December 31, 2017 and 2016, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2017, the city's net position of \$3,693,541 is segregated into three separate categories. Net investment in capital assets represents 67% of the city's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 1% of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 32% of the city's net position and is available to meet the city's ongoing obligations.

Table I
 Net Position
 As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,124,733	84,866
Capital Assets (net of accumulated depreciation)	630,612	3,173,330
Total Assets	<u>1,755,345</u>	<u>3,258,196</u>
<u>Liabilities</u>		
Current Liabilities		70,000
Long-Term Liabilities		1,250,000
Total Liabilities	<u>0</u>	<u>1,320,000</u>
<u>Net Position</u>		
Net Investment in Capital Assets	630,612	1,853,330
Restricted	46,385	
Unrestricted	1,078,348	84,866
Total Net Position	<u>1,755,345</u> =====	<u>1,938,196</u> =====

As of December 31, 2016, the city's net position of \$3,846,554 is segregated into three separate categories. Net investment in capital assets represents 66% of the city's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 4% of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 30% of the city's net position and is available to meet the city's ongoing obligations.

Net Position
 As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,239,259	80,062
Capital Assets (net of accumulated depreciation)	675,175	3,242,059
Total Assets	<u>1,914,434</u>	<u>3,322,121</u>
<u>Liabilities</u>		
Current Liabilities		70,000
Long-Term Liabilities		1,320,000
Total Liabilities	<u>0</u>	<u>1,390,000</u>
Net Investment in Capital Assets	675,175	1,852,059
Restricted	176,926	
Unrestricted	1,062,333	80,062
Total Net Position	<u>1,914,434</u> =====	<u>1,932,121</u> =====

Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Assets		
Current Assets	1,587,735	113,474
Capital Assets (net of accumulated depreciation)	488,527	3,310,788
Total Assets	<u>2,076,262</u>	<u>3,424,262</u>
Liabilities		
Current Liabilities		70,000
Long-Term Liabilities		1,390,000
Total Liabilities	<u>0</u>	<u>1,460,000</u>
Net Position		
Net Investment in Capital Assets	488,527	1,850,788
Restricted	173,754	
Unrestricted	1,413,981	113,474
Total Net Position	<u>2,076,262</u> =====	<u>1,964,262</u> =====

Table II shows the changes in net position for the fiscal years ended December 31, 2017 and 2016. 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, 2017

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
Program Revenues:		
Charges for Services	22,607	247,523
Operating Grants and Contributions	38,896	
General Revenues:		
Property Taxes	77,117	
Other Taxes	335,713	
Intergovernmental - Unrestricted	30,951	
Interest Earnings and Other Revenue	24,075	12,193
Total Revenues	<u>529,357</u>	<u>259,716</u>
Expenses		
General Government	152,255	
Public Safety	23,035	
Streets and Public Works	446,047	
Culture and Recreation	43,241	
Other	3,869	
Water		159,794
Sewer		58,250
Garbage		55,449
Recycling		149
Total Expenses	<u>668,446</u>	<u>273,641</u>
Net Change in Position Before Transfers	<u>(139,089)</u>	<u>(13,925)</u>
Transfers	<u>(20,000)</u>	<u>20,000</u>
Net Change in Position	<u>(159,089)</u> =====	<u>6,075</u> =====

Property taxes constituted 10%, other taxes 43%, unrestricted intergovernmental 4%, operating grants and contributions 5%, and charges for services made up 34% of the total revenues of all activities of the city for the fiscal year ended December 31, 2017.

General government constituted 16%, public safety 2%, streets and public works 47%, and enterprise 29% of total expenses for all activities during the fiscal year ended December 31, 2017.

Changes in Net Position
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	53,975	225,056
Operating Grants and Contributions	41,055	
<u>General Revenues:</u>		
Property Taxes	69,432	
Other Taxes	301,654	
Intergovernmental - Unrestricted	32,640	
Interest Earnings and Other Revenue	22,301	1,263
Total Revenues	<u>521,057</u>	<u>226,319</u>
Expenses		
General Government	148,718	
Public Safety	22,644	
Streets and Public Works	286,884	
Culture and Recreation	221,030	
Other	3,609	
Water		136,257
Sewer		60,522
Garbage		61,551
Recycling		131
Total Expenses	<u>682,885</u>	<u>258,461</u>
Net Change in Position	<u>(161,828)</u>	<u>(32,142)</u>
	=====	=====

Property taxes constituted 9%, other taxes 40%, unrestricted intergovernmental 4%, operating grants and contributions 5%, and charges for services made up 37% of the total revenues of all activities of the city for the fiscal year ended December 31, 2016.

General government constituted 16%, public safety 2%, streets and public works 30%, and enterprise 27% of total expenses for all activities during the fiscal year ended December 31, 2016.

Changes in Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	14,042	225,513
Operating Grants and Contributions	45,059	
<u>General Revenues:</u>		
Property Taxes	60,816	
Other Taxes	300,763	
Intergovernmental - Unrestricted	2,218,621	
Interest Earnings and Other Revenue	35,234	
Total Revenues	2,674,535	225,513
Expenses		
General Government	267,362	
Public Safety	24,759	
Streets and Public Works	1,492,660	
Culture and Recreation	178,888	
Other	3,668	
Water		151,419
Sewer		170,586
Garbage		63,505
Recycling		138
Total Expenses	1,967,338	385,648
Net Change in Position Before Transfers	707,197	(160,134)
Transfers	(160,000)	160,000
Net Change in Position	547,197	(134)
	=====	=====

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, 2017

	<u>Total Cost Year Ended Dec. 31, 2017</u>	<u>Net Cost Year Ended Dec. 31, 2017</u>
General Government	152,255	146,120
Public Safety	23,035	23,035
Streets and Public Works	446,047	401,548
Culture and Recreation	43,241	32,372
Other	3,869	3,869
Total Expenses	668,446	606,944
	=====	=====

Total and Net Cost of Services
As of December 31, 2016

	Total Cost Year Ended <u>Dec. 31, 2016</u>	Net Cost Year Ended <u>Dec. 31, 2016</u>
General Government	148,718	106,986
Public Safety	22,644	22,644
Streets and Public Works	286,884	242,949
Culture and Recreation	221,030	211,667
Other	3,609	3,609
Total Expenses	682,885 =====	587,855 =====

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 \$529,357 and expenditures of \$623,883 for the year ended December 31, 2017. For the year ended December 31, 2016, the city's governmental funds had total revenue of \$521,057 and expenditures of \$869,533. As of December 31, 2017, the unassigned fund balance of the city's general fund was \$1,080,725 and total unassigned fund balances for all the city's governmental funds was \$1,078,348. As of December 31, 2016, the unassigned fund balance of the city's general fund was \$1,062,333 and total unassigned fund balances for all the city's governmental funds was \$1,062,333.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal years 2017 and 2016, the city did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2017 was \$12,537 more than budgeted. Actual expenditures for the year ended December 31, 2017 were under budget by \$559.

Actual revenue for the year ended December 31, 2016 was \$89,329 more than budgeted. This variance was mainly due to the city underestimating tax collections and oil and gas funds received. Actual expenditures for the year ended December 31, 2016 were under budget by \$5,579.

CAPITAL ASSETS

As of December 31, 2017 and 2016, the city had \$3,803,942 and \$3,917,234, respectively, invested in capital assets. The following tables show the balances, for governmental activities and business-type activities, as of December 31, 2017, 2016 and 2015.

Table IV

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

	<u>Governmental</u>	<u>Business- Type</u>
Land	90,000	
Buildings and Infrastructure	141,900	3,173,330
Machinery and Vehicles	398,712	
Total (net of depreciation)	<u>630,612</u> =====	<u>3,173,330</u> =====

This total represents a decrease of \$113,292 in capital assets from January 1, 2017.

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

	<u>Governmental</u>	<u>Business- Type</u>
Land	90,000	
Buildings and Infrastructure	150,190	3,242,059
Machinery and Vehicles	434,985	
Total (net of depreciation)	<u>675,175</u> =====	<u>3,242,059</u> =====

This total represents an increase of \$117,919 in capital assets from January 1, 2016. The increase in machinery and vehicles was due to the purchase of a pickup, street sweeper and an oil distributor.

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

	<u>Governmental</u>	<u>Business- Type</u>
Land	90,000	
Buildings and Infrastructure	158,480	3,310,788
Machinery and Vehicles	240,047	
Total (net of depreciation)	<u>488,527</u> =====	<u>3,310,788</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, 2017, the city had \$1,320,000 in outstanding debt of which \$70,000 was due within one year. As of December 31, 2016, the city had \$1,390,000 in outstanding debt of which \$70,000 was due within one year.

During fiscal years 2017 and 2016, the city did not issue any new long-term debt obligations:

For a detailed breakdown of the long-term debt, readers are referred to Note 6 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 Lanette Jager, City Auditor, Bowbells, ND.

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	1,124,732.93	84,865.59	1,209,598.52
Capital Assets (net of accumulated depreciation):			
Land	90,000.00		90,000.00
Buildings and Infrastructure	141,900.00	3,173,330.00	3,315,230.00
Machinery and Vehicles	398,712.00		398,712.00
Total Capital Assets	630,612.00	3,173,330.00	3,803,942.00
Total Assets	1,755,344.93	3,258,195.59	5,013,540.52
LIABILITIES:			
Long-Term Liabilities			
Due Within One Year			
Revenue Bonds Payable		70,000.00	70,000.00
Due After One Year			
Revenue Bonds Payable		1,250,000.00	1,250,000.00
Total Liabilities		1,320,000.00	1,320,000.00
NET POSITION:			
Net Investment in Capital Assets	630,612.00	1,853,330.00	2,483,942.00
Restricted for:			
Special Purposes	46,384.95		46,384.95
Unrestricted	1,078,347.98	84,865.59	1,163,213.57
Total Net Position	1,755,344.93	1,938,195.59	3,693,540.52

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

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	1,239,258.93	80,061.52	1,319,320.45
Capital Assets (net of accumulated depreciation):			
Land	90,000.00		90,000.00
Buildings and Infrastructure	150,190.00	3,242,059.00	3,392,249.00
Machinery and Vehicles	434,985.00		434,985.00
Total Capital Assets	675,175.00	3,242,059.00	3,917,234.00
Total Assets	1,914,433.93	3,322,120.52	5,236,554.45
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year			
Revenue Bonds Payable		70,000.00	70,000.00
Due After One Year			
Revenue Bonds Payable		1,320,000.00	1,320,000.00
Total Liabilities		1,390,000.00	1,390,000.00
NET POSITION:			
Net Investment in Capital Assets	675,175.00	1,852,059.00	2,527,234.00
Restricted for:			
Special Purposes	176,926.41		176,926.41
Unrestricted	1,062,332.52	80,061.52	1,142,394.04
Total Net Position	1,914,433.93	1,932,120.52	3,846,554.45

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

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2017

	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<u>Functions/Programs</u>					
Primary Government:					
<u>Governmental Activities:</u>					
General Government	152,254.66	6,134.24		(146,120.42)	(146,120.42)
Public Safety	23,034.94			(23,034.94)	(23,034.94)
Streets and Public Works	446,047.22	5,904.32	38,594.86	(401,548.04)	(401,548.04)
Culture and Recreation	43,240.50	10,568.00	300.74	(32,371.76)	(32,371.76)
Other	3,869.01			(3,869.01)	(3,869.01)
Total Governmental Activities	668,446.33	22,606.56	38,895.60	(606,944.17)	(606,944.17)
<u>Business-Type Activities:</u>					
Water	159,793.59	140,829.21		(18,964.38)	(18,964.38)
Sewer	58,249.53	43,582.14		(14,667.39)	(14,667.39)
Garbage	55,448.99	62,514.00		7,065.01	7,065.01
Recycling	148.55	597.50		448.95	448.95
Total Business-Type Activities	273,640.66	247,522.85		(26,117.81)	(26,117.81)
Total Primary Government	942,086.99	270,129.41	38,895.60	(606,944.17)	(26,117.81)

<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes			56,956.25		56,956.25
Property taxes; levied for special purposes			20,160.30		20,160.30
Cigarette taxes			966.67		966.67
Oil and gas production taxes			333,817.20		333,817.20
Homestead tax credit			269.68		269.68
Disabled veterans credit taxes			659.47		659.47
Intergovernmental revenue not restricted to specific programs			30,951.06		30,951.06
Earnings on investments and other revenue			24,074.54	12,192.88	36,267.42
Transfers			(20,000.00)	20,000.00	
Total General Revenues and Transfers			447,855.17	32,192.88	480,048.05
Change in Net Position			(159,089.00)	6,075.07	(153,013.93)
Net Position - January 1			1,914,433.93	1,932,120.52	3,846,554.45
Net Position - December 31			1,755,344.93	1,938,195.59	3,693,540.52
=====					

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

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
General Government	148,718.31	41,732.13		(106,986.18)		(106,986.18)
Public Safety	22,643.88			(22,643.88)		(22,643.88)
Streets and Public Works	286,884.15	4,816.00	39,118.68	(242,949.47)		(242,949.47)
Culture and Recreation	221,029.96	7,427.00	1,936.00	(211,666.96)		(211,666.96)
Other	3,608.51			(3,608.51)		(3,608.51)
Total Governmental Activities	682,884.81	53,975.13	41,054.68	(587,855.00)		(587,855.00)
Business-Type Activities:						
Water	136,257.41	115,462.39		(20,795.02)		(20,795.02)
Sewer	60,522.13	42,187.94		(18,334.19)		(18,334.19)
Garbage	61,550.50	66,785.84		5,235.34		5,235.34
Recycling	130.56	620.13		489.57		489.57
Total Business-Type Activities	258,460.60	225,056.30		(33,404.30)		(33,404.30)
Total Primary Government	941,345.41	279,031.43	41,054.68	(587,855.00)	(33,404.30)	(621,259.30)
=====						
General Revenues:						
Taxes:						
Property taxes; levied for general purposes				51,497.84		51,497.84
Property taxes; levied for special purposes				17,934.00		17,934.00
Cigarette taxes				1,016.95		1,016.95
Oil and gas production taxes				299,886.75		299,886.75
Homestead tax credit				149.98		149.98
Disabled veterans credit taxes				600.47		600.47
Intergovernmental revenue not restricted to specific programs				32,640.32		32,640.32
Earnings on investments and other revenue				22,300.60	1,262.53	23,563.13
Total General Revenues				426,026.91	1,262.53	427,289.44
Change in Net Position				(161,828.09)	(32,141.77)	(193,969.86)
Net Position - January 1				2,076,262.02	1,964,262.29	4,040,524.31
Net Position - December 31				1,914,433.93	1,932,120.52	3,846,554.45
=====						

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

CITY OF BOWBELLS
Bowbells, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2017

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Highway	Recreation		
ASSETS:					
Cash, Cash Equivalents and Investments	1,078,347.98		17,131.82	29,253.13	1,124,732.93
Interfund Receivable	2,376.71				2,376.71
<hr/>					
Total Assets	1,080,724.69	-0-	17,131.82	29,253.13	1,127,109.64
<hr style="border-top: 1px dashed black;"/>					
LIABILITIES AND FUND BALANCES:					
<u>Liabilities</u>					
Interfund Payable		2,376.71			2,376.71
<hr/>					
<u>Fund Balances</u>					
Restricted for:					
General Government				85.70	85.70
Culture and Recreation			17,131.82	16,122.22	33,254.04
Other Special Purposes				13,045.21	13,045.21
Unassigned	1,080,724.69	(2,376.71)			1,078,347.98
<hr/>					
Total Fund Balances	1,080,724.69	(2,376.71)	17,131.82	29,253.13	1,124,732.93
<hr/>					
Total Liabilities and Fund Balances	1,080,724.69	-0-	17,131.82	29,253.13	1,127,109.64
<hr style="border-top: 1px dashed black;"/>					

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

CITY OF BOWBELLS
Bowbells, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2016

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Highway	Recreation		
ASSETS:					
Cash, Cash Equivalents and Investments	1,062,332.52	113,726.09	20,960.55	42,239.77	1,239,258.93
=====					
FUND BALANCES:					
Restricted for:					
General Government				19,178.50	19,178.50
Streets and Public Works		113,726.09			113,726.09
Culture and Recreation			20,960.55	12,424.35	33,384.90
Other Special Purposes				10,636.92	10,636.92
Unassigned	1,062,332.52				1,062,332.52

Total Fund Balances	1,062,332.52	113,726.09	20,960.55	42,239.77	1,239,258.93
=====					

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

CITY OF BOWBELLS
Bowbells, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2017

Total Fund Balances for Governmental Funds		1,124,732.93
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	1,094,575.00	
Less Accumulated Depreciation	(463,963.00)	
Net Capital Assets	<hr/>	630,612.00
Total Net Position of Governmental Activities		<hr/> <u>1,755,344.93</u> =====

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

CITY OF BOWBELLS
Bowbells, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2016

Total Fund Balances for Governmental Funds		1,239,258.93
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	1,094,575.00	
Less Accumulated Depreciation	(419,400.00)	
Net Capital Assets	<hr/>	675,175.00
Total Net Position of Governmental Activities		<hr/> <u>1,914,433.93</u> =====

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

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2017

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Highway	Recreation		
<u>Revenues:</u>					
Taxes	56,956.25		11,000.00	9,160.30	77,116.55
Licenses, Permits and Fees	6,134.24	5,904.32	10,568.00		22,606.56
Intergovernmental	366,664.08	38,594.86		300.74	405,559.68
Miscellaneous	9,696.29	10,043.98	3,984.27	350.00	24,074.54
Total Revenues	439,450.86	54,543.16	25,552.27	9,811.04	529,357.33
<u>Expenditures:</u>					
Current:					
General Government	140,569.70			7,684.96	148,254.66
Public Safety	23,034.94				23,034.94
Streets and Public Works		406,874.22			406,874.22
Culture and Recreation	2,766.74		39,276.41	1,197.35	43,240.50
Other				2,479.01	2,479.01
Total Expenditures	166,371.38	406,874.22	39,276.41	11,361.32	623,883.33
Excess (Deficiency) of Revenues Over Expenditures	273,079.48	(352,331.06)	(13,724.14)	(1,550.28)	(94,526.00)
<u>Other Financing Sources (Uses):</u>					
Transfers In	4,312.69	236,228.26	9,895.41	57.18	250,493.54
Transfers Out	(259,000.00)			(11,493.54)	(270,493.54)
Total Other Financing Sources (Uses)	(254,687.31)	236,228.26	9,895.41	(11,436.36)	(20,000.00)
Net Change in Fund Balances	18,392.17	(116,102.80)	(3,828.73)	(12,986.64)	(114,526.00)
Fund Balance - January 1	1,062,332.52	113,726.09	20,960.55	42,239.77	1,239,258.93
Fund Balance - December 31	1,080,724.69	(2,376.71)	17,131.82	29,253.13	1,124,732.93

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

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2016

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Highway	Recreation		
<u>Revenues:</u>					
Taxes	51,497.84		9,500.00	8,434.00	69,431.84
Licenses, Permits and Fees	41,732.13	4,816.00	\$7,427		53,975.13
Intergovernmental	334,294.47	39,118.68	1,600.00	336.00	375,349.15
Miscellaneous	9,276.77	8,484.28	4,189.55	350.00	22,300.60
Total Revenues	436,801.21	52,418.96	22,716.55	9,120.00	521,056.72
<u>Expenditures:</u>					
Current:					
General Government	144,718.31				144,718.31
Public Safety	22,643.88				22,643.88
Streets and Public Works	800.00	226,847.15			227,647.15
Culture and Recreation	28,643.29		190,910.11	1,476.56	221,029.96
Other				2,218.51	2,218.51
Capital Outlay		251,275.00			251,275.00
Total Expenditures	196,805.48	478,122.15	190,910.11	3,695.07	869,532.81
Excess (Deficiency) of Revenues Over Expenditures	239,995.73	(425,703.19)	(168,193.56)	5,424.93	(348,476.09)
<u>Other Financing Sources (Uses):</u>					
Transfers In		411,644.35	180,000.00		591,644.35
Transfers Out	(591,644.35)				(591,644.35)
Total Other Financing Sources (Uses)	(591,644.35)	411,644.35	180,000.00		
Net Change in Fund Balances	(351,648.62)	(14,058.84)	11,806.44	5,424.93	(348,476.09)
Fund Balance - January 1	1,413,981.14	127,784.93	9,154.11	36,814.84	1,587,735.02
Fund Balance - December 31	1,062,332.52	113,726.09	20,960.55	42,239.77	1,239,258.93

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

CITY OF BOWBELLS
Bowbells, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds	(114,526.00)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(44,563.00)	(44,563.00)
Change in Net Position of Governmental Activities		(159,089.00)
		=====

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

CITY OF BOWBELLS
Bowbells, 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, 2016

Net Change in Fund Balances - Total Governmental Funds (348,476.09)

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

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

Current Year Capital Outlay	251,275.00	
Current Year Depreciation Expense	(64,627.00)	186,648.00
	<hr/>	<hr/>
Change in Net Position of Governmental Activities		(161,828.09)
		=====

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

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2017

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Garbage		
<u>ASSETS</u>					
<u>Current Assets:</u>					
Cash and Cash Equivalents	34,569.18	10,154.16	37,366.34	2,775.91	84,865.59
<u>Noncurrent Assets:</u>					
Capital Assets (net of accumulated depr):					
Buildings and Infrastructure	2,183,549.00	989,781.00			3,173,330.00
Total Assets	2,218,118.18	999,935.16	37,366.34	2,775.91	3,258,195.59
<u>LIABILITIES</u>					
<u>Current Liabilities:</u>					
Revenue Bonds Payable	50,000.00	20,000.00			70,000.00
<u>Noncurrent Liabilities:</u>					
Revenue Bonds Payable	835,000.00	415,000.00			1,250,000.00
Total Liabilities	885,000.00	435,000.00			1,320,000.00
<u>NET POSITION</u>					
Net Investment in Capital Assets	1,298,549.00	554,781.00			1,853,330.00
Unrestricted	34,569.18	10,154.16	37,366.34	2,775.91	84,865.59
Total Net Position	1,333,118.18	564,935.16	37,366.34	2,775.91	1,938,195.59

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

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2016

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Garbage		
ASSETS					
<u>Current Assets:</u>					
Cash and Cash Equivalents	24,069.68	23,363.55	30,301.33	2,326.96	80,061.52
<u>Noncurrent Assets:</u>					
Capital Assets (net of accumulated depr):					
Buildings and Infrastructure	2,230,820.00	1,011,239.00			3,242,059.00
Total Assets	2,254,889.68	1,034,602.55	30,301.33	2,326.96	3,322,120.52
=====					
LIABILITIES					
<u>Current Liabilities:</u>					
Revenue Bonds Payable	50,000.00	20,000.00			70,000.00
<u>Noncurrent Liabilities:</u>					
Revenue Bonds Payable	885,000.00	435,000.00			1,320,000.00
Total Liabilities	935,000.00	455,000.00			1,390,000.00
<u>NET POSITION</u>					
Net Investment in Capital Assets	1,295,820.00	556,239.00			1,852,059.00
Unrestricted	24,069.68	23,363.55	30,301.33	2,326.96	80,061.52
Total Net Position	1,319,889.68	579,602.55	30,301.33	2,326.96	1,932,120.52
=====					

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

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2017

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Garbage		
Operating Revenues:					
Charges for Sales and Services:					
Water Collections	139,879.21				139,879.21
Sewer Collections		43,582.14			43,582.14
Garbage Collections			62,514.00		62,514.00
Recycling Fees				597.50	597.50
Other Collections	950.00				950.00
Total Operating Revenues	140,829.21	43,582.14	62,514.00	597.50	247,522.85
Operating Expenses:					
Repairs and Maintenance	15,079.31	21,628.13			36,707.44
Water Purchases	54,818.50				54,818.50
Sanitation Contract			54,475.75		54,475.75
Recycling				148.55	148.55
Miscellaneous	14,574.78	3,788.40	973.24		19,336.42
Depreciation	47,271.00	21,458.00			68,729.00
Total Operating Expenses	131,743.59	46,874.53	55,448.99	148.55	234,215.66
Operating Income (Loss)	9,085.62	(3,292.39)	7,065.01	448.95	13,307.19
Non-Operating Revenues (Expenses):					
Miscellaneous Revenues	12,192.88				12,192.88
Interest and Service Charges	(28,050.00)	(11,375.00)			(39,425.00)
Total Non-Operating Revenues (Expenses)	(15,857.12)	(11,375.00)			(27,232.12)
Income (Loss) Before Transfers	(6,771.50)	(14,667.39)	7,065.01	448.95	(13,924.93)
Transfers In	20,000.00				20,000.00
Change in Net Position	13,228.50	(14,667.39)	7,065.01	448.95	6,075.07
Net Position - January 1	1,319,889.68	579,602.55	30,301.33	2,326.96	1,932,120.52
Net Position - December 31	1,333,118.18	564,935.16	37,366.34	2,775.91	1,938,195.59

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

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2016

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Garbage		
Operating Revenues:					
Charges for Sales and Services:					
Water Collections	113,492.39				113,492.39
Sewer Collections		42,187.94			42,187.94
Garbage Collections			66,785.84		66,785.84
Recycling Fees				620.13	620.13
Other Collections	1,970.00				1,970.00
Total Operating Revenues	115,462.39	42,187.94	66,785.84	620.13	225,056.30
Operating Expenses:					
Repairs and Maintenance		21,052.02			21,052.02
Utilities	2,325.81	1,838.90			4,164.71
Water Purchases	54,553.44				54,553.44
Sanitation Contract			61,495.50		61,495.50
Recycling				130.56	130.56
Miscellaneous	2,557.16	4,298.21	55.00		6,910.37
Depreciation	47,271.00	21,458.00			68,729.00
Total Operating Expenses	106,707.41	48,647.13	61,550.50	130.56	217,035.60
Operating Income (Loss)	8,754.98	(6,459.19)	5,235.34	489.57	8,020.70
Non-Operating Revenues (Expenses):					
Miscellaneous Revenues	1,262.53				1,262.53
Interest and Service Charges	(29,550.00)	(11,875.00)			(41,425.00)
Total Non-Operating Revenues (Expenses)	(28,287.47)	(11,875.00)			(40,162.47)
Change in Net Position	(19,532.49)	(18,334.19)	5,235.34	489.57	(32,141.77)
Net Position - January 1	1,339,422.17	597,936.74	25,065.99	1,837.39	1,964,262.29
Net Position - December 31	1,319,889.68	579,602.55	30,301.33	2,326.96	1,932,120.52

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

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2017

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Garbage		
<u>Cash flows from operating activities:</u>					
Receipts from customers	140,829.21	43,582.14	62,514.00	597.50	247,522.85
Payments to suppliers	(84,472.59)	(25,416.53)	(55,448.99)	(148.55)	(165,486.66)
Net cash provided (used) by operating activities	56,356.62	18,165.61	7,065.01	448.95	82,036.19
<u>Cash flows from noncapital financing activities:</u>					
Miscellaneous receipts	12,192.88				12,192.88
Transfers in	20,000.00				20,000.00
Net cash provided (used) by noncapital financing activities	32,192.88				32,192.88
<u>Cash flows from capital and related financing activities:</u>					
Principal payments	(50,000.00)	(20,000.00)			(70,000.00)
Interest payments	(28,050.00)	(11,375.00)			(39,425.00)
Net cash provided (uses) by capital and related financing activities	(78,050.00)	(31,375.00)			(109,425.00)
Net increase (decrease) in cash and cash equivalents	10,499.50	(13,209.39)	7,065.01	448.95	4,804.07
Cash and cash equivalents, January 1	24,069.68	23,363.55	30,301.33	2,326.96	80,061.52
Cash and cash equivalents, December 31	34,569.18	10,154.16	37,366.34	2,775.91	84,865.59
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>					
Operating income (loss)	9,085.62	(3,292.39)	7,065.01	448.95	13,307.19
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Depreciation expense	47,271.00	21,458.00			68,729.00
Net cash provided (used) by operating activities	56,356.62	18,165.61	7,065.01	448.95	82,036.19

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

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2016

	Major Enterprise Funds			Other Enterprise Fund	Total Enterprise Funds
	Water	Sewer	Garbage		
<u>Cash flows from operating activities:</u>					
Receipts from customers	115,462.39	42,187.94	66,785.84	620.13	225,056.30
Payments to suppliers	(59,436.41)	(27,189.13)	(61,550.50)	(130.56)	(148,306.60)
Net cash provided (used) by operating activities	56,025.98	14,998.81	5,235.34	489.57	76,749.70
<u>Cash flows from noncapital financing activities:</u>					
Miscellaneous receipts	1,262.53				1,262.53
<u>Cash flows from capital and related financing activities:</u>					
Principal payments	(50,000.00)	(20,000.00)			(70,000.00)
Interest payments	(29,550.00)	(11,875.00)			(41,425.00)
Net cash provided (uses) by capital and related financing activities	(79,550.00)	(31,875.00)			(111,425.00)
Net increase (decrease) in cash and cash equivalents	(22,261.49)	(16,876.19)	5,235.34	489.57	(33,412.77)
Cash and cash equivalents, January 1	46,331.17	40,239.74	25,065.99	1,837.39	113,474.29
Cash and cash equivalents, December 31	24,069.68	23,363.55	30,301.33	2,326.96	80,061.52
=====					
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>					
Operating income (loss)	8,754.98	(6,459.19)	5,235.34	489.57	8,020.70
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>					
Depreciation expense	47,271.00	21,458.00			68,729.00
Net cash provided (used) by operating activities	56,025.98	14,998.81	5,235.34	489.57	76,749.70
=====					

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

CITY OF BOWBELLS
Bowbells, North Dakota

Statement of Fiduciary Assets and Liabilities
Modified Cash Basis - Agency Fund
December 31, 2016

	Agency Fund
<u>Assets:</u>	
Cash, Cash Equivalents and Investments	2,800.37
<u>Liabilities:</u>	
Due to Other Governments	2,800.37

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

CITY OF BOWBELLS
Bowbells, North Dakota

Notes to the Financial Statements
December 31, 2017 and 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The city reports the following major governmental funds:

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

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

Recreation. This fund accounts for a special tax levy and various recreation program revenues and related expenses.

The city reports the following major enterprise funds:

Water. This fund accounts for the activities of the city's water distribution system.

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

Garbage. This fund accounts for the activities of the city's garbage collection system.

The city reports the following fund type:

Agency Fund. This fund accounts for assets held by the city in a custodial capacity as an agent on behalf of others. The city's agency fund is used to account for various deposits of other governments.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings and Infrastructure	20 to 75 years
Machinery and Vehicles	5 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. 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.

I. 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.

J. Use of Estimates

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2017 the city's carrying amount of deposits was \$1,209,599 and the bank balance was \$1,219,469. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$969,469 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2016 the city's carrying amount of deposits was \$1,322,121 and the bank balance was \$1,332,307. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$1,082,307 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

At December 31, 2017 the city held certificates of deposit in the amount of \$510,983, which are all considered deposits.

At December 31, 2016 the city held certificates of deposit in the amount of \$760,618, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 INTERFUND RECEIVABLE/PAYABLE

Interfund receivable/payable is created by a negative cash balance in the highway fund. The amount shown as an interfund payable represents the amount of negative cash in the fund. Interfund receivable/payable for the year ended December 31, 2017 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General	2,376.71	
Highway		2,376.71

Note 5 CAPITAL ASSETS

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

	<u>2017</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	90,000			90,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	415,800			415,800
Machinery and Vehicles	588,775			588,775
Total	<u>1,004,575</u>			<u>1,004,575</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	265,610	8,290		273,900
Machinery and Vehicles	153,790	36,273		190,063
Total	<u>419,400</u>	<u>44,563</u>		<u>463,963</u>
Total capital assets being depreciated, net	<u>585,175</u>	<u>(44,563)</u>		<u>540,612</u>
Governmental Activities Capital Assets, Net	<u>675,175</u>	<u>(44,563)</u>	<u>-0-</u>	<u>630,612</u>

2016

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	90,000			90,000
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	415,800			415,800
Machinery and Vehicles	400,530	251,275	63,030	588,775
Total	<u>816,330</u>	<u>251,275</u>	<u>63,030</u>	<u>1,004,575</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	257,320	8,290		265,610
Machinery and Vehicles	160,483	56,337	63,030	153,790
Total	<u>417,803</u>	<u>64,627</u>	<u>63,030</u>	<u>419,400</u>
Total capital assets being depreciated, net	<u>398,527</u>	<u>186,648</u>		<u>585,175</u>
Governmental Activities Capital Assets, Net	<u>488,527</u>	<u>186,648</u>	<u>-0-</u>	<u>675,175</u>
	=====	=====	=====	=====

2017

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	3,495,463			3,495,463
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	253,404	68,729		322,133
Business-type Activities Capital Assets, Net	<u>3,242,059</u>	<u>(68,729)</u>	<u>-0-</u>	<u>3,173,330</u>
	=====	=====	=====	=====

2016

	Balance January 1	Increases	Decreases	Balance December 31
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	3,495,463			3,495,463
<hr/>				
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	184,675	68,729		253,404
<hr/>				
Business-type Activities Capital Assets, Net	3,310,788	(68,729)	-0-	3,242,059
	=====	=====	=====	=====

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

	2017	2016
<u>Governmental Activities:</u>		
General Government	4,000	4,000
Streets and Public Works	39,173	59,237
Other	1,390	1,390
Total	44,563	64,627
	=====	=====
<u>Business-type Activities:</u>		
Water	47,271	47,271
Sewer	21,458	21,458
Total	68,729	68,729
	=====	=====

Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2017 and 2016, the following changes occurred in liabilities reported in the long-term liabilities:

	2017				
	Balance January 1	Increases	Decreases	Balance December 31	Due Within One Year
Revenue Bonds	1,390,000	-0-	70,000	1,320,000	70,000
	=====	=====	=====	=====	=====

2016

	<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>
Revenue Bonds	1,460,000	-0-	70,000	1,390,000	70,000
	=====	=====	=====	=====	=====

Outstanding debt at December 31, 2017 consists of the following:

Business-Type Activities (Proprietary Funds):

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, 2017, are as follows:

\$1,073,100 Water Improvement Revenue Bonds, Series, 2011, due in annual installments of \$50,000 to \$80,000 through September 1, 2031; is at 2.5%.	885,000
\$498,020 Sewer Improvement Revenue Bonds, Series, 2014, due in annual installments of \$20,000 to \$30,000 through September 1, 2034; is at 2%.	435,000
	1,320,000
	=====
Total Revenue Bonds Payable	1,320,000
	=====

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2018	70,000	30,825
2019	75,000	29,175
2020	75,000	27,400
2021	80,000	25,625
2022	85,000	23,750
2023-2027	440,000	88,375
2028-2032	440,000	33,275
2033-2034	55,000	1,600
Total	1,320,000	260,025
	=====	=====

Note 7 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, 2017</u>		
General	4,312.69	
Highway	6,228.26	
Library	57.18	
Recreation	895.41	
Social Security		11,493.54
To close fund.		
Highway	230,000.00	
Recreation	9,000.00	
Water	20,000.00	
General		259,000.00
To subsidize expenditures.		
<u>December 31, 2016</u>		
Highway	411,644.35	
Recreation	180,000.00	
General		591,644.35
To subsidize expenditures.		

Note 8 DEFICIT FUND BALANCE

At December 31, 2017 the highway fund had a deficit balance in the amount of \$2,376.71. The city plans on eliminating this deficit with future revenue collections and/or transfers from other funds.

Note 9 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$473,370 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 \$576000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 10 PENSION PLAN

The city provides benefits for all of its full-time employees through a SEP defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city contributes 5% of the employee's gross salary for the year. During the years ended December 31, 2017 and 2016, the city contributed \$6,695.56 and \$6,500.54, respectively.

CITY OF BOWBELLS
Bowbells, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	69,011.03	69,011.03	56,956.25	(12,054.78)
Licenses, Permits and Fees	39,955.00	39,955.00	6,134.24	(33,820.76)
Intergovernmental	314,647.50	314,647.50	366,664.08	52,016.58
Miscellaneous	3,300.00	3,300.00	9,696.29	6,396.29
Total Revenues	426,913.53	426,913.53	439,450.86	12,537.33
<u>Expenditures:</u>				
Current:				
General Government	139,330.70	139,330.70	140,569.70	(1,239.00)
Public Safety	24,600.00	24,600.00	23,034.94	1,565.06
Culture and Recreations	3,000.00	3,000.00	2,766.74	233.26
Total Expenditures	166,930.70	166,930.70	166,371.38	559.32
Excess (Deficiency) of Revenues Over Expenditures	259,982.83	259,982.83	273,079.48	13,096.65
<u>Other Financing Sources (Uses):</u>				
Transfers In	4,963.10	4,963.10	4,312.69	(650.41)
Transfers Out	(204,000.00)	(204,000.00)	(259,000.00)	(55,000.00)
Total Other Financing Sources (Uses)	(199,036.90)	(199,036.90)	(254,687.31)	(55,650.41)
Net Change in Fund Balances	60,945.93	60,945.93	18,392.17	(42,553.76)
Fund Balance - January 1	1,062,332.52	1,062,332.52	1,062,332.52	
Fund Balance - December 31	1,123,278.45	1,123,278.45	1,080,724.69	(42,553.76)

CITY OF BOWBELLS
Bowbells, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	47,757.41	47,757.41	51,497.84	3,740.43
Licenses, Permits and Fees	4,305.00	4,305.00	41,732.13	37,427.13
Intergovernmental	292,090.00	292,090.00	334,294.47	42,204.47
Miscellaneous	3,320.00	3,320.00	9,276.77	5,956.77
Total Revenues	347,472.41	347,472.41	436,801.21	89,328.80
<u>Expenditures:</u>				
Current:				
General Government	144,584.33	144,584.33	144,718.31	(133.98)
Public Safety	23,800.00	23,800.00	22,643.88	1,156.12
Streets and Public Works			800.00	(800.00)
Culture and Recreation	34,000.00	34,000.00	28,643.29	5,356.71
Total Expenditures	202,384.33	202,384.33	196,805.48	5,578.85
Excess (Deficiency) of Revenues Over Expenditures	145,088.08	145,088.08	239,995.73	94,907.65
<u>Other Financing Sources (Uses):</u>				
Transfers In	5,221.21	5,221.21		(5,221.21)
Transfers Out	(75,000.00)	(75,000.00)	(591,644.35)	(516,644.35)
Total Other Financing Sources (Uses)	(69,778.79)	(69,778.79)	(591,644.35)	(521,865.56)
Net Change in Fund Balances	75,309.29	75,309.29	(351,648.62)	(426,957.91)
Fund Balance - January 1	1,413,981.14	1,413,981.14	1,413,981.14	
Fund Balance - December 31	1,489,290.43	1,489,290.43	1,062,332.52	(426,957.91)

CITY OF BOWBELLS
Bowbells, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Licenses, Permits and Fees	5,750.00	5,750.00	5,904.32	154.32
Intergovernmental	40,043.91	40,043.91	38,594.86	(1,449.05)
Miscellaneous	200.00	200.00	10,043.98	9,843.98
Total Revenues	45,993.91	45,993.91	54,543.16	8,549.25
<u>Expenditures:</u>				
Current:				
Streets and Public Works	346,806.25	346,806.25	406,874.22	(60,067.97)
Excess (Deficiency) of Revenues Over Expenditures	(300,812.34)	(300,812.34)	(352,331.06)	(51,518.72)
<u>Other Financing Sources:</u>				
Transfers In	200,000.00	200,000.00	236,228.26	36,228.26
Net Change in Fund Balances	(100,812.34)	(100,812.34)	(116,102.80)	(15,290.46)
Fund Balance - January 1	113,726.09	113,726.09	113,726.09	
Fund Balance - December 31	12,913.75	12,913.75	(2,376.71)	(15,290.46)

CITY OF BOWBELLS
Bowbells, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Highway Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Licenses, Permits and Fees			4,816.00	4,816.00
Intergovernmental	49,473.93	49,473.93	39,118.68	(10,355.25)
Miscellaneous	275.00	275.00	8,484.28	8,209.28
Total Revenues	49,748.93	49,748.93	52,418.96	2,670.03
<u>Expenditures:</u>				
Current:				
Streets and Public Works	95,013.81	95,013.81	226,847.15	(131,833.34)
Capital Outlay	251,275.00	251,275.00	251,275.00	
Total Expenditures	346,288.81	346,288.81	478,122.15	(131,833.34)
Excess (Deficiency) of Revenues Over Expenditures	(296,539.88)	(296,539.88)	(425,703.19)	(129,163.31)
<u>Other Financing Sources:</u>				
Transfers In	7,331.17	7,331.17	411,644.35	404,313.18
Net Change in Fund Balances	(289,208.71)	(289,208.71)	(14,058.84)	275,149.87
Fund Balance - January 1	127,784.93	127,784.93	127,784.93	
Fund Balance - December 31	(161,423.78)	(161,423.78)	113,726.09	275,149.87

CITY OF BOWBELLS
Bowbells, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	9,000.00	9,000.00	11,000.00	2,000.00
Licenses, Permits and Fees	7,400.00	7,400.00	10,568.00	3,168.00
Miscellaneous	2,558.00	2,558.00	3,984.27	1,426.27
Total Revenues	18,958.00	18,958.00	25,552.27	6,594.27
<u>Expenditures:</u>				
Current:				
Culture and Recreation	41,365.50	41,365.50	39,276.41	2,089.09
Excess (Deficiency) of Revenues Over Expenditures	(22,407.50)	(22,407.50)	(13,724.14)	8,683.36
<u>Other Financing Sources:</u>				
Transfers In	9,000.00	9,000.00	9,895.41	895.41
Net Change in Fund Balances	(13,407.50)	(13,407.50)	(3,828.73)	9,578.77
Fund Balance - January 1	20,960.55	20,960.55	20,960.55	
Fund Balance - December 31	7,553.05	7,553.05	17,131.82	9,578.77

CITY OF BOWBELLS
Bowbells, North Dakota

Budgetary Comparison Schedule - Modified Cash Basis
Recreation Fund
For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	9,000.00	9,000.00	9,500.00	500.00
Licenses, Permits and Fees	1,250.00	1,250.00	7,427.00	6,177.00
Intergovernmental			1,600.00	1,600.00
Miscellaneous	508.00	508.00	4,189.55	3,681.55
Total Revenues	10,758.00	10,758.00	22,716.55	11,958.55
<u>Expenditures:</u>				
Current:				
Culture and Recreation	191,172.35	191,172.35	190,910.11	262.24
Excess (Deficiency) of Revenues Over Expenditures	(180,414.35)	(180,414.35)	(168,193.56)	12,220.79
<u>Other Financing Sources:</u>				
Transfers In	1,522.35	1,522.35	180,000.00	178,477.65
Net Change in Fund Balances	(178,892.00)	(178,892.00)	11,806.44	190,698.44
Fund Balance - January 1	9,154.11	9,154.11	9,154.11	
Fund Balance - December 31	(169,737.89)	(169,737.89)	20,960.55	190,698.44

CITY OF BOWBELLS
Bowbells, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2017 and 2016

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

The governing board did not amend the budgets during the years ended December 31, 2017 and 2016.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31:

	<u>2017</u>	<u>2016</u>
<u>Special Revenue Funds</u>		
Highway	60,067.97	131,833.34
Social Security	7,684.96	

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

CITY OF BOWBELLS
Bowbells, North Dakota

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

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
Major Governmental Funds						
General	1,062,332.52	439,450.86	4,312.69	259,000.00	166,371.38	1,080,724.69
Highway	113,726.09	54,543.16	236,228.26		406,874.22	(2,376.71)
Recreation	20,960.55	25,552.27	9,895.41		39,276.41	17,131.82
Total Major Governmental Funds	1,197,019.16	519,546.29	250,436.36	259,000.00	612,522.01	1,095,479.80
Non-Major Governmental Funds						
Social Security	19,178.50	85.70		11,493.54	7,684.96	85.70
Library	12,424.35	4,838.04	57.18		1,197.35	16,122.22
Airport	10,636.92	4,887.30			2,479.01	13,045.21
Total Non-Major Governmental Funds	42,239.77	9,811.04	57.18	11,493.54	11,361.32	29,253.13
Total Governmental Funds	1,239,258.93	529,357.33	250,493.54	270,493.54	623,883.33	1,124,732.93
Major Enterprise Funds						
Water	24,069.68	153,022.09	20,000.00		162,522.59	34,569.18
Sewer	23,363.55	43,582.14			56,791.53	10,154.16
Garbage	30,301.33	62,514.00			55,448.99	37,366.34
Total Major Enterprise Funds	77,734.56	259,118.23	20,000.00		274,763.11	82,089.68
Non-Major Enterprise Fund						
Recycling	2,326.96	597.50			148.55	2,775.91
Total Enterprise Funds	80,061.52	259,715.73	20,000.00		274,911.66	84,865.59
Agency Fund						
Park	2,800.37	2,523.41			5,323.78	
Total All Funds	1,322,120.82	791,596.47	270,493.54	270,493.54	904,118.77	1,209,598.52

CITY OF BOWBELLS
Bowbells, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2016

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
<u>Major Governmental Funds</u>						
General	1,413,981.14	436,801.21		591,644.35	196,805.48	1,062,332.52
Highway	127,784.93	52,418.96	411,644.35		478,122.15	113,726.09
Recreation	9,154.11	22,716.55	180,000.00		190,910.11	20,960.55
Total Major Governmental Funds	1,550,920.18	511,936.72	591,644.35	591,644.35	865,837.74	1,197,019.16
<u>Non-Major Governmental Funds</u>						
Social Security	18,890.80	287.70				19,178.50
Library	9,491.76	4,409.15			1,476.56	12,424.35
Airport	8,432.28	4,423.15			2,218.51	10,636.92
Total Non-Major Governmental Funds	36,814.84	9,120.00			3,695.07	42,239.77
Total Governmental Funds	1,587,735.02	521,056.72	591,644.35	591,644.35	869,532.81	1,239,258.93
<u>Major Enterprise Funds</u>						
Water	46,331.17	116,724.92			138,986.41	24,069.68
Sewer	40,239.74	42,187.94			59,064.13	23,363.55
Garbage	25,065.99	66,785.84			61,550.50	30,301.33
Total Major Enterprise Funds	111,636.90	225,698.70			259,601.04	77,734.56
<u>Non-Major Enterprise Fund</u>						
Recycling	1,837.39	620.13			130.56	2,326.96
Total Enterprise Funds	113,474.29	226,318.83			259,731.60	80,061.52
<u>Agency Fund</u>						
Park	3,909.26	2,800.37			3,909.26	2,800.37
Total All Funds	1,705,118.57	750,175.92	591,644.35	591,644.35	1,133,173.67	1,322,120.82

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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 Bowbells
Bowbells, 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 Bowbells, Bowbells, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated June 22, 2018.

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 audit 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

June 22, 2018

CITY OF BOWBELLS
Bowbells, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

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

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, 2017 and 2016 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.