

AUDIT REPORT

**CITY OF EDGELEY
Edgeley, North Dakota**

For the Years Ended December 31, 2017 and 2016

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF EDGELEY
Edgeley, North Dakota

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CITY OF EDGELEY
Edgeley, North Dakota

CITY OFFICIALS

Steven Powers	Mayor
Michelle Berry	Council Member
Richard Gutschmidt	Council Member
Wayne Henderson	Council Member
Todd Kosel	Council Member
Joseph Neis	Auditor

Rath & Mehrer, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Edgeley
Edgeley, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Edgeley, Edgeley, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Edgeley, Edgeley, 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 years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 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, P.C.

Bismarck, North Dakota

September 14, 2018

CITY OF EDGELEY

Management's Discussion and Analysis

December 31, 2017 and 2016

The Management's Discussion and Analysis (MD&A) of the City of Edgeley'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 increased \$42,838 as a result of the current year's operations. Net position of the governmental activities increased \$99,392 and net position of the business-type activities decreased \$56,554.
- * Governmental net position totaled \$625,416 and business-type net position totaled \$1,312,350.
- * Total revenues from all sources were \$461,483 for governmental activities and \$693,942 for business-type activities.
- * Total expenses were \$382,091 for governmental activities and \$730,496 for business-type activities.
- * The city's general fund had \$170,803 in total revenues and \$180,366 in total expenditures. There was a total of \$75,000 received from other financing sources. Overall, the general fund balance increased by \$65,437 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 \$94,462 as a result of the current year's operations. Net position of the governmental activities decreased \$40,368 and net position of the business-type activities decreased \$54,094.
- * Governmental net position totaled \$526,024 and business-type net position totaled \$1,368,904.
- * Total revenues from all sources were \$408,450 for governmental activities and \$378,105 for business-type activities.
- * Total expenses were \$438,818 for governmental activities and \$442,199 for business-type activities.
- * The city's general fund had \$147,716 in total revenues and \$208,751 in total expenditures. There was a total of \$39,645 received from other financing sources. Overall, the general fund balance decreased by \$21,390 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, culture and recreation and debt service. 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 city sales tax 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".

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 increased by \$42,838 and decreased by \$94,462 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 \$1,937,766 is segregated into three separate categories. Net investment in capital assets represents 71% 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 36% 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 a deficit 7% 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	379,224	178,866
Capital Assets (net of accumulated depreciation)	963,042	1,547,484
Total Assets	<u>1,342,266</u>	<u>1,726,350</u>
<u>Liabilities</u>		
Current Liabilities	113,943	23,800
Long-Term Liabilities	602,907	390,200
Total Liabilities	<u>716,850</u>	<u>414,000</u>
<u>Net Position</u>		
Net Investment in Capital Assets	246,192	1,133,484
Restricted	417,171	271,224
Unrestricted	(37,948)	(92,358)
Total Net Position	<u>625,416</u> =====	<u>1,312,350</u> =====

As of December 31, 2016, the city's net position of \$1,894,928 is segregated into three separate categories. Net investment in capital assets represents 75% 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 33% 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 a deficit 8% 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	274,947	203,061
Capital Assets (net of accumulated depreciation)	1,020,513	1,603,343
Total Assets	<u>1,295,460</u>	<u>1,806,404</u>
<u>Liabilities</u>		
Current Liabilities	52,586	23,500
Long-Term Liabilities	716,850	414,000
Total Liabilities	<u>769,435</u>	<u>437,500</u>
<u>Net Position</u>		
Net Investment in Capital Assets	251,078	1,165,843
Restricted	364,337	266,041
Unrestricted	(89,391)	(62,980)
Total Net Position	<u>526,024</u> =====	<u>1,368,904</u> =====

Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Assets		
Current Assets	308,714	224,796
Capital Assets (net of accumulated depreciation)	1,079,359	1,659,002
Total Assets	1,388,073	1,883,798
Liabilities		
Current Liabilities	52,246	23,300
Long-Term Liabilities	769,435	437,500
Total Liabilities	821,681	460,800
Net Position		
Net Investment in Capital Assets	257,678	1,198,202
Restricted	332,945	260,068
Unrestricted	(24,230)	(35,273)
Total Net Position	566,392	1,422,998

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	2,015	383,697
Operating Grants and Contributions	70,276	310,217
General Revenues:		
Property Taxes	111,363	
Other Taxes	194,789	
Intergovernmental - Unrestricted	31,785	
Interest Earnings and Other Revenue	51,255	28
Total Revenues	461,483	693,942
Expenses		
General Government	112,491	
Public Safety	13,519	
Streets and Public Works	138,478	
Urban and Economic Development	12,800	
Culture and Recreation	46,976	
Other	31,692	
Interest on Long-Term Debt	26,135	
Water		502,830
Sewer		116,953
Garbage		110,713
Total Expenses	382,091	730,496
Net Change in Position Before Transfers	79,392	(36,554)
Transfers	20,000	(20,000)
Net Change in Position	99,392	(56,554)

Property taxes constituted 10%, other taxes 17%, unrestricted intergovernmental 3%, operating grants and contributions 33%, and charges for services made up 33% of the total revenues of all activities of the city for the fiscal year ended December 31, 2017.

General government constituted 10%, public safety 1%, streets and public works 12% and enterprise 66% 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	2,965	347,020
Operating Grants and Contributions	75,190	31,039
<u>General Revenues:</u>		
Property Taxes	83,861	
Other Taxes	179,298	
Intergovernmental - Unrestricted	35,795	
Interest Earnings and Other Revenue	31,342	46
Total Revenues	<u>408,450</u>	<u>378,105</u>
Expenses		
General Government	150,240	
Public Safety	32,784	
Streets and Public Works	140,154	
Urban and Economic Development	12,800	
Culture and Recreation	45,300	
Other	30,479	
Interest on Long-Term Debt	27,061	
Water		231,495
Sewer		105,798
Garbage		104,906
Total Expenses	<u>438,818</u>	<u>442,199</u>
Net Change in Position Before Transfers	<u>(30,368)</u>	<u>(64,094)</u>
Transfers	<u>(10,000)</u>	<u>10,000</u>
Net Change in Position	<u>(40,368)</u> =====	<u>(54,094)</u> =====

Property taxes constituted 11%, other taxes 23%, unrestricted intergovernmental 5%, operating grants and contributions 14%, and charges for services made up 45% of the total revenues of all activities of the city for the fiscal year ended December 31, 2016.

General government constituted 17%, public safety 4%, streets and public works 16% and enterprise 50% 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	14,150	330,452
Operating Grants and Contributions	79,409	33,065
<u>General Revenues:</u>		
Property Taxes	74,227	
Other Taxes	183,549	
Intergovernmental - Unrestricted	54,507	
Interest Earnings and Other Revenue	37,051	1,994
Total Revenues	442,893	365,511
Expenses		
General Government	130,618	
Public Safety	31,836	
Streets and Public Works	203,132	
Health and Welfare	12,800	
Urban and Economic Development	49,693	
Culture and Recreation	27,319	
Other	27,912	
Water		144,876
Sewer		118,492
Garbage		100,086
Total Expenses	483,311	363,454
Net Change in Position Before Transfers	(40,418)	2,057
Transfers	30,000	(30,000)
Net Change in Position	(10,418)	(27,943)
	=====	=====

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

	Total Cost Year Ended <u>Dec. 31, 2017</u>	Net Cost Year Ended <u>Dec. 31, 2017</u>
General Government	112,491	110,476
Public Safety	13,519	13,519
Streets and Public Works	138,478	75,926
Urban and Economic Development	12,800	12,800
Culture and Recreation	46,976	46,976
Other	31,692	23,968
Interest on Long-Term Debt	26,135	26,135
Total Expenses	<u>382,091</u> =====	<u>309,801</u> =====

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	150,240	147,275
Public Safety	32,784	32,784
Streets and Public Works	140,154	79,215
Urban and Economic Development	12,800	12,800
Culture and Recreation	45,300	45,300
Other	30,479	16,228
Interest on Long-Term Debt	27,061	27,061
Total Expenses	<u>438,818</u> =====	<u>360,663</u> =====

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 \$461,483 and expenditures of \$377,206 for the year ended December 31, 2017. For the year ended December 31, 2016, the city's governmental funds had total revenue of \$408,450 and expenditures of \$432,218. As of December 31, 2017, the unassigned fund balance of the city's general fund was \$58,440 and total unassigned fund balances for all the city's governmental funds was (\$37,948). As of December 31, 2016, the unassigned fund balance of the city's general fund was (\$6,996) and total unassigned fund balances for all the city's governmental funds was (\$89,391).

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 \$21,897 less than budgeted. This variance was mainly due to the city overestimating collections for licenses, permits and fees and for miscellaneous purposes. Actual expenditures for the year ended December 31, 2017 were under budget by \$46,628. This variance was mainly due to the city overestimating appropriations for public safety.

Actual revenue for the year ended December 31, 2016 was \$9,684 less than budgeted. Actual expenditures for the year ended December 31, 2016 were over budget by \$6,890.

CAPITAL ASSETS

As of December 31, 2017 and 2016, the city had \$2,510,526 and \$2,623,856, 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>
Buildings and Infrastructure	866,180	1,547,484
Machinery and Vehicles	96,862	
Total (net of depreciation)	<u>963,042</u> =====	<u>1,547,484</u> =====

This total represents a decrease of \$113,330 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>
Buildings and Infrastructure	906,720	1,603,343
Machinery and Vehicles	113,793	
Total (net of depreciation)	<u>1,020,513</u> =====	<u>1,603,343</u> =====

This total represents a decrease of \$114,505 in capital assets from January 1, 2016.

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

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	947,260	1,659,002
Machinery and Vehicles	132,099	
Total (net of depreciation)	1,079,359	1,659,002

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 6 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2017, the city had \$1,130,849 in outstanding debt of which \$137,743 was due within one year. As of December 31, 2016, the city had \$1,206,935 in outstanding debt of which \$76,086 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 8 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 Joseph Neis, City Auditor, Edgeley, ND.

CITY OF EDGELEY
Edgeley, North Dakota

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Edgeley Airport Authority	Edgeley Library
ASSETS:					
Cash, Cash Equivalents and Investments	377,623.81	178,865.71	556,489.52	74,507.47	180,243.88
Assessments Receivable	1,600.00		1,600.00		
Capital Assets (net of accumulated depreciation):					
Land				148,500.00	
Buildings and Infrastructure	866,180.00	1,547,484.00	2,413,664.00	2,034,394.00	
Machinery and Vehicles	96,862.00		96,862.00	17,476.00	
Total Capital Assets	963,042.00	1,547,484.00	2,510,526.00	2,200,370.00	
Total Assets	1,342,265.81	1,726,349.71	3,068,615.52	2,274,877.47	180,243.88
LIABILITIES:					
Long-Term Liabilities:					
Due Within One Year:					
Capital Lease Payable	65,270.31		65,270.31		
Loan Payable	23,672.51		23,672.51		
Special Assessment Bonds Payable		15,000.00	15,000.00		
Revenue Bonds Payable	25,000.00	8,800.00	33,800.00		
Due After One Year:					
Loan Payable	142,906.73		142,906.73		
Special Assessment Bonds Payable		235,000.00	235,000.00		
Revenue Bonds Payable	460,000.00	155,200.00	615,200.00		
Total Liabilities	716,849.55	414,000.00	1,130,849.55		
NET POSITION:					
Net Investment in Capital Assets	246,192.45	1,133,484.00	1,379,676.45	2,200,370.00	
Restricted for:					
Debt Service		271,223.62	271,223.62		
Special Purposes	417,171.46		417,171.46		
Unrestricted	(37,947.65)	(92,357.91)	(130,305.56)	74,507.47	180,243.88
Total Net Position	625,416.26	1,312,349.71	1,937,765.97	2,274,877.47	180,243.88

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Edgeley Airport Authority	Edgeley Library
ASSETS:					
Cash, Cash Equivalents and Investments	273,346.65	203,060.98	476,407.63	29,852.03	57,712.06
Assessments Receivable	1,600.00		1,600.00		
Capital Assets (net of accumulated depreciation):					
Land				148,500.00	
Buildings and Infrastructure	906,720.00	1,603,343.00	2,510,063.00	2,117,796.00	
Machinery and Vehicles	113,793.00		113,793.00	20,592.00	
Total Capital Assets	1,020,513.00	1,603,343.00	2,623,856.00	2,286,888.00	
Total Assets	1,295,459.65	1,806,403.98	3,101,863.63	2,316,740.03	57,712.06
LIABILITIES:					
Long-Term Liabilities:					
Due Within One Year:					
Capital Lease Payable	4,148.83		4,148.83		
Loan Payable	23,437.05		23,437.05		
Special Assessment Bonds Payable		15,000.00	15,000.00		
Revenue Bonds Payable	25,000.00	8,500.00	33,500.00		
Due After One Year:					
Capital Lease Payable	65,270.31		65,270.31		
Loan Payable	166,579.24		166,579.24		
Special Assessment Bonds Payable		250,000.00	250,000.00		
Revenue Bonds Payable	485,000.00	164,000.00	649,000.00		
Total Liabilities	769,435.43	437,500.00	1,206,935.43		
NET POSITION:					
Net Investment in Capital Assets	251,077.57	1,165,843.00	1,416,920.57	2,286,888.00	
Restricted for:					
Debt Service		266,040.92	266,040.92		
Special Purposes	364,337.36		364,337.36		
Unrestricted	(89,390.71)	(62,979.94)	(152,370.65)	29,852.03	57,712.06
Total Net Position	526,024.22	1,368,903.98	1,894,928.20	2,316,740.03	57,712.06

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

CITY OF EDGELEY
Edgeley, North Dakota

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

Net (Expense) Revenue and Changes in Net Position

Functions/Programs	Program Revenues			Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Edgeley Airport Authority	Edgeley Library
<u>Primary Government:</u>									
<u>Governmental Activities:</u>									
General Government	112,490.61	2,015.00			(110,475.61)		(110,475.61)		
Public Safety	13,518.90				(13,518.90)		(13,518.90)		
Streets and Public Works	138,477.91		62,551.72		(75,926.19)		(75,926.19)		
Urban and Economic Development	12,800.00				(12,800.00)		(12,800.00)		
Culture and Recreation	46,976.46				(46,976.46)		(46,976.46)		
Other	31,692.29		7,724.00		(23,968.29)		(23,968.29)		
Interest on Long-Term Debt	26,135.06				(26,135.06)		(26,135.06)		
Total Governmental Activities	382,091.23	2,015.00	70,275.72		(309,800.51)		(309,800.51)		
<u>Business-Type Activities:</u>									
Water	502,830.25	205,509.70	280,489.13			(16,831.42)	(16,831.42)		
Sewer	116,953.30	62,583.37	29,727.40			(24,642.53)	(24,642.53)		
Garbage	110,712.74	115,604.21				4,891.47	4,891.47		
Total Business-Type Activities	730,496.29	383,697.28	310,216.53			(36,582.48)	(36,582.48)		
Total Primary Government	1,112,587.52	385,712.28	380,492.25		(309,800.51)	(36,582.48)	(346,382.99)		
<u>Component Units:</u>									
Airport Authority	150,718.09	12,095.84		68,490.55				(70,131.70)	108,417.16
Library	12,350.31	3,000.00	117,767.47						
Total Component Units	163,068.40	15,095.84	117,767.47	68,490.55				(70,131.70)	108,417.16

General Revenues:

Taxes:

Property taxes; levied for general purposes
 Property taxes; levied for special purposes
 City sales taxes
 Restaurant and lodging taxes
 Telecommunications taxes
 Cigarette taxes
 Homestead credit taxes
 Intergovernmental revenue not restricted
 to specific programs
 Earnings on investments and other revenue
 Transfers

106,800.42
 4,562.50
 174,828.63
 12,414.58
 2,827.31
 1,619.74
 3,098.75
 31,785.28
 51,255.34
 20,000.00

106,800.42
 4,562.50
 174,828.63
 12,414.58
 2,827.31
 1,619.74
 3,098.75

28,144.04

4,207.30

31,785.28
 51,283.55

125.10

9,907.36

(20,000.00)

Total General Revenues and Transfers

409,192.55 (19,971.79) 389,220.76 28,269.14 14,114.66

Change in Net Position

99,392.04 (56,554.27) 42,837.77 (41,862.56) 122,531.82

Net Position - January 1

526,024.22 1,368,903.98 1,894,928.20 2,316,740.03 57,712.06

Net Position - December 31

625,416.26 1,312,349.71 1,937,765.97 2,274,877.47 180,243.88

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

CITY OF EDGELEY
Edgeley, North Dakota

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

Net (Expense) Revenue and Changes in Net Position

	Program Revenues			Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Edgeley Airport Authority	Edgeley Library
Functions/Programs									
Primary Government:									
<u>Governmental Activities:</u>									
General Government	150,240.49	2,965.00			(147,275.49)		(147,275.49)		
Public Safety	32,784.38				(32,784.38)		(32,784.38)		
Streets and Public Works	140,153.96		60,939.32		(79,214.64)		(79,214.64)		
Urban and Economic Development	12,800.00				(12,800.00)		(12,800.00)		
Culture and Recreation	45,300.00				(45,300.00)		(45,300.00)		
Other	30,478.60		14,251.00		(16,227.60)		(16,227.60)		
Interest on Long-Term Debt	27,060.50				(27,060.50)		(27,060.50)		
Total Governmental Activities	438,817.93	2,965.00	75,190.32		(360,662.61)		(360,662.61)		
<u>Business-Type Activities:</u>									
Water	231,495.31	198,210.93				(33,284.38)	(33,284.38)		
Sewer	105,797.56	51,745.79		31,038.54		(23,013.23)	(23,013.23)		
Garbage	104,906.21	97,063.61				(7,842.60)	(7,842.60)		
Total Business-Type Activities	442,199.08	347,020.33	31,038.54			(64,140.21)	(64,140.21)		
Total Primary Government	881,017.01	349,985.33	106,228.86		(360,662.61)	(64,140.21)	(424,802.82)		
Component Units:									
Airport Authority	146,713.45	33,386.71		683,100.18				569,773.44	(11,281.07)
Library	18,469.65	3,000.00		4,188.58					
Total Component Units	165,183.10	36,386.71	4,188.58	683,100.18				569,773.44	(11,281.07)

General Revenues:

Taxes:

Property taxes; levied for general purposes
 Property taxes; levied for special purposes
 City sales taxes
 Restaurant and lodging taxes
 Telecommunications taxes
 Cigarette taxes
 Homestead credit taxes
 Intergovernmental revenue not restricted
 to specific programs
 Earnings on investments and other revenue
 Transfers

79,377.29
 4,483.37
 160,789.72
 11,417.45
 2,827.31
 1,704.00
 2,559.35
 35,794.61
 31,341.59
 (10,000.00)

79,377.29
 4,483.37
 160,789.72
 11,417.45
 2,827.31
 1,704.00
 2,559.35
 35,794.61
 31,388.05

26,821.47

1,527.76
 5,188.71

Total General Revenues and Transfers

320,294.69

330,341.15

26,856.87

6,716.47

Change in Net Position

(40,367.92)

(94,461.67)

596,630.31

(4,564.60)

Net Position - January 1

566,392.14

1,989,389.87

1,720,109.72

62,276.66

Net Position - December 31

526,024.22

1,894,928.20

2,316,740.03

57,712.06

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Highway	City Sales Tax		
ASSETS:					
Cash, Cash Equivalents and Investments	58,440.39		289,014.17	30,169.25	377,623.81
Assessments Receivable	1,600.00				1,600.00
Interfund Receivables			96,388.04		96,388.04
<hr/>					
Total Assets	60,040.39	-0-	385,402.21	30,169.25	475,611.85
<hr/>					
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payables		45,808.22		50,579.82	96,388.04
<hr/>					
Fund Balances:					
Nonspendable:					
Assessments Receivable	1,600.00				1,600.00
Restricted for:					
General Government				4,702.58	4,702.58
Urban and Economic Development			108,100.04	14,830.48	122,930.52
Culture and Recreation			270,017.96		270,017.96
Conservation of Natural Resources				898.55	898.55
Capital Improvements			7,284.21		7,284.21
Other Special Purposes				9,737.64	9,737.64
Unassigned	58,440.39	(45,808.22)		(50,579.82)	(37,947.65)
<hr/>					
Total Fund Balances	60,040.39	(45,808.22)	385,402.21	(20,410.57)	379,223.81
<hr/>					
Total Liabilities and Fund Balances	60,040.39	-0-	385,402.21	30,169.25	475,611.85
<hr/>					

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Highway	City Sales Tax		
ASSETS:					
Cash, Cash Equivalents and Investments			253,673.37	19,673.28	273,346.65
Assessments Receivable	1,600.00				1,600.00
Interfund Receivables			89,390.71		89,390.71
<hr/>					
Total Assets	1,600.00	-0-	343,064.08	19,673.28	364,337.36
<hr style="border-top: 1px dashed black;"/>					
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payables	6,996.47	51,580.54		30,813.70	89,390.71
<hr/>					
Fund Balances:					
Nonspendable:					
Assessments Receivable	1,600.00				1,600.00
Restricted for:					
General Government				4,750.67	4,750.67
Urban and Economic Development			86,246.49	12,892.36	99,138.85
Culture and Recreation			233,240.58		233,240.58
Conservation of Natural Resources				894.87	894.87
Capital Improvements			23,577.01		23,577.01
Other Special Purposes				1,135.38	1,135.38
Unassigned	(6,996.47)	(51,580.54)		(30,813.70)	(89,390.71)
<hr/>					
Total Fund Balances	(5,396.47)	(51,580.54)	343,064.08	(11,140.42)	274,946.65
<hr/>					
Total Liabilities and Fund Balances	1,600.00	-0-	343,064.08	19,673.28	364,337.36
<hr style="border-top: 1px dashed black;"/>					

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

CITY OF EDGELEY
Edgeley, 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	379,223.81
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Total net position reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	1,532,809.00	
Less Accumulated Depreciation	(569,767.00)	
		963,042.00

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2017 are:

Capital Lease Payable	(65,270.31)	
Loan Payable	(166,579.24)	
Revenue Bonds Payable	(485,000.00)	
		(716,849.55)

Total Net Position of Governmental Activities	625,416.26
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The accompanying notes are an integral part of these financial statements.

CITY OF EDGELEY
Edgeley, 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		274,946.65
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	1,532,809.00	
Less Accumulated Depreciation	(512,296.00)	
Net Capital Assets		1,020,513.00
<p>Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2016 are:</p>		
Capital Lease Payable	(69,419.14)	
Loan Payable	(190,016.29)	
Revenue Bonds Payable	(510,000.00)	
Total Long-Term Liabilities		(769,435.43)
Total Net Position of Governmental Activities		526,024.22

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

CITY OF EDGELEY
Edgeley, 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				Total Governmental Funds
	General	Highway	City Sales Tax	Other Governmental Funds	
Revenues:					
Taxes	109,627.73		174,828.63	16,977.08	301,433.44
Licenses, Permits and Fees	2,015.00				2,015.00
Intergovernmental	38,204.82	60,746.80		7,827.87	106,779.49
Miscellaneous	20,955.64	3,877.18		26,422.52	51,255.34
Total Revenues	170,803.19	64,623.98	174,828.63	51,227.47	461,483.27
Expenditures:					
Current:					
General Government	86,947.64			23,009.97	109,957.61
Public Safety	11,300.00			618.90	11,918.90
Streets and Public Works	37,788.25	78,851.66			116,639.91
Urban and Economic Development	12,800.00				12,800.00
Culture and Recreation			10,000.00	5,476.46	15,476.46
Other	300.00			31,392.29	31,692.29
Debt Service:					
Principal	27,585.88		25,000.00		52,585.88
Interest	3,644.56		22,490.50		26,135.06
Total Expenditures	180,366.33	78,851.66	57,490.50	60,497.62	377,206.11
Excess (Deficiency) of Revenues Over Expenditures	(9,563.14)	(14,227.68)	117,338.13	(9,270.15)	84,277.16
Other Financing Sources (Uses):					
Transfers In	75,000.00	20,000.00		10,000.00	105,000.00
Transfers Out			(75,000.00)	(10,000.00)	(85,000.00)
Total Other Financing Sources (Uses)	75,000.00	20,000.00	(75,000.00)		20,000.00
Net Change in Fund Balances	65,436.86	5,772.32	42,338.13	(9,270.15)	104,277.16
Fund Balance - January 1	(5,396.47)	(51,580.54)	343,064.08	(11,140.42)	274,946.65
Fund Balance - December 31	60,040.39	(45,808.22)	385,402.21	(20,410.57)	379,223.81

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

CITY OF EDGELEY
Edgeley, 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				Total Governmental Funds
	General	Highway	City Sales Tax	Other Governmental Funds	
Revenues:					
Taxes	82,204.60		160,789.72	15,900.82	258,895.14
Licenses, Permits and Fees	2,965.00				2,965.00
Intergovernmental	41,626.45	59,253.41		14,368.42	115,248.28
Miscellaneous	20,919.92	3,814.46		6,607.21	31,341.59
Total Revenues	147,715.97	63,067.87	160,789.72	36,876.45	408,450.01
Expenditures:					
Current:					
General Government	120,024.43			27,683.06	147,707.49
Public Safety	30,596.00			588.38	31,184.38
Streets and Public Works	11,000.00	105,940.96			116,940.96
Urban and Economic Development	12,800.00				12,800.00
Culture and Recreation			10,000.00	3,800.00	13,800.00
Other	3,100.00			27,378.60	30,478.60
Debt Service:					
Principal	27,245.69		25,000.00		52,245.69
Interest	3,984.75		23,075.75		27,060.50
Total Expenditures	208,750.87	105,940.96	58,075.75	59,450.04	432,217.62
Excess (Deficiency) of Revenues Over Expenditures	(61,034.90)	(42,873.09)	102,713.97	(22,573.59)	(23,767.61)
Other Financing Sources (Uses):					
Transfers In	40,000.00	20,000.00		8,355.00	68,355.00
Transfers Out	(355.00)		(70,000.00)	(8,000.00)	(78,355.00)
Total Other Financing Sources (Uses)	39,645.00	20,000.00	(70,000.00)	355.00	(10,000.00)
Net Change in Fund Balances	(21,389.90)	(22,873.09)	32,713.97	(22,218.59)	(33,767.61)
Fund Balance - January 1	15,993.43	(28,707.45)	310,350.11	11,078.17	308,714.26
Fund Balance - December 31	(5,396.47)	(51,580.54)	343,064.08	(11,140.42)	274,946.65

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

CITY OF EDGELEY
Edgeley, 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 104,277.16

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	(57,471.00)	(57,471.00)

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

Debt Proceeds	0.00	
Repayment of Debt	52,585.88	52,585.88

Change in Net Position of Governmental Activities 99,392.04

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

CITY OF EDGELEY
Edgeley, 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 (33,767.61)

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	(58,846.00)	(58,846.00)

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

Debt Proceeds	0.00	
Repayment of Debt	52,245.69	52,245.69

Change in Net Position of Governmental Activities (40,367.92)
=====

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	10,444.39	164,847.32	3,574.00	178,865.71
Noncurrent Assets:				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	262,959.00	1,284,525.00		1,547,484.00
Total Assets	273,403.39	1,449,372.32	3,574.00	1,726,349.71
LIABILITIES				
Current Liabilities:				
Special Assessment Bonds Payable		15,000.00		15,000.00
Revenue Bonds Payable	8,800.00			8,800.00
Total Current Liabilities	8,800.00	15,000.00		23,800.00
Noncurrent Liabilities:				
Special Assessment Bonds Payable		235,000.00		235,000.00
Revenue Bonds Payable	155,200.00			155,200.00
Total Noncurrent Liabilities	155,200.00	235,000.00		390,200.00
Total Liabilities	164,000.00	250,000.00		414,000.00
NET POSITION				
Net Investment in Capital Assets	98,959.00	1,034,525.00		1,133,484.00
Restricted for:				
Debt Service	83,055.93	188,167.69		271,223.62
Unrestricted	(72,611.54)	(23,320.37)	3,574.00	(92,357.91)
Total Net Position	109,403.39	1,199,372.32	3,574.00	1,312,349.71

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash and Cash Equivalents	37,496.13	165,564.85		203,060.98
Interfund Receivables	1,317.47			1,317.47
Total Current Assets	38,813.60	165,564.85		204,378.45
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	279,893.00	1,323,450.00		1,603,343.00
Total Assets	318,706.60	1,489,014.85		1,807,721.45
=====				
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Interfund Payables			1,317.47	1,317.47
Special Assessment Bonds Payable		15,000.00		15,000.00
Revenue Bonds Payable	8,500.00			8,500.00
Total Current Liabilities	8,500.00	15,000.00	1,317.47	24,817.47
<u>Noncurrent Liabilities:</u>				
Special Assessment Bonds Payable		250,000.00		250,000.00
Revenue Bonds Payable	164,000.00			164,000.00
Total Noncurrent Liabilities	164,000.00	250,000.00		414,000.00
Total Liabilities	172,500.00	265,000.00	1,317.47	438,817.47
<u>NET POSITION</u>				
Net Investment in Capital Assets	107,393.00	1,058,450.00		1,165,843.00
Restricted for:				
Debt Service	83,027.72	183,013.20		266,040.92
Unrestricted	(44,214.12)	(17,448.35)	(1,317.47)	(62,979.94)
Total Net Position	146,206.60	1,224,014.85	(1,317.47)	1,368,903.98
=====				

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

CITY OF EDGELEY
Edgeley, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Funds

For the Year Ended December 31, 2017

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Charges	205,509.70			205,509.70
Sewer Charges		43,197.47		43,197.47
Garbage Collection Charges			113,665.62	113,665.62
Surcharge		19,385.90	1,938.59	21,324.49
Total Operating Revenues	205,509.70	62,583.37	115,604.21	383,697.28
<u>Operating Expenses:</u>				
Salaries	54,873.00	50,530.05	3,600.00	109,003.05
Group Health Insurance		13,550.80		13,550.80
Operations	65,335.39	4,314.54	5,113.95	74,763.88
Purchased Water	80,020.80			80,020.80
Garbage Contract			101,998.79	101,998.79
Depreciation	16,934.00	38,925.00		55,859.00
Total Operating Expenses	217,163.19	107,320.39	110,712.74	435,196.32
Operating Income (Loss)	(11,653.49)	(44,737.02)	4,891.47	(51,499.04)
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	28.21			28.21
Special Assessments		29,727.40		29,727.40
CDBG Grant	280,489.13			280,489.13
Water Storage Tank Project	(280,489.13)			(280,489.13)
City Share of Special Assessments		(1,682.91)		(1,682.91)
Debt Service - Interest and Service Charges	(5,177.93)	(7,950.00)		(13,127.93)
Total Non-Operating Revenues (Expenses)	(5,149.72)	20,094.49		14,944.77
Income (Loss) Before Transfers	(16,803.21)	(24,642.53)	4,891.47	(36,554.27)
Transfers In	10,000.00			10,000.00
Transfers Out	(30,000.00)			(30,000.00)
Change in Net Position	(36,803.21)	(24,642.53)	4,891.47	(56,554.27)
Net Position - January 1	146,206.60	1,224,014.85	(1,317.47)	1,368,903.98
Net Position - December 31	109,403.39	1,199,372.32	3,574.00	1,312,349.71

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

CITY OF EDGELEY
Edgeley, 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			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Charges	192,489.24			192,489.24
Sewer Charges		32,559.59		32,559.59
Garbage Collection Charges			95,156.38	95,156.38
Surcharge	5,721.69	19,186.20	1,907.23	26,815.12
Total Operating Revenues	198,210.93	51,745.79	97,063.61	347,020.33
<u>Operating Expenses:</u>				
Salaries	72,908.00	11,930.20	4,195.00	89,033.20
Group Health Insurance	9,365.00	44,059.08		53,424.08
Operations	52,360.34	789.32	5,569.57	58,719.23
Purchased Water	74,750.04			74,750.04
Garbage Contract			95,141.64	95,141.64
Depreciation	16,734.00	38,925.00		55,659.00
Total Operating Expenses	226,117.38	95,703.60	104,906.21	426,727.19
Operating Income (Loss)	(27,906.45)	(43,957.81)	(7,842.60)	(79,706.86)
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	28.02	18.44		46.46
Special Assessments		31,038.54		31,038.54
City Share of Special Assessments		(1,693.96)		(1,693.96)
Debt Service - Interest and Service Charges	(5,377.93)	(8,400.00)		(13,777.93)
Total Non-Operating Revenues (Expenses)	(5,349.91)	20,963.02		15,613.11
Income (Loss) Before Transfers	(33,256.36)	(22,994.79)	(7,842.60)	(64,093.75)
Transfers In	30,000.00			30,000.00
Transfers Out	(20,000.00)			(20,000.00)
Change in Net Position	(23,256.36)	(22,994.79)	(7,842.60)	(54,093.75)
Net Position - January 1	169,462.96	1,247,009.64	6,525.13	1,422,997.73
Net Position - December 31	146,206.60	1,224,014.85	(1,317.47)	1,368,903.98

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	205,509.70	62,583.37	115,604.21	383,697.28
Payments to suppliers and employees	(200,229.19)	(68,395.39)	(110,712.74)	(379,337.32)
Net cash provided (used) by operating activities	5,280.51	(5,812.02)	4,891.47	4,359.96
<u>Cash flows from noncapital financing activities:</u>				
CDBG grant	280,489.13			280,489.13
Water storage tank project	(280,489.13)			(280,489.13)
City share of special assessments		(1,682.91)		(1,682.91)
Transfers in	10,000.00			10,000.00
Transfers out	(30,000.00)			(30,000.00)
Interfund loan transaction	1,317.47		(1,317.47)	
Net cash provided (used) by noncapital and related financing activities	(18,682.53)	(1,682.91)	(1,317.47)	(21,682.91)
<u>Cash flows from capital and related financing activities:</u>				
Special assessments		29,727.40		29,727.40
Principal payments	(8,500.00)	(15,000.00)		(23,500.00)
Interest payments and service charges	(5,177.93)	(7,950.00)		(13,127.93)
Net cash provided (used) by capital and related financing activities	(13,677.93)	6,777.40		(6,900.53)
<u>Cash flows from investing activities:</u>				
Interest income	28.21			28.21
Net increase in cash and cash equivalents	(27,051.74)	(717.53)	3,574.00	(24,195.27)
Cash and cash equivalents, January 1	37,496.13	165,564.85	-0-	203,060.98
Cash and cash equivalents, December 31	10,444.39	164,847.32	3,574.00	178,865.71

(continued)

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	(11,653.49)	(44,737.02)	4,891.47	(51,499.04)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	16,934.00	38,925.00		55,859.00
Net cash provided (used) by operating activities	5,280.51	(5,812.02)	4,891.47	4,359.96

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

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	198,210.93	51,745.79	97,063.61	347,020.33
Payments to suppliers and employees	(209,383.38)	(56,778.60)	(104,906.21)	(371,068.19)
Net cash provided (used) by operating activities	(11,172.45)	(5,032.81)	(7,842.60)	(24,047.86)
<u>Cash flows from noncapital financing activities:</u>				
City share of special assessments		(1,693.96)		(1,693.96)
Transfers in	30,000.00			30,000.00
Transfers out	(20,000.00)			(20,000.00)
Interfund loan transaction	(1,317.47)		1,317.47	
Net cash provided (used) by noncapital and related financing activities	8,682.53	(1,693.96)	1,317.47	8,306.04
<u>Cash flows from capital and related financing activities:</u>				
Special assessments		31,038.54		31,038.54
Principal payments	(8,300.00)	(15,000.00)		(23,300.00)
Interest payments and service charges	(5,377.93)	(8,400.00)		(13,777.93)
Net cash provided (used) by capital and related financing activities	(13,677.93)	7,638.54		(6,039.39)
<u>Cash flows from investing activities:</u>				
Interest income	28.02	18.44		46.46
Net increase in cash and cash equivalents	(16,139.83)	930.21	(6,525.13)	(21,734.75)
Cash and cash equivalents, January 1	53,635.96	164,634.64	6,525.13	224,795.73
Cash and cash equivalents, December 31	37,496.13	165,564.85	-0-	203,060.98

(continued)

CITY OF EDGELEY
Edgeley, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water	Sewer	Garbage	
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating (loss)	(27,906.45)	(43,957.81)	(7,842.60)	(79,706.86)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	16,734.00	38,925.00		55,659.00
Net cash provided (used) by operating activities	(11,172.45)	(5,032.81)	(7,842.60)	(24,047.86)

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

CITY OF EDGELEY
Edgeley, North Dakota

Notes to the Financial Statements
December 31, 2017 and 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Edgeley 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, the component units discussed below are included within the city's reporting entity because of the significance of their operational or financial relationship with the city.

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

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

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

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the city's funds. Separate statements for each fund category - *governmental* and *proprietary* - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental 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 Fund. This fund accounts for the state highway distribution tax used for street repairs and maintenance.

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

The city reports the following major enterprise funds:

Water. This fund accounts for the activities of the city's water distribution system. The city also makes the principal and interest payments for the revenue bonds from water collections.

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	10 to 20 years

F. Compensated Absences

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

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

G. 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 county 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 \$556,490 and the bank balance was \$570,713. Of the bank balance, \$353,813 was covered by Federal Depository Insurance. The remaining balance of \$216,900 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 \$476,408 and the bank balance was \$487,701. Of the bank balance, \$353,398 was covered by Federal Depository Insurance. The remaining balance of \$134,303 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 \$18,400, which are all considered deposits.

At December 31, 2016 the city held certificates of deposit in the amount of \$18,400, 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 ASSESSMENTS RECEIVABLE

Assessments receivable consists of amounts due to the city for the 2006 Main Street Sidewalk Project. City patrons have entered into agreements with the city to repay their share of the costs of this project.

Note 5 INTERFUND RECEIVABLES/PAYABLES

Interfund receivables/payables are created by negative cash balances in various funds. The amounts shown as interfund payables represent the amounts of negative cash in the funds. Interfund receivables/payables for the years ended December 31, 2017 and 2016 are as follows:

	<u>Receivable</u> <u>Fund</u>	<u>Payable</u> <u>Fund</u>
<u>December 31, 2017</u>		
City Sales Tax	96,388.04	
Highway		45,808.22
Social Security		20,413.34
Insurance Reserve		27,704.37
Fire Department		2,462.11
<u>December 31, 2016</u>		
City Sales Tax	89,390.71	
General		6,996.47
Highway		51,580.54
Social Security		9,476.97
Insurance Reserve		15,748.65
Fire Department		1,843.21
Armory		3,744.87
Water	1,317.47	
Garbage		1,317.47

Note 6 CAPITAL ASSETS

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

	<u>2017</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	1,308,000			1,308,000
Machinery and Vehicles	224,809			224,809
Total	<u>1,532,809</u>			<u>1,532,809</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	401,280	40,540		441,820
Machinery and Vehicles	111,016	16,931		127,947
Total	<u>512,296</u>	<u>57,471</u>		<u>569,767</u>
Governmental Activities Capital Assets, Net	<u>1,020,513</u>	<u>(57,471)</u>	<u>-0-</u>	<u>963,042</u>
	=====	=====	=====	=====

2016

	Balance <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,308,000			1,308,000
Machinery and Vehicles	224,809			224,809
Total	<u>1,532,809</u>			<u>1,532,809</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	360,740	40,540		401,280
Machinery and Vehicles	92,710	18,306		111,016
Total	<u>453,450</u>	<u>58,846</u>		<u>512,296</u>
Governmental Activities Capital Assets, Net	<u>1,079,359</u>	<u>(58,846)</u>	<u>-0-</u>	<u>1,020,513</u>
	=====	=====	=====	=====

2017

	Balance <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,310,000			2,310,000
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	706,657	55,859		762,516
Business-type Activities Capital Assets, Net	<u>1,603,343</u>	<u>(55,859)</u>	<u>-0-</u>	<u>1,547,484</u>
	=====	=====	=====	=====

<u>2016</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,310,000			2,310,000
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	650,998	55,659		706,657
Business-type Activities				
Capital Assets, Net	1,659,002	(55,659)	-0-	1,603,343
<u>2017</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Discretely Presented Component Unit:				
<i>Capital assets not being depreciated:</i>				
Land	148,500			148,500
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	3,141,050	44,000		3,185,050
Machinery and Vehicles	62,320			62,320
Total	3,203,370	44,000		3,247,370
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	1,023,254	127,402		1,150,656
Machinery and Vehicles	41,728	3,116		44,844
Total	1,064,982	130,518		1,195,500
Total capital assets being depreciated, net	2,138,388	(86,518)		2,051,870
Discretely Presented Component Unit				
Capital Assets, Net	2,286,888	(86,518)	-0-	2,200,370

2016

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Discretely Presented Component Unit:				
<i>Capital assets not being depreciated:</i>				
Land	148,500			148,500
<hr/>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,397,550	743,500		3,141,050
Machinery and Vehicles	62,320			62,320
Total	2,459,870	743,500		3,203,370
<hr/>				
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	897,612	125,642		1,023,254
Machinery and Vehicles	38,612	3,116		41,728
Total	936,224	128,758		1,064,982
<hr/>				
Total capital assets being depreciated, net	1,523,646	614,742		2,138,388
<hr/>				
Discretely Presented Component Unit Capital Assets, Net	1,672,146	614,742	-0-	2,286,888
	=====	=====	=====	=====

Depreciation expense was charged to functions/programs of the city and discretely presented component unit as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
<u>Governmental Activities:</u>		
General Government	2,533	2,533
Public Safety	1,600	1,600
Streets and Public Works	21,838	23,213
Culture and Recreation	31,500	31,500
Total	57,471	58,846
	=====	=====
<u>Business-type Activities:</u>		
Water	16,934	16,734
Sewer	38,925	38,925
Total	55,859	55,659
	=====	=====
<u>Discretely Presented Component Unit:</u>		
Airport	130,518	128,758
	=====	=====

Note 7 CAPITAL LEASE PAYABLE

The city has entered into the following lease agreement.

\$101,234.00 lease-purchase of a 2013 Caterpillar
 924K Wheel Loader, due in final installment of
 \$67,000.00 on October 15, 2018; interest is at
 2.5% 65,270.31
 =====

This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term). The following is a schedule of the future minimum lease payments under this capital lease, and the net present value of the minimum lease payments at December 31, 2017:

<u>Year Ending December 31</u>	<u>Governmental Activities Lease Payments</u>
2018	67,000.00
Less: amt. representing interest	(1,729.69)
Present value of future minimum lease payments	<u>65,270.31</u> =====

Note 8 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:

	<u>Governmental Activities</u>				
	<u>2017</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Capital Lease Payable	69,419		4,149	65,270	65,270
Loan Payable	190,016		23,437	166,579	23,673
Revenue Bonds Payable	510,000		25,000	485,000	25,000
Total	<u>769,435</u>	<u>-0-</u>	<u>52,586</u>	<u>716,849</u>	<u>113,943</u>
	<u>2016</u>				
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>	<u>Due Within One Year</u>
Capital Lease Payable	73,461		4,042	69,419	4,149
Loan Payable	213,220		23,204	190,016	23,437
Revenue Bonds Payable	535,000		25,000	510,000	25,000
Total	<u>821,681</u>	<u>-0-</u>	<u>52,246</u>	<u>769,435</u>	<u>52,586</u>

Business-type Activities

2017

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Special Assessment Bonds	265,000		15,000	250,000	15,000
Revenue Bonds	172,500		8,500	164,000	8,800
Total	<u>437,500</u>	<u>-0-</u>	<u>23,500</u>	<u>414,000</u>	<u>23,800</u>

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>
Special Assessment Bonds	280,000		15,000	265,000	15,000
Revenue Bonds	180,800		8,300	172,500	8,500
Total	<u>460,800</u>	<u>-0-</u>	<u>23,300</u>	<u>437,500</u>	<u>23,500</u>

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

Governmental Activities:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2017, is as follows:

Loan Payable. The city has taken out a loan to provide funds for the construction of a city shop. Loan payable at December 31, 2017 is as follows:

\$240,000.00 loan payable with Dakota Valley Electric Cooperative. This loan is due in monthly installments of \$2,102.50 through October 10, 2024; payments include interest at 1%.

166,579.24

The annual requirements to amortize the outstanding loan payable are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2018	23,672.51	1,569.49
2019	23,910.32	1,331.68
2020	24,150.53	1,091.47
2021	24,393.15	836.85
2022	24,638.18	591.82
2023-2024	45,814.55	440.33
Total	<u>166,579.24</u>	<u>5,861.64</u>

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from sales tax collections to pay debt service. Revenue bonds outstanding at December 31, 2017, are as follows:

\$630,000.00 Sales Tax Revenue Bonds of 2011, due in annual installments of \$25,000.00 to \$45,000.00 through May 1, 2031; interest is at 3.5% to 4.75%. 485,000.00
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2018	25,000.00	20,412.50
2019	30,000.00	19,450.00
2020	30,000.00	18,400.00
2021	30,000.00	17,350.00
2022	30,000.00	16,300.00
2023-2027	170,000.00	60,850.00
2028-2031	170,000.00	16,625.00
Total	<u>485,000.00</u>	<u>169,387.50</u>

Business-type Activities (Proprietary Funds):

Special Assessment Bond Debt. The city has issued special assessment bonds to provide funds for sewer main improvements. Special assessment bonds outstanding at December 31, 2017 are as follows:

\$342,766 Sewer Main Improvement Bonds of 2009 due in annual installments of \$15,000 to \$25,000 through September 1, 2030; interest is at 2.5%. 250,000.00
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2018	15,000.00	6,250.00
2019	15,000.00	5,875.00
2020	15,000.00	5,500.00
2021	20,000.00	5,125.00
2022	20,000.00	4,625.00
2023-2027	100,000.00	15,625.00
2028-2030	65,000.00	3,250.00
Total	<u>250,000.00</u>	<u>46,250.00</u>

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:

\$313,000.00 Bank of North Dakota Loan, due in annual installments of \$8,800.00 to \$13,700.00 through December 7, 2032; interest is at 3%. 164,000.00
=====

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2018	8,800.00	4,920.00
2019	9,100.00	4,656.00
2020	9,300.00	4,383.00
2021	9,600.00	4,104.00
2022	9,900.00	3,816.00
2023-2027	54,200.00	14,442.00
2028-2032	63,100.00	5,814.00
Total	<u>164,000.00</u>	<u>42,135.00</u>

Note 9 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:		
Operating	45,000.00	
Highway	20,000.00	
City Sales Tax:		
Capital Improvement		60,000.00
Parks		5,000.00
Water:		
Operating	10,000.00	
City Sales Tax:		
Parks		10,000.00
Yearly transfers to subsidize expenditures.		
General:		
Operating	30,000.00	
Water:		
Operating		30,000.00
To provide funds for new building.		
Armory	10,000.00	
Restaurant and Lodging Tax		5,000.00
Public Building		5,000.00
To subsidize expenditures.		

December 31, 2016

General:		
Operating	20,000.00	
Highway	20,000.00	
City Sales Tax:		
Capital Improvement		40,000.00

Water:		
Operating	30,000.00	
City Sales Tax:		
Parks		10,000.00
Job Development		20,000.00

Yearly transfers to subsidize expenditures.

General:		
Operating	20,000.00	
Water:		
Operating		20,000.00

To provide funds for new building.

Armory	8,000.00	
Restaurant and Lodging Tax		5,000.00
Public Building		3,000.00

Clinic	355.00	
General:		
Operating		355.00

To subsidize expenditures.

Note 10 DEFICIT FUND BALANCES

The following funds had deficit balances as of December 31:

	<u>2017</u>	<u>2016</u>
General Fund		(5,396.47)
<u>Special Revenue Funds</u>		
Highway	(45,808.22)	(51,580.54)
Social Security	(20,413.34)	(9,476.97)
Insurance Reserve	(27,704.37)	(15,748.65)
Fire Department	(2,462.11)	(1,843.21)
Armory		(3,744.87)

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

Note 11 RISK MANAGEMENT

The City of Edgeley 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, \$1,000,000 for automobile; and \$710,000 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 coverage in the amount of \$300,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 12 PENSION PLAN

The city provides benefits for all of its full-time employees through a defined contribution plan with PFS Shareholder Services. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The city contributes 3% of the employee's gross salary for the year. During the years ending December 31, 2017, 2016 and 2015, the city contributed \$3,578.34, \$3,997.84 and \$3,756.60, respectively.

CITY OF EDGELEY
Edgeley, 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	104,600.00	104,600.00	109,627.73	5,027.73
Licenses, Permits and Fees	12,600.00	12,600.00	2,015.00	(10,585.00)
Intergovernmental	43,900.00	43,900.00	38,204.82	(5,695.18)
Miscellaneous	31,600.00	31,600.00	20,955.64	(10,644.36)
Total Revenues	192,700.00	192,700.00	170,803.19	(21,896.81)
<u>Expenditures:</u>				
Current:				
General Government	83,450.00	83,450.00	86,947.64	(3,497.64)
Public Safety	31,514.00	31,514.00	11,300.00	20,214.00
Streets and Public Works	36,700.00	36,700.00	37,788.25	(1,088.25)
Urban and Economic Development	12,800.00	12,800.00	12,800.00	
Other	31,300.00	31,300.00	300.00	31,000.00
Debt Service:				
Principal	27,585.88	27,585.88	27,585.88	
Interest and Service Charges	3,644.56	3,644.56	3,644.56	
Total Expenditures	226,994.44	226,994.44	180,366.33	46,628.11
Excess (Deficiency) of Revenues Over Expenditures	(34,294.44)	(34,294.44)	(9,563.14)	24,731.30
<u>Other Financing Sources:</u>				
Transfers In	35,000.00	35,000.00	75,000.00	40,000.00
Net Change in Fund Balances	705.56	705.56	65,436.86	64,731.30
Fund Balance - January 1	(5,396.47)	(5,396.47)	(5,396.47)	
Fund Balance - December 31	(4,690.91)	(4,690.91)	60,040.39	64,731.30

CITY OF EDGELEY
Edgeley, 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)
Revenues:				
Taxes	60,000.00	60,000.00	82,204.60	22,204.60
Licenses, Permits and Fees	6,650.00	6,650.00	2,965.00	(3,685.00)
Intergovernmental	60,150.00	60,150.00	41,626.45	(18,523.55)
Miscellaneous	30,600.00	30,600.00	20,919.92	(9,680.08)
Total Revenues	157,400.00	157,400.00	147,715.97	(9,684.03)
Expenditures:				
Current:				
General Government	82,630.00	82,630.00	120,024.43	(37,394.43)
Public Safety	30,000.00	30,000.00	30,596.00	(596.00)
Streets and Public Works	39,700.00	39,700.00	11,000.00	28,700.00
Urban and Economic Development	12,000.00	12,000.00	12,800.00	(800.00)
Other	6,300.00	6,300.00	3,100.00	3,200.00
Debt Service:				
Principal	27,245.69	27,245.69	27,245.69	
Interest and Service Charges	3,984.75	3,984.75	3,984.75	
Total Expenditures	201,860.44	201,860.44	208,750.87	(6,890.43)
Excess (Deficiency) of Revenues Over Expenditures	(44,460.44)	(44,460.44)	(61,034.90)	(16,574.46)
Other Financing Sources (Uses):				
Transfers In	40,000.00	40,000.00	40,000.00	
Transfers Out			(355.00)	(355.00)
Total Other Financing Sources	40,000.00	40,000.00	39,645.00	(355.00)
Net Change in Fund Balances	(4,460.44)	(4,460.44)	(21,389.90)	(16,929.46)
Fund Balance - January 1	15,993.43	15,993.43	15,993.43	
Fund Balance - December 31	11,532.99	11,532.99	(5,396.47)	(16,929.46)

CITY OF EDGELEY
Edgeley, 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>				
Intergovernmental	58,000.00	58,000.00	60,746.80	2,746.80
Mixcellaneous	4,400.00	4,400.00	3,877.18	(522.82)
Total Revenues	62,400.00	62,400.00	64,623.98	2,223.98
<u>Expenditures:</u>				
Current:				
Streets and Public Works	101,000.00	101,000.00	78,851.66	22,148.34
Excess (Deficiency) of Revenues Over Expenditures	(38,600.00)	(38,600.00)	(14,227.68)	24,372.32
<u>Other Financing Sources:</u>				
Transfers In	10,000.00	10,000.00	20,000.00	10,000.00
Net Change in Fund Balances	(28,600.00)	(28,600.00)	5,772.32	34,372.32
Fund Balance - January 1	(51,580.54)	(51,580.54)	(51,580.54)	
Fund Balance - December 31	(80,180.54)	(80,180.54)	(45,808.22)	34,372.32

CITY OF EDGELEY
Edgeley, 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>				
Intergovernmental	65,000.00	65,000.00	59,253.41	(5,746.59)
Miscellaneous	4,400.00	4,400.00	3,814.46	(585.54)
Total Revenues	69,400.00	69,400.00	63,067.87	(6,332.13)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	66,500.00	66,500.00	105,940.96	(39,440.96)
Excess (Deficiency) of Revenues Over Expenditures	2,900.00	2,900.00	(42,873.09)	(45,773.09)
<u>Other Financing Sources:</u>				
Transfers In	10,000.00	10,000.00	20,000.00	10,000.00
Net Change in Fund Balances	12,900.00	12,900.00	(22,873.09)	(35,773.09)
Fund Balance - January 1	(28,707.45)	(28,707.45)	(28,707.45)	
Fund Balance - December 31	(15,807.45)	(15,807.45)	(51,580.54)	(35,773.09)

CITY OF EDGELEY
Edgeley, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	161,000.00	161,000.00	174,828.63	13,828.63
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	50,000.00	50,000.00		50,000.00
Culture and Recreation	20,000.00	20,000.00	10,000.00	10,000.00
Debt Service:				
Principal	25,000.00	25,000.00	25,000.00	
Interest and Service Charges	24,000.00	24,000.00	22,490.50	1,509.50
Total Expenditures	119,000.00	119,000.00	57,490.50	61,509.50
Excess (Deficiency) of Revenues Over Expenditures	42,000.00	42,000.00	117,338.13	75,338.13
<u>Other Financing (Uses):</u>				
Transfers Out	(10,000.00)	(10,000.00)	(75,000.00)	(65,000.00)
Net Change in Fund Balances	32,000.00	32,000.00	42,338.13	10,338.13
Fund Balance - January 1	343,064.08	343,064.08	343,064.08	
Fund Balance - December 31	375,064.08	375,064.08	385,402.21	10,338.13

CITY OF EDGELEY
Edgeley, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	177,000.00	177,000.00	160,789.72	(16,210.28)
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	55,000.00	55,000.00		55,000.00
Culture and Recreation	20,000.00	20,000.00	10,000.00	10,000.00
Debt Service:				
Principal	25,000.00	25,000.00	25,000.00	
Interest and Service Charges	25,000.00	25,000.00	23,075.75	1,924.25
Total Expenditures	125,000.00	125,000.00	58,075.75	66,924.25
Excess (Deficiency) of Revenues Over Expenditures	52,000.00	52,000.00	102,713.97	50,713.97
<u>Other Financing (Uses):</u>				
Transfers Out	(10,000.00)	(10,000.00)	(70,000.00)	(60,000.00)
Net Change in Fund Balances	42,000.00	42,000.00	32,713.97	(9,286.03)
Fund Balance - January 1	310,350.11	310,350.11	310,350.11	
Fund Balance - December 31	352,350.11	352,350.11	343,064.08	(9,286.03)

CITY OF EDGELEY
Edgeley, 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

Budget Amendment

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
General Fund		6,890.43
<u>Special Revenue Funds</u>		
Highway		39,440.96
Social Security		547.03
Armory	10,058.04	3,887.05
* Clinic	7,634.25	5,591.55

* A budget was not prepared for this fund.

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

CITY OF EDGELEY
Edgeley, 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 Fund	(6,996.47)	170,803.19	75,000.00		180,366.33	58,440.39
Highway	(51,580.54)	64,623.98	20,000.00		78,851.66	(45,808.22)
City Sales Tax						
Capital Improvement	23,577.01	43,707.20		60,000.00		7,284.21
Parks	13,434.36	21,853.55		15,000.00	10,000.00	10,287.91
Jobs Development	86,246.49	21,853.55				108,100.04
Pool	219,806.22	87,414.33			47,490.50	259,730.05
Total Major Governmental Funds	284,487.07	410,255.80	95,000.00	75,000.00	316,708.49	398,034.38
Non-Major Governmental Funds						
Social Security	(9,476.97)	51.56			10,987.93	(20,413.34)
Advertising	3,573.28	2.95			51.04	3,525.19
Insurance Reserve	(15,748.65)	15.28			11,971.00	(27,704.37)
Fire Department	(1,843.21)				618.90	(2,462.11)
Restaurant and Lodging Tax	12,892.36	12,414.58		5,000.00	5,476.46	14,830.48
Planning	1,177.39					1,177.39
Armory	(3,744.87)	22,725.00	10,000.00		23,758.04	5,222.09
Public Building	981.72	4,592.90		5,000.00		574.62
Forestry	894.87	3.68				898.55
Clinic	153.66	11,421.52			7,634.25	3,940.93
Total Non-Major Governmental Funds	(11,140.42)	51,227.47	10,000.00	10,000.00	60,497.62	(20,410.57)
Total Governmental Funds	273,346.65	461,483.27	105,000.00	85,000.00	377,206.11	377,623.81
Major Enterprise Funds						
Water						
Operating	(44,214.12)	205,481.49	10,000.00	30,000.00	213,878.91	(72,611.54)
Water Emergency	28,921.08	9.87				28,930.95
Water Reserve	54,106.64	18.34				54,124.98
Water Tank Storage Project		280,489.13			280,489.13	
Sewer						
Operating	(17,448.35)	62,583.37			68,455.39	(23,320.37)
Sewer Special Assessments	183,013.20	29,727.40			24,572.91	188,167.69
Garbage	(1,317.47)	115,604.21			110,712.74	3,574.00
Total Major Enterprise Funds	203,060.98	693,913.81	10,000.00	30,000.00	698,109.08	178,865.71
Agency Fund						
Park		8,825.73			8,825.73	
Total Primary Government	476,407.63	1,164,222.81	115,000.00	115,000.00	1,084,140.92	556,489.52
Discretely Presented						
Component Units						
Airport Authority	29,852.03	108,855.53			64,200.09	74,507.47
Library	57,712.06	134,882.13			12,350.31	180,243.88
Total Discretely Presented Component Units	87,564.09	243,737.66			76,550.40	254,751.35
Total Reporting Entity	563,971.72	1,407,960.47	115,000.00	115,000.00	1,160,691.32	811,240.87

CITY OF EDGELEY
Edgeley, 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
Major Governmental Funds						
General Fund	13,526.23	148,583.17	40,000.00	355.00	208,750.87	(6,996.47)
Highway	(28,707.45)	63,067.87	20,000.00		105,940.96	(51,580.54)
City Sales Tax						
Capital Improvement	23,379.62	40,197.39		40,000.00		23,577.01
Parks	13,335.63	20,098.73		10,000.00	10,000.00	13,434.36
Jobs Development	86,147.76	20,098.73		20,000.00		86,246.49
Pool	187,487.10	80,394.87			48,075.75	219,806.22
Total Major Governmental Funds	295,168.89	372,440.76	60,000.00	70,355.00	372,767.58	284,487.07
Non-Major Governmental Funds						
Social Security	6,020.88	249.18			15,747.03	(9,476.97)
Advertising	4,243.03	14.28			684.03	3,573.28
Insurance Reserve	(4,637.45)	140.80			11,252.00	(15,748.65)
Fire Department	(1,254.83)				588.38	(1,843.21)
Restaurant and Lodging Tax	10,274.91	11,417.45		5,000.00	3,800.00	12,892.36
Planning	1,177.39					1,177.39
Armory	(5,358.82)	15,401.00	8,000.00		21,787.05	(3,744.87)
Public Building	(265.20)	4,246.92		3,000.00		981.72
Forestry	878.26	16.61				894.87
Clinic		5,390.21	355.00		5,591.55	153.66
Total Non-Major Governmental Funds	11,078.17	36,876.45	8,355.00	8,000.00	59,450.04	(11,140.42)
Total Governmental Funds	306,247.06	409,317.21	68,355.00	78,355.00	432,217.62	273,346.65
Major Enterprise Funds						
Water						
Operating	(29,363.74)	198,210.93	30,000.00	20,000.00	223,061.31	(44,214.12)
Water Emergency	28,911.27	9.81				28,921.08
Water Reserve	54,088.43	18.21				54,106.64
Sewer						
Operating	(12,433.98)	51,764.15			56,778.52	(17,448.35)
Sewer Special Assessments	177,068.62	31,038.54			25,093.96	183,013.20
Garbage	6,525.13	97,063.61			104,906.21	(1,317.47)
Total Major Enterprise Funds	224,795.73	378,105.25	30,000.00	20,000.00	409,840.00	203,060.98
Agency Fund						
Park		6,316.69			6,316.69	
Total Primary Government	531,042.79	793,739.15	98,355.00	98,355.00	848,374.31	476,407.63
Discretely Presented						
Component Units						
Airport Authority	47,963.72	743,343.76			761,455.45	29,852.03
Library	62,276.66	13,905.05			18,469.65	57,712.06
Total Discretely Presented	110,240.38	757,248.81			779,925.10	87,564.09
Total Reporting Entity	641,283.17	1,550,987.96	98,355.00	98,355.00	1,628,299.41	563,971.72

Rath & Mehrer, P.C.

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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 Edgeley
Edgeley, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Edgeley, Edgeley, 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 September 14, 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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items II-1 and II-2, that we consider to be significant deficiencies.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

September 14, 2018

CITY OF EDGELEY
Edgeley, 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
Discretely Presented Component Units	Unmodified-Modified Cash Basis
Major Governmental Funds	Unmodified-Modified Cash Basis
Major Business-Type Funds	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No

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

Noncompliance Material to financial
statements noted? Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 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.

Rath & Mehrer, P.C.

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Governing Board
City of Edgeley
Edgeley, North Dakota

Our audits of the financial records of the City of Edgeley, Edgeley, North Dakota, for the years ended December 31, 2017 and 2016 have disclosed opportunities for improvements in the operations of the city. Items which we believe should be brought to your attention are set forth below:

* * * * *

FINANCIAL REPORTS

Quarterly budget to actual revenue and expenditure statements should be prepared for the city's governing board. These statement would allow the governing board to have a better overall understanding of the city's financial picture.

* * * * *

This letter is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the city, is a matter of public record.

We would like to acknowledge all the assistance and many courtesies extended to us by the personnel of the city during our audits.



Rath and Mehrer, P.C.

September 14, 2018