

AUDIT REPORT

CITY OF FLASHER
Flasher, North Dakota

For the Years Ended December 31, 2015 and 2014

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FLASHER
Flasher, North Dakota

TABLE OF CONTENTS
For the Years Ended December 31, 2015 and 2014

	<u>Page(s)</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-13
 BASIC FINANCIAL STATEMENTS	
Statement of Net Position - Modified Cash Basis	14,15
Statement of Activities - Modified Cash Basis	16,17
Balance Sheet - Modified Cash Basis - Governmental Funds	18,19
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis	20,21
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	22,23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis	24,25
Statement of Net Position - Modified Cash Basis - Proprietary Funds	26,27
Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis - Proprietary Funds	28,29
Statement of Cash Flows - Modified Cash Basis - Proprietary Funds	30,31
Notes to the Financial Statements	32-43
 SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules - Modified Cash Basis	44,45
General Fund	46,47
Highway Fund	48,49
Street Improvement Fund	48,49
Notes to the Budgetary Comparison Schedules	50-51
Schedule of Fund Activity Arising from Cash Transactions	52,53
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	54-55
Schedule of Findings and Responses	56-57
Management Letter	58

CITY OF FLASHER
Flasher, North Dakota

CITY OFFICIALS

Tamara Bartz	Acting Commission President
Shelly Meyhoff	Commissioner
Matthew Nipe	Commissioner
Brian Nieuwsma	Commissioner
Sherry Schmidt	Auditor

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Flasher
Flasher, North Dakota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the city's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flasher, Flasher, North Dakota, as of December 31, 2015 and 2014, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The management's discussion and analysis, budgeting comparison information and 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 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 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 9, 2016 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

September 9, 2016

CITY OF FLASHER

Management's Discussion and Analysis

December 31, 2015 and 2014

The Management's Discussion and Analysis (MD&A) of the City of Flasher's financial performance provides an overall review of the city's financial activities for the fiscal years ended December 31, 2015 and 2014. The intent of the MD&A is to look at the city's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

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

FINANCIAL HIGHLIGHTS

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

- * Total net position of the city increased \$16,700 as a result of the current year's operations. Net position of the governmental activities increased \$7,798 and net position of the business-type activities increased \$8,902.
- * Governmental net position totaled \$311,565 and business-type net position totaled \$274,561.
- * Total revenues from all sources were \$107,122 for governmental activities and \$138,855 for business-type activities.
- * Total expenses were \$103,589 for governmental activities and \$125,687 for business-type activities.
- * The city's general fund had \$57,897 in total revenues and \$50,308 in total expenditures. Overall, the general fund balance increased by \$7,589 for the year ended December 31, 2015.

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

- * Total net position of the city increased \$8,637 as a result of the current year's operations. Net position of the governmental activities decreased \$921 and net position of the business-type activities increased \$9,558.
- * Governmental net position totaled \$303,767 and business-type net position totaled \$265,659.
- * Total revenues from all sources were \$122,391 for governmental activities and \$130,202 for business-type activities.
- * Total expenses were \$123,312 for governmental activities and \$120,645 for business-type activities.
- * The city's general fund had \$76,573 in total revenues and \$61,770 in total expenditures. There was a total of \$2,000 paid from other financing uses. Overall, the general increased by \$12,803 for the year ended December 31, 2014.

USING THIS ANNUAL REPORT

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

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

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

Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

REPORTING ON THE CITY AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the city to provide programs and activities and attempt to answer the question "How did the city do financially during the years ended December 31, 2015 and 2014?"

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

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

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

In the Statement of Net Position and the Statement of Activities, the city reports governmental and business-type activities. Governmental activities are the activities where most of the city's programs and services are reported including, but not limited to, general government, public safety, streets and public works and culture and recreation. Business-type activities are where the city's enterprise services are reported including, but not limited to, waterworks, 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 street improvement fund are considered "major governmental funds". The city's waterworks 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, 2015 and 2014. A comparative analysis of city-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the city's net position increased by \$16,700 and \$8,637 for the years ended December 31, 2015 and 2014, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2015, the city's net position of \$586,126 is segregated into three separate categories. Net investment in capital assets represents 52% 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 13% 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 35% of the city's net position and is available to meet the city's ongoing obligations.

Table I

Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	112,667	166,671
Capital Assets (net of accumulated depreciation)	226,890	222,660
Total Assets	<u>339,557</u>	<u>389,331</u>
<u>Liabilities</u>		
Current Liabilities	6,704	13,500
Long-Term Liabilities	21,288	101,270
Total Liabilities	<u>27,992</u>	<u>114,770</u>
<u>Net Position</u>		
Net Investment in Capital Assets	198,898	107,890
Restricted	74,424	
Unrestricted	38,243	166,671
Total Net Position	<u>311,565</u> =====	<u>274,561</u> =====

As of December 31, 2014, the city's net position of \$569,426 is segregated into three separate categories. Net investment in capital assets represents 55% 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 11% 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 34% of the city's net position and is available to meet the city's ongoing obligations.

Net Position
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	98,948	156,581
Capital Assets (net of accumulated depreciation)	239,288	243,300
Total Assets	<u>338,236</u>	<u>399,881</u>
<u>Liabilities</u>		
Current Liabilities	6,478	19,453
Long-Term Liabilities	27,992	114,770
Total Liabilities	<u>34,469</u>	<u>134,222</u>
<u>Net Position</u>		
Net Investment in Capital Assets	204,819	109,078
Restricted	62,688	
Unrestricted	36,261	156,581
Total Net Position	<u>303,767</u> =====	<u>265,659</u> =====

Net Position
As of December 31, 2013

	<u>Governmental</u>	<u>Business- Type</u>
Assets		
Current Assets	92,271	144,575
Capital Assets (net of accumulated depreciation)	212,417	263,940
Total Assets	304,688	408,515
Liabilities		
Current Liabilities		12,300
Long-Term Liabilities		140,114
Total Liabilities	0	152,414
Net Position		
Net Investment in Capital Assets	212,417	111,526
Restricted	65,543	
Unrestricted	26,727	144,575
Total Net Position	304,688	256,102

Table II shows the changes in net position for the fiscal years ended December 31, 2015 and 2014. A comparative analysis of city-wide data is presented for both current years and prior year.

Table II
Changes in Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
Program Revenues:		
Charges for Services	32,774	138,163
Operating Grants and Contributions	19,227	
General Revenues:		
Property Taxes	25,574	
Other Taxes	1,522	
Intergovernmental - Unrestricted	26,250	
Interest Earnings and Other Revenue	1,774	692
Total Revenues	107,122	138,855
Expenses		
General Government	59,815	
Public Safety	165	
Streets and Public Works	39,731	
Culture and Recreation	2,938	
Interest on Long-Term Debt	941	
Waterworks		71,408
Sewer		21,092
Garbage		33,188
Total Expenses	103,589	125,687
Net Change in Position Before Transfers	3,532	13,167
Transfers	4,265	(4,265)
Net Change in Position	7,798	8,902

Property taxes constituted 10%, unrestricted intergovernmental 11%, operating grants and contributions 8%, and charges for services made up 69% of the total revenues of all activities of the city for the fiscal year ended December 31, 2015.

General government constituted 26%, streets and public works 17% and enterprise 55% of total expenses for all activities during the fiscal year ended December 31, 2015.

Changes in Net Position
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	29,338	129,636
Operating Grants and Contributions	30,150	
<u>General Revenues:</u>		
Property Taxes	31,781	
Other Taxes	2,406	
Intergovernmental - Unrestricted	25,783	
Interest Earnings and Other Revenue	2,933	566
Total Revenues	122,391	130,202
Expenses		
General Government	72,996	
Public Safety	14	
Streets and Public Works	50,302	
Waterworks		66,532
Sewer		21,263
Garbage		32,849
Total Expenses	123,312	120,645
Net Change in Position	(921)	9,558
	=====	=====

Property taxes constituted 13%, unrestricted intergovernmental 10%, operating grants and contributions 12% and charges for services made up 63% of the total revenues of all activities of the city for the fiscal year ended December 31, 2014.

General government constituted 30%, streets and public works 21% and enterprise 49% of total expenses for all activities during the fiscal year ended December 31, 2014.

Changes in Net Position
As of December 31, 2013

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	21,856	129,908
Operating Grants and Contributions	32,500	
<u>General Revenues:</u>		
Property Taxes	30,865	
Other Taxes	722	
Intergovernmental - Unrestricted	24,274	
Interest Earnings and Other Revenue	10,090	467
Total Revenues	120,308	130,376
Expenses		
General Government	51,281	
Public Safety	91	
Streets and Public Works	37,742	
Culture and Recreation	205	
Other	4,096	
Interest on Long-Term Debt	424	
Waterworks		65,312
Sewer		15,687
Garbage		31,633
Total Expenses	93,840	112,633
Net Change in Position	26,468	17,743

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

Table III

Total and Net Cost of Services
As of December 31, 2015

	<u>Total Cost Year Ended Dec. 31, 2015</u>	<u>Net Cost Year Ended Dec. 31, 2015</u>
General Government	59,815	55,915
Public Safety	165	165
Streets and Public Works	39,731	(5,440)
Culture and Recreation	2,938	8
Interest on Long-Term Debt	941	941
Total Expenses	103,589	51,588

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

	Total Cost Year Ended <u>Dec. 31, 2012</u>	Net Cost Year Ended <u>Dec. 31, 2012</u>
General Government	72,996	69,951
Public Safety	14	14
Streets and Public Works	50,302	749
Culture and Recreation	0	(6,890)
Total Expenses	123,312 =====	63,824 =====

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 \$107,122 and expenditures of \$97,669 for the year ended December 31, 2015. For the year ended December 31, 2014, the city's governmental funds had total revenue of \$122,391 and expenditures of \$150,183. As of December 31, 2015, the unassigned fund balance of the city's general fund was \$55,109 and total unassigned fund balances for all the city's governmental funds was \$38,243. As of December 31, 2014, the unassigned fund balance of the city's general fund was \$47,520 and total unassigned fund balances for all the city's governmental funds was \$36,261.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2015, the city amended the general fund budget. The gross effect of the amendment was to increase appropriations by \$10,308.

During the course of fiscal year 2014, the city amended the general fund budget. The gross effect of the amendment was to increase appropriations by \$5,000 and transfers out by \$2,000.

Actual revenue for the year ended December 31, 2015 was \$6,372 more than budgeted. This variance was due to the city underestimating revenues for state aid. Actual expenditures for the year ended December 31, 2015 were over budget by \$1,830.

Actual revenue for the year ended December 31, 2014 was \$25,603 more than budgeted. This variance was due to the city underestimating revenues for state aid. Actual expenditures for the year ended December 31, 2014 were over budget by \$19,325. This variance was due to the city underestimating appropriations for general government.

CAPITAL ASSETS

As of December 31, 2015 and 2014, the city had \$449,550 and \$482,588, respectively, invested in capital assets. The following tables show the balances, for governmental activities and business-type activities, as of December 31, 2015, 2014 and 2013.

Table IV

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

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	170,965	210,480
Machinery and Vehicles	55,925	12,180
Total (net of depreciation)	<u>226,890</u> =====	<u>222,660</u> =====

This total represents a decrease of \$33,038 in capital assets from January 1, 2015.

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

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	177,466	229,090
Machinery and Vehicles	61,822	14,210
Total (net of depreciation)	<u>239,288</u> =====	<u>243,300</u> =====

This total represents an increase of \$6,231 in capital assets from January 1, 2014. The increase in machinery and vehicles was due to the city purchasing a Bobcat skid steer.

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

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	183,967	247,700
Machinery and Vehicles	28,450	16,240
Total (net of depreciation)	<u>212,417</u> =====	<u>263,940</u> =====

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

DEBT ADMINISTRATION

As of December 31, 2015, the city had \$142,761 in outstanding debt of which \$20,204 was due within one year. As of December 31, 2014, the city had \$168,692 in outstanding debt of which \$25,930 was due within one year. During fiscal years 2015 and 2014, the city issued one new long-term debt obligation.

Bank Loan Payable, in the amount of \$34,469.35. The city obtained a bank loan to finance the purchase of a Bobcat skid steer. This loan will have a final payment on November 1, 2019.

For a detailed breakdown of the long-term debt, readers are referred to Note 6 to the audited financial statements which follow this analysis.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF FLASHER
Flasher, North Dakota

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

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	112,666.65	166,670.71	279,337.36
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	170,965.00	210,480.00	381,445.00
Machinery and Vehicles	55,925.00	12,180.00	68,105.00
Total Capital Assets	226,890.00	222,660.00	449,550.00
Total Assets	339,556.65	389,330.71	728,887.36
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Bank Loan Payable	6,703.64		6,703.64
Revenue Bonds Payable		13,500.00	13,500.00
Due After One Year:			
Bank Loan Payable	21,288.18		21,288.18
Revenue Bonds Payable		101,269.54	101,269.54
Total Liabilities	27,991.82	114,769.54	142,761.36
NET POSITION:			
Net Investment in Capital Assets	198,898.18	107,890.46	306,788.64
Restricted for:			
Special Purposes	74,423.65		74,423.65
Unrestricted	38,243.00	166,670.71	204,913.71
Total Net Position	311,564.83	274,561.17	586,126.00

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

CITY OF FLASHER
Flasher, North Dakota

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

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	98,948.28	156,581.37	255,529.65
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	177,466.00	229,090.00	406,556.00
Machinery and Vehicles	61,822.00	14,210.00	76,032.00
Total Capital Assets	239,288.00	243,300.00	482,588.00
Total Assets	338,236.28	399,881.37	738,117.65
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Bank Loan Payable	6,477.53		6,477.53
Revenue Bonds Payable		19,452.68	19,452.68
Due After One Year:			
Bank Loan Payable	27,991.82		27,991.82
Revenue Bonds Payable		114,769.54	114,769.54
Total Liabilities	34,469.35	134,222.22	168,691.57
NET POSITION:			
Net Investment in Capital Assets	204,818.65	109,077.78	313,896.43
Restricted for:			
Special Purposes	62,687.69		62,687.69
Unrestricted	36,260.59	156,581.37	192,841.96
Total Net Position	303,766.93	265,659.15	569,426.08

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

CITY OF FLASHER
Flasher, North Dakota

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

	Net (Expense) Revenue and Changes in Net Position				
	Expenses	Program Revenues		Primary Government	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<u>Functions/Programs</u>					
<u>Primary Government:</u>					
<u>Governmental Activities:</u>					
General Government	59,814.83	3,900.00		(55,914.83)	(55,914.83)
Public Safety	164.62			(164.62)	(164.62)
Streets and Public Works	39,731.13	25,943.58	19,227.16	5,439.61	5,439.61
Culture and Recreation	2,937.85	2,930.00		(7.85)	(7.85)
Interest on Long-Term Debt	940.59			(940.59)	(940.59)
Total Governmental Activities	103,589.02	32,773.58	19,227.16	(51,588.28)	(51,588.28)
<u>Business-Type Activities:</u>					
Waterworks	71,407.67	74,340.84		2,933.17	2,933.17
Sewer	21,092.04	25,800.05		4,708.01	4,708.01
Garbage	33,187.69	38,022.45		4,834.76	4,834.76
Total Business-Type Activities	125,687.40	138,163.34		12,475.94	12,475.94
Total Primary Government	229,276.42	170,936.92	19,227.16	(51,588.28)	(39,112.34)
=====					
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes			24,746.88		24,746.88
Property taxes; levied for special purposes			827.56		827.56
Cigarette taxes			753.00		753.00
Telecommunications taxes			768.99		768.99
Intergovernmental revenue not restricted to specific programs			26,250.29		26,250.29
Earnings on investments and other revenue			1,774.04	691.50	2,465.54
Transfers			4,265.42	(4,265.42)	
Total General Revenues and Transfers			59,386.18	(3,573.92)	55,812.26
Change in Net Position			7,797.90	8,902.02	16,699.92
Net Position - January 1			303,766.93	265,659.15	569,426.08
Net Position - December 31			311,564.83	274,561.17	586,126.00
=====					

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

CITY OF FLASHER
Flasher, North Dakota

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

	Net (Expense) Revenue and Changes in Net Position				
	Expenses	Program Revenues		Primary Government	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<u>Functions/Programs</u>					
<u>Primary Government:</u>					
<u>Governmental Activities:</u>					
General Government	72,995.87	3,045.00		(69,950.87)	(69,950.87)
Public Safety	14.32			(14.32)	(14.32)
Streets and Public Works	50,301.57	19,402.52	30,150.38	(748.67)	(748.67)
Culture and Recreation		6,890.00		6,890.00	6,890.00
Total Governmental Activities	123,311.76	29,337.52	30,150.38	(63,823.86)	(63,823.86)
<u>Business-Type Activities:</u>					
Waterworks	66,532.17	73,067.50		6,535.33	6,535.33
Sewer	21,263.28	24,001.32		2,738.04	2,738.04
Garbage	32,849.23	32,567.00		(282.23)	(282.23)
Total Business-Type Activities	120,644.68	129,635.82		8,991.14	8,991.14
Total Primary Government	243,956.44	158,973.34	30,150.38	(63,823.86)	8,991.14
=====					
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes			25,676.06		25,676.06
Property taxes; levied for special purposes			6,104.60		6,104.60
Cigarette taxes			764.80		764.80
Telecommunications taxes			768.99		768.99
Financial institution taxes			872.56		872.56
Intergovernmental revenue not restricted to specific programs			25,783.03		25,783.03
Earnings on investments and other revenue			2,933.04	566.41	3,499.45
Total General Revenues			62,903.08	566.41	63,469.49
Change in Net Position			(920.78)	9,557.55	8,636.77
Net Position - January 1			304,687.71	256,101.60	560,789.31
Net Position - December 31			303,766.93	265,659.15	569,426.08
=====					

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Funds				Total Governmental Funds
	General	Highway	Street Improvement	Other Governmental Funds	
ASSETS:					
Cash, Cash Equivalents and Investments	38,243.00	4,769.58	54,158.90	15,495.17	112,666.65
Interfund Receivable	16,865.92				16,865.92
<hr/>					
Total Assets	55,108.92	4,769.58	54,158.90	15,495.17	129,532.57
<hr/>					
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payable				16,865.92	16,865.92
<hr/>					
Fund Balances:					
Restricted for:					
General Government				5,346.47	5,346.47
Streets and Public Works		4,769.58	54,158.90		58,928.48
Culture and Recreation				100.76	100.76
Emergency Services				5,849.13	5,849.13
Legion Hall				775.09	775.09
Other				3,423.72	3,423.72
Unassigned	55,108.92			(16,865.92)	38,243.00
<hr/>					
Total Fund Balances	55,108.92	4,769.58	54,158.90	(1,370.75)	112,666.65
<hr/>					
Total Liabilities and Fund Balances	55,108.92	4,769.58	54,158.90	15,495.17	129,532.57
<hr/>					

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Funds				Total Governmental Funds
	General	Highway	Street Improvement	Other Governmental Funds	
ASSETS:					
Cash, Cash Equivalents and Investments	36,260.59	40.60	44,108.12	18,538.97	98,948.28
Interfund Receivable	11,258.97				11,258.97
<hr/>					
Total Assets	47,519.56	40.60	44,108.12	18,538.97	110,207.25
<hr style="border-top: 1px dashed black;"/>					
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Interfund Payable				11,258.97	11,258.97
<hr/>					
Fund Balances:					
Restricted for:					
General Government				8,930.26	8,930.26
Streets and Public Works		40.60	44,108.12		44,148.72
Culture and Recreation				100.76	100.76
Emergency Services				5,309.14	5,309.14
Legion Hall				775.09	775.09
Other				3,423.72	3,423.72
Unassigned	47,519.56			(11,258.97)	36,260.59
<hr/>					
Total Fund Balances	47,519.56	40.60	44,108.12	7,280.00	98,948.28
<hr/>					
Total Liabilities and Fund Balances	47,519.56	40.60	44,108.12	18,538.97	110,207.25
<hr style="border-top: 1px dashed black;"/>					

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

CITY OF FLASHER
Flasher, North Dakota

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

Total Fund Balances for Governmental Funds		112,666.65
<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		448,069.00
Less Accumulated Depreciation		(221,179.00)
Net Capital Assets		226,890.00
<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, 2015 are:</p>		
Bank Loan Payable		(27,991.82)
		311,564.83
Total Net Position of Governmental Activities		311,564.83

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

CITY OF FLASHER
Flasher, North Dakota

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

Total Fund Balances for Governmental Funds		98,948.28
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	448,069.00	
Less Accumulated Depreciation	(208,781.00)	
Net Capital Assets	239,288.00	239,288.00
<p>Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2014 are:</p>		
Bank Loan Payable		(34,469.35)
Total Net Position of Governmental Activities		303,766.93

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2015

	Major Funds				Total Governmental Funds
	General	Highway	Street Improvement	Other Governmental Funds	
Revenues:					
Taxes	25,515.87			827.56	26,343.43
Licenses, Permits and Fees	3,900.00				3,900.00
Intergovernmental	27,003.29	19,227.16			46,230.45
Charges for Services		18,822.80	10,050.78		28,873.58
Miscellaneous	1,478.04			296.00	1,774.04
Total Revenues	57,897.20	38,049.96	10,050.78	1,123.56	107,121.50
Expenditures:					
Current:					
General Government	46,790.52			9,774.31	56,564.83
Public Safety	164.62				164.62
Streets and Public Works	414.85	30,168.28			30,583.13
Culture and Recreation	2,937.85				2,937.85
Debt Service:					
Principal		6,477.53			6,477.53
Interest		940.59			940.59
Total Expenditures	50,307.84	37,586.40		9,774.31	97,668.55
Excess (Deficiency) of Revenues Over Expenditures	7,589.36	463.56	10,050.78	(8,650.75)	9,452.95
Other Financing Sources:					
Transfers In		4,265.42			4,265.42
Net Change in Fund Balances	7,589.36	4,728.98	10,050.78	(8,650.75)	13,718.37
Fund Balance - January 1	47,519.56	40.60	44,108.12	7,280.00	98,948.28
Fund Balance - December 31	55,108.92	4,769.58	54,158.90	(1,370.75)	112,666.65

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

CITY OF FLASHER
Flasher, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2014

	Major Funds				Total Governmental Funds
	General	Highway	Street Improvement	Other Governmental Funds	
Revenues:					
Taxes	27,317.61			6,104.60	33,422.21
Licenses, Permits and Fees	3,045.00				3,045.00
Intergovernmental	36,737.49	19,960.72			56,698.21
Charges for Services	6,890.00	9,801.55	9,600.97		26,292.52
Miscellaneous	2,583.04			350.00	2,933.04
Total Revenues	76,573.14	29,762.27	9,600.97	6,454.60	122,390.98
Expenditures:					
Current:					
General Government	61,682.11			8,063.76	69,745.87
Public Safety	14.32				14.32
Streets and Public Works	73.47	38,832.75	47.35		38,953.57
Capital Outlay		41,469.00			41,469.00
Total Expenditures	61,769.90	80,301.75	47.35	8,063.76	150,182.76
Excess (Deficiency) of Revenues Over Expenditures	14,803.24	(50,539.48)	9,553.62	(1,609.16)	(27,791.78)
Other Financing Sources (Uses):					
Transfers In		2,000.00			2,000.00
Transfers Out	(2,000.00)				(2,000.00)
Proceeds from Loan		34,469.35			34,469.35
Total Other Financing Sources (Uses)	(2,000.00)	36,469.35			34,469.35
Net Change in Fund Balances	12,803.24	(14,070.13)	9,553.62	(1,609.16)	6,677.57
Fund Balance - January 1	34,716.32	14,110.73	34,554.50	8,889.16	92,270.71
Fund Balance - December 31	47,519.56	40.60	44,108.12	7,280.00	98,948.28

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

CITY OF FLASHER
Flasher, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2015

Net Change in Fund Balances - Total Governmental Funds 13,718.37

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	(12,398.00)	(12,398.00)

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	6,477.53	6,477.53

Change in Net Position of Governmental Activities 7,797.90

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

CITY OF FLASHER
Flasher, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2014

Net Change in Fund Balances - Total Governmental Funds 6,677.57

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

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

Current Year Capital Outlay	41,469.00	
Current Year Depreciation Expense	(14,598.00)	26,871.00

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

Debt Proceeds	(34,469.35)	
Repayment of Debt	0.00	(34,469.35)

Change in Net Position of Governmental Activities (920.78)

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	118,285.14	23,767.03	24,618.54	166,670.71
Noncurrent Assets:				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	65,400.00	145,080.00		210,480.00
Machinery and Vehicles		12,180.00		12,180.00
Total Noncurrent Assets	65,400.00	157,260.00		222,660.00
Total Assets	183,685.14	181,027.03	24,618.54	389,330.71
LIABILITIES				
Current Liabilities:				
Revenue Bonds Payable	4,500.00	9,000.00		13,500.00
Noncurrent Liabilities:				
Revenue Bonds Payable	49,269.54	52,000.00		101,269.54
Total Liabilities	53,769.54	61,000.00		114,769.54
NET POSITION				
Net Investment in Capital Assets	11,630.46	96,260.00		107,890.46
Unrestricted	118,285.14	23,767.03	24,618.54	166,670.71
Total Net Position	129,915.60	120,027.03	24,618.54	274,561.17

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	115,417.69	19,710.82	21,452.86	156,581.37
Noncurrent Assets:				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	75,950.00	153,140.00		229,090.00
Machinery and Vehicles		14,210.00		14,210.00
Total Noncurrent Assets	75,950.00	167,350.00		243,300.00
Total Assets	191,367.69	187,060.82	21,452.86	399,881.37
LIABILITIES				
Current Liabilities:				
Revenue Bonds Payable	9,452.68	10,000.00		19,452.68
Noncurrent Liabilities:				
Revenue Bonds Payable	53,769.54	61,000.00		114,769.54
Total Liabilities	63,222.22	71,000.00		134,222.22
NET POSITION				
Net Investment in Capital Assets	12,727.78	96,350.00		109,077.78
Unrestricted	115,417.69	19,710.82	21,452.86	156,581.37
Total Net Position	128,145.47	116,060.82	21,452.86	265,659.15

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Sales	72,390.84			72,390.84
Sewer Fees		25,800.05		25,800.05
Garbage Fees			37,122.45	37,122.45
Landfill Charges			900.00	900.00
Water Hookup Fee	1,275.00			1,275.00
Water Reconnect Fee	675.00			675.00
Total Operating Revenues	74,340.84	25,800.05	38,022.45	138,163.34
<u>Operating Expenses:</u>				
Salaries and Benefits	7,539.77	6,043.08	2,274.06	15,856.91
Electricity	3,173.47	1,224.44		4,397.91
Office Supplies	663.00			663.00
Repairs, Supplies and Maintenance	7,050.47	1,619.52	2,153.19	10,823.18
Garbage Contract			28,067.44	28,067.44
Rural Water Contract	13,824.00			13,824.00
Rural Water Purchases	26,232.59			26,232.59
Miscellaneous	574.69		693.00	1,267.69
Depreciation	10,550.00	10,090.00		20,640.00
Total Operating Expenses	69,607.99	18,977.04	33,187.69	121,772.72
Operating Income (Loss)	4,732.85	6,823.01	4,834.76	16,390.62
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	691.50			691.50
Interest and Service Charges	(1,799.68)	(2,115.00)		(3,914.68)
Total Non-Operating Revenues (Expenses)	(1,108.18)	(2,115.00)		(3,223.18)
Income (Loss) Before Transfers	3,624.67	4,708.01	4,834.76	13,167.44
Transfers Out	(1,854.54)	(741.80)	(1,669.08)	(4,265.42)
Change in Net Position	1,770.13	3,966.21	3,165.68	8,902.02
Net Position - January 1	128,145.47	116,060.82	21,452.86	265,659.15
Net Position - December 31	129,915.60	120,027.03	24,618.54	274,561.17

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water Sales	71,017.50			71,017.50
Sewer Fees		24,001.32		24,001.32
Garbage Fees			32,237.00	32,237.00
Landfill Charges			330.00	330.00
Water Hookup Fee	1,900.00			1,900.00
Water Reconnect Fee	150.00			150.00
Total Operating Revenues	73,067.50	24,001.32	32,567.00	129,635.82
<u>Operating Expenses:</u>				
Salaries and Benefits	7,450.46	4,454.86	2,377.00	14,282.32
Electricity	2,487.14	1,354.66		3,841.80
Office Supplies	637.50			637.50
Repairs, Supplies and Maintenance	2,087.94	2,957.01		5,044.95
Garbage Contract			29,393.90	29,393.90
Rural Water Contract	13,824.00			13,824.00
Rural Water Purchases	22,907.51			22,907.51
Miscellaneous	4,636.63	21.75	1,078.33	5,736.71
Depreciation	10,550.00	10,090.00		20,640.00
Total Operating Expenses	64,581.18	18,878.28	32,849.23	116,308.69
Operating Income (Loss)	8,486.32	5,123.04	(282.23)	13,327.13
<u>Non-Operating Revenues (Expenses):</u>				
Interest	566.41			566.41
Interest and Service Charges	(1,950.99)	(2,385.00)		(4,335.99)
Total Non-Operating Revenues (Expenses)	(1,384.58)	(2,385.00)		(3,769.58)
Change in Net Position	7,101.74	2,738.04	(282.23)	9,557.55
Net Position - January 1	121,043.73	113,322.78	21,735.09	256,101.60
Net Position - December 31	128,145.47	116,060.82	21,452.86	265,659.15

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	74,340.84	25,800.05	38,022.45	138,163.34
Payments to suppliers	(51,518.22)	(2,843.96)	(30,913.63)	(85,275.81)
Payments to employees	(7,539.77)	(6,043.08)	(2,274.06)	(15,856.91)
Net cash provided (used) by operating activities	15,282.85	16,913.01	4,834.76	37,030.62
<u>Cash flows from noncapital financing activities:</u>				
Transfers out	(1,854.54)	(741.80)	(1,669.08)	(4,265.42)
<u>Cash flows from capital and related financing activities:</u>				
Principal payments on revenue bonds	(9,452.68)	(10,000.00)		(19,452.68)
Interest payments and service charges	(1,799.68)	(2,115.00)		(3,914.68)
Net cash provided (used) by capital and related financing activities	(11,252.36)	(12,115.00)		(23,367.36)
<u>Cash flows from investing activities:</u>				
Interest income	691.50			691.50
Net increase in cash and cash equivalents	2,867.45	4,056.21	3,165.68	10,089.34
Cash and cash equivalents, January 1	115,417.69	19,710.82	21,452.86	156,581.37
Cash and cash equivalents, December 31	118,285.14	23,767.03	24,618.54	166,670.71

Reconciliation of Operating Income to Net
Cash Provided (Used) by Operating Activities

Operating income	4,732.85	6,823.01	4,834.76	16,390.62
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	10,550.00	10,090.00		20,640.00
Net cash provided (used) by operating activities	15,282.85	16,913.01	4,834.76	37,030.62

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

CITY OF FLASHER
Flasher, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	73,067.50	24,001.32	32,567.00	129,635.82
Payments to suppliers	(46,580.72)	(4,333.42)	(30,472.23)	(81,386.37)
Payments to employees	(7,450.46)	(4,454.86)	(2,377.00)	(14,282.32)
Net cash provided (used) by operating activities	19,036.32	15,213.04	(282.23)	33,967.13
<u>Cash flows from capital and related financing activities:</u>				
Principal payments on revenue bonds	(9,191.38)	(9,000.00)		(18,191.38)
Interest payments and service charges	(1,950.99)	(2,385.00)		(4,335.99)
Net cash provided (used) by capital and related financing activities	(11,142.37)	(11,385.00)		(22,527.37)
<u>Cash flows from investing activities:</u>				
Interest income	566.41			566.41
Net increase in cash and cash equivalents	8,460.36	3,828.04	(282.23)	12,006.17
Cash and cash equivalents, January 1	106,957.33	15,882.78	21,735.09	144,575.20
Cash and cash equivalents, December 31	115,417.69	19,710.82	21,452.86	156,581.37
=====				
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	8,486.32	5,123.04	(282.23)	13,327.13
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	10,550.00	10,090.00		20,640.00
Net cash provided (used) by operating activities	19,036.32	15,213.04	(282.23)	33,967.13
=====				

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

CITY OF FLASHER
Flasher, North Dakota

Notes to the Financial Statements
December 31, 2015 and 2014

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Flasher operates under a city commission form of government. The financial statements of the city have been prepared on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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

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

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, the City of Flasher. 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 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.

Street Improvement Fund. This fund accounts for utility charges used for street repairs and maintenance.

The city reports the following major enterprise funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

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

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

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

D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

E. Capital Assets

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

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

Buildings and Infrastructure	25 to 100 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 commission through the adoption of a resolution. The city commission 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 reporting framework (SRF) used by the city requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2015 the city's carrying amount of deposits was \$279,337 and the bank balance was \$283,639 which was covered by Federal Depository Insurance.

At December 31, 2014 the city's carrying amount of deposits was \$255,530 and the bank balance was \$265,577 which was covered by Federal Depository Insurance.

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, 2015 the city held certificates of deposit in the amount of \$37,515, which are all considered deposits.

At December 31, 2014 the city held certificates of deposit in the amount of \$36,906, which are all considered deposits.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 INTERFUND RECEIVABLE/PAYABLE

Interfund receivable/payable is created by a negative cash balance in the insurance reserve fund. The amount shown as interfund payable represent the amount of negative cash in the fund. Interfund receivable/payable for the years ended December 31, 2015 and 2014 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2015</u>		
General Fund	16,865.92	
Insurance Reserve		16,865.92
<u>December 31, 2014</u>		
General Fund	11,258.97	
Insurance Reserve		11,258.97

Note 5 CAPITAL ASSETS

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

	<u>2015</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
Capital assets being depreciated:				
Buildings and Infrastructure	312,600			312,600
Machinery and Vehicles	135,469			135,469
Total	<u>448,069</u>			<u>448,069</u>
Less accumulated depreciation for:				
Buildings and Infrastructure	135,134	6,501		141,635
Machinery and Vehicles	73,647	5,897		79,544
Total	<u>208,781</u>	<u>12,398</u>		<u>221,179</u>
Governmental Activities Capital Assets, Net	<u>239,288</u>	<u>(12,398)</u>	<u>-0-</u>	<u>226,890</u>
	=====	=====	=====	=====

2014

	<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	312,600			312,600
Machinery and Vehicles	94,000	41,469		135,469
Total	<u>406,600</u>	<u>41,469</u>		<u>448,069</u>
<i>Less accumulated</i> <i>depreciation for:</i>				
Buildings and Infrastructure	128,633	6,501		135,134
Machinery and Vehicles	65,550	8,097		73,647
Total	<u>194,183</u>	<u>14,598</u>		<u>208,781</u>
Governmental Activities Capital Assets, Net	<u>212,417</u>	<u>26,871</u>	<u>-0-</u>	<u>239,288</u>

2015

	<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</i> <i>being depreciated:</i>				
Buildings and Infrastructure	521,500			521,500
Machinery and Vehicles	20,300			20,300
Total	<u>541,800</u>			<u>541,800</u>
<i>Less accumulated</i> <i>depreciation for:</i>				
Buildings and Infrastructure	292,410	18,610		311,020
Machinery and Vehicles	6,090	2,030		8,120
Total	<u>298,500</u>	<u>20,640</u>		<u>319,140</u>
Business-type Activities Capital Assets, Net	<u>243,300</u>	<u>(20,640)</u>	<u>-0-</u>	<u>222,660</u>

2014

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
	<u>January 1</u>			<u>December 31</u>
Business-type Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and				
Infrastructure	521,500			521,500
Machinery and				
Vehicles	20,300			20,300
Total	541,800			541,800
 <i>Less accumulated depreciation for:</i>				
Buildings and				
Infrastructure	273,800	18,610		292,410
Machinery and				
Vehicles	4,060	2,030		6,090
Total	277,860	20,640		298,500
 Business-type Activities				
Capital Assets, Net	263,940	(20,640)	-0-	243,300
	=====	=====	=====	=====

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

	<u>2015</u>	<u>2014</u>
<u>Governmental Activities:</u>		
General Government	3,250	3,250
Streets and Public Works	9,148	11,348
Total	12,398	14,598
	=====	=====
 <u>Business-type Activities:</u>		
Waterworks	10,550	10,550
Sewer	10,090	10,090
Total	20,640	20,640
	=====	=====

Note 6 LONG-TERM DEBT

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

Governmental Activities:

	Balance January 1	Increases	2015		Balance December 31	Due Within One Year
			Decreases			
Bank Loan Payable	34,469	-0-	6,477		27,992	6,704
	=====	=====	=====		=====	=====

	Balance January 1	Increases	2014		Balance December 31	Due Within One Year
			Decreases			
Bank Loan Payable	-0-	34,469	-0-		34,469	6,478
	=====	=====	=====		=====	=====

Business-type Activities (Proprietary Funds):

	Balance January 1	Increases	2015		Balance December 31	Due Within One Year
			Decreases			
Revenue Bonds Payable	134,222	-0-	19,453		114,769	13,500
	=====	=====	=====		=====	=====

	Balance January 1	Increases	2014		Balance December 31	Due Within One Year
			Decreases			
Revenue Bonds Payable	152,414	-0-	18,192		134,222	19,453
	=====	=====	=====		=====	=====

Outstanding debt at December 31, 2015 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, 2015, is as follows:

Bank Loan Payable. The city has taken out a loan to provide funds for the purchase of a Bobcat skid steer. Bank loan payable at December 31, 2015 is as follows:

\$34,469.35 loan payable with Starion Financial dated October 30, 2014. Payments are due quarterly from February 1, 2016 through November 1, 2019; interest is at 2.79%.	27,991.82 =====
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The annual requirements to amortize the outstanding bank loan payable are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	6,703.64	714.48
2017	6,888.57	529.55
2018	7,085.52	332.60
2019	7,314.09	130.05
Total	<u>27,991.82</u>	<u>1,706.68</u>
	=====	=====

Business-type Activities (Proprietary Funds):

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

\$150,000 Waterworks Project Revenue Bonds 1987A, due in annual installments of \$4,500 to \$1,670 through 2-10-2026; interest is at 3%.	53,769.54
\$121,414 Sewer Revenue Bonds of 2008, due in annual installments of \$5,000 to \$10,000 through 9-1-2022; interest is at 2.5%.	61,000.00
Total Revenue Bonds Payable	<u>114,769.54</u>
	=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	13,500.00	3,070.60
2017	13,700.00	2,707.60
2018	13,800.00	2,360.09
2019	14,000.00	1,968.09
2020	15,100.00	1,591.60
2021-2025	43,000.00	2,898.46
2026-2027	1,669.54	25.05
Total	<u>114,769.54</u>	<u>14,621.49</u>
	=====	=====

Note 7 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2015</u>		
Highway	4,265.42	
Waterworks		1,854.54
Sewer		741.80
Garbage		1,669.08
To provide funds for debt service payments.		
<u>December 31, 2014</u>		
Highway	2,000.00	
General		2,000.00
To subsidize expenditures.		

Note 8 DEFICIT FUND BALANCE

The following fund had a deficit balance as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<u>Special Revenue Fund</u>		
Insurance Reserve	(16,865.92)	(11,258.97)

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

Note 9 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$213,115 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$78,000 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.

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	30,000.00	30,000.00	25,515.87	(4,484.13)
Licenses, Permits and Fees	1,575.00	1,575.00	3,900.00	2,325.00
Intergovernmental	18,700.00	18,700.00	27,003.29	8,303.29
Charges for Services	500.00	500.00		(500.00)
Miscellaneous	750.00	750.00	1,478.04	728.04
Total Revenues	51,525.00	51,525.00	57,897.20	6,372.20
<u>Expenditures:</u>				
Current:				
General Government	36,670.00	46,977.84	46,790.52	187.32
Public Safety	1,000.00	1,000.00	164.62	835.38
Streets and Public Works	200.00	200.00	414.85	(214.85)
Culture and Recreation	300.00	300.00	2,937.85	(2,637.85)
Total Expenditures	38,170.00	48,477.84	50,307.84	(1,830.00)
Net Change in Fund Balances	13,355.00	3,047.16	7,589.36	4,542.20
Fund Balance - January 1	47,519.56	47,519.56	47,519.56	
Fund Balance - December 31	60,874.56	50,566.72	55,108.92	4,542.20

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	30,000.00	30,000.00	27,317.61	(2,682.39)
Licenses, Permits and Fees	1,775.00	1,775.00	3,045.00	1,270.00
Intergovernmental	13,700.00	18,700.00	36,737.49	18,037.49
Charges for Services	75.00	75.00	6,890.00	6,815.00
Miscellaneous	420.00	420.00	2,583.04	2,163.04
Total Revenues	45,970.00	50,970.00	76,573.14	25,603.14
<u>Expenditures:</u>				
Current:				
General Government	35,645.00	35,645.00	61,682.11	(26,037.11)
Public Safety	300.00	300.00	14.32	285.68
Streets and Public Works	200.00	5,200.00	73.47	5,126.53
Culture and Recreation	1,300.00	1,300.00		1,300.00
Total Expenditures	37,445.00	42,445.00	61,769.90	(19,324.90)
Excess (Deficiency) of Revenues Over Expenditures	8,525.00	8,525.00	14,803.24	6,278.24
<u>Other Financing (Uses):</u>				
Transfers Out		(2,000.00)	(2,000.00)	
Net Change in Fund Balances	8,525.00	6,525.00	12,803.24	6,278.24
Fund Balance - January 1	34,716.32	34,716.32	34,716.32	
Fund Balance - December 31	43,241.32	41,241.32	47,519.56	6,278.24

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	22,000.00	22,000.00	19,227.16	(2,772.84)
Charges for Services	9,100.00	9,100.00	18,822.80	9,722.80
Total Revenues	31,100.00	31,100.00	38,049.96	6,949.96
<u>Expenditures:</u>				
Current:				
Streets and Public Works	41,350.00	41,350.00	30,168.28	11,181.72
Debt Service:				
Principal	5,600.00	5,600.00	6,477.53	(877.53)
Interest			940.59	(940.59)
Total Expenditures	46,950.00	46,950.00	37,586.40	9,363.60
Excess (Deficiency) of Revenues Over Expenditures	(15,850.00)	(15,850.00)	463.56	16,313.56
<u>Other Financing Sources:</u>				
Transfers In			4,265.42	4,265.42
Net Change in Fund Balances	(15,850.00)	(15,850.00)	4,728.98	20,578.98
Fund Balance - January 1	40.60	40.60	40.60	
Fund Balance - December 31	(15,809.40)	(15,809.40)	4,769.58	20,578.98

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	21,000.00	21,000.00	19,960.72	(1,039.28)
Charges for Services	9,200.00	9,200.00	9,801.55	601.55
Total Revenues	30,200.00	30,200.00	29,762.27	(437.73)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	49,337.00	49,337.00	38,832.75	10,504.25
Capital Outlay			41,469.00	(41,469.00)
Total Expenditures	49,337.00	49,337.00	80,301.75	(30,964.75)
Excess (Deficiency) of Revenues Over Expenditures	(19,137.00)	(19,137.00)	(50,539.48)	(31,402.48)
<u>Other Financing Sources:</u>				
Transfers In		2,000.00	2,000.00	
Proceeds from Loan			34,469.35	34,469.35
Total Other Financing Sources		2,000.00	36,469.35	34,469.35
Net Change in Fund Balances	(19,137.00)	(17,137.00)	(14,070.13)	3,066.87
Fund Balance - January 1	14,110.73	14,110.73	14,110.73	
Fund Balance - December 31	(5,026.27)	(3,026.27)	40.60	3,066.87

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Charges for Services	7,000.00	7,000.00	10,050.78	3,050.78
Fund Balance - January 1	44,108.12	44,108.12	44,108.12	
Fund Balance - December 31	51,108.12	51,108.12	54,158.90	3,050.78

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Charges for Services	5,200.00	5,200.00	9,600.97	4,400.97
<u>Expenditures:</u>				
Current:				
Streets and Public Works			47.35	(47.35)
Net Change in Fund Balances	5,200.00	5,200.00	9,553.62	4,353.62
Fund Balance - January 1	34,554.50	34,554.50	34,554.50	
Fund Balance - December 31	39,754.50	39,754.50	44,108.12	4,353.62

CITY OF FLASHER
Flasher, North Dakota

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

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Based upon available financial information and requests by the governing board, the city auditor prepares the preliminary budget. The city budget is prepared for the general 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 approved the following amendments to the city's budgets for the years ending December 31, 2015 and 2014:

December 31, 2015

	Original Budget	Amendment	Amended Budget
	<u>Appropriations</u>		
General Fund	38,170	10,308	48,478

December 31, 2014

	Original Budget	Amendment	Amended Budget
	<u>Appropriations</u>		
General Fund	37,445	5,000	42,445
	<u>Transfers In</u>		
<u>Special Revenue Fund</u> Highway		2,000	2,000
	<u>Transfers Out</u>		
General Fund		2,000	2,000

Excess of Actual Expenditures Over Budget

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

	<u>2015</u>	<u>2014</u>
General Fund	1,830.00	19,324.90
<u>Special Revenue Funds</u>		
Highway		30,964.75
* Street Improvement		47.35
Social Security	271.36	943.83

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

CITY OF FLASHER
Flasher, North Dakota

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

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
<u>Major Governmental Funds</u>						
General Fund	47,519.56	57,897.20			50,307.84	55,108.92
Highway	40.60	38,049.96	4,265.42		37,586.40	4,769.58
Street Improvement	44,108.12	10,050.78				54,158.90
Total Major Governmental Funds	91,668.28	105,997.94	4,265.42		87,894.24	114,037.40
<u>Non-Major Governmental Funds</u>						
Social Security	7,519.37	180.42			3,871.36	3,828.43
Share of Special Assessments	3,423.72					3,423.72
Advertising	1,410.89	107.15				1,518.04
Emergency	5,309.14	539.99				5,849.13
Legion Hall	775.09					775.09
Insurance Reserve	(11,258.97)	296.00			5,902.95	(16,865.92)
Library	100.76					100.76
Total Non-Major Governmental Funds	7,280.00	1,123.56			9,774.31	(1,370.75)
Total Governmental Funds	98,948.28	107,121.50	4,265.42		97,668.55	112,666.65
<u>Major Enterprise Funds</u>						
Waterworks	115,417.69	75,032.34		1,854.54	70,310.35	118,285.14
Sewer	19,710.82	25,800.05		741.80	21,002.04	23,767.03
Garbage	21,452.86	38,022.45		1,669.08	33,187.69	24,618.54
Total Major Enterprise Funds	156,581.37	138,854.84		4,265.42	124,500.08	166,670.71
Total All Funds	255,529.65	245,976.34	4,265.42	4,265.42	222,168.63	279,337.36

CITY OF FLASHER
Flasher, North Dakota

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

	Balance 1-1-14	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-14
Major Governmental Funds						
General Fund	34,716.32	76,573.14		2,000.00	61,769.90	47,519.56
Highway	14,110.73	29,762.27	2,000.00		45,832.40	40.60
Street Improvement	34,554.50	9,600.97			47.35	44,108.12
Total Major Governmental Funds	83,381.55	115,936.38	2,000.00	2,000.00	107,649.65	91,668.28
Non-Major Governmental Funds						
Social Security	7,145.18	4,818.02			4,443.83	7,519.37
Share of Special Assessments	3,423.72					3,423.72
Advertising	1,196.01	214.88				1,410.89
Emergency	4,237.44	1,071.70				5,309.14
Legion Hall	775.09					775.09
Insurance Reserve	(7,989.04)	350.00			3,619.93	(11,258.97)
Library	100.76					100.76
Total Non-Major Governmental Funds	8,889.16	6,454.60			8,063.76	7,280.00
Total Governmental Funds	92,270.71	122,390.98	2,000.00	2,000.00	115,713.41	98,948.28
Major Enterprise Funds						
Waterworks	106,957.33	73,633.91			65,173.55	115,417.69
Sewer	15,882.78	24,001.32			20,173.28	19,710.82
Garbage	21,735.09	32,567.00			32,849.23	21,452.86
Total Major Enterprise Funds	144,575.20	130,202.23			118,196.06	156,581.37
Total All Funds	236,845.91	252,593.21	2,000.00	2,000.00	233,909.47	255,529.65

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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 Flasher
Flasher, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Flasher, Flasher, North Dakota, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated September 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the city's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the city's internal control. Accordingly, we do not express an opinion on the effectiveness of the city's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items II-1 and II-2, that we consider to be significant deficiencies.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

September 9, 2016

CITY OF FLASHER
Flasher, North Dakota

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

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified-Modified Cash Basis
Business-Type Activities	Unmodified-Modified Cash Basis
Major Governmental Funds	Unmodified-Modified Cash Basis
Major Business-Type Funds	Unmodified-Modified Cash Basis
Aggregate Remaining Fund Information	Unmodified-Modified Cash Basis

Internal control over financial reporting:

* Material weakness(es) identified? Yes 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, 2015 and 2014 are prepared by the city's external auditors.

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

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

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

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

Rath & Mehrer

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Governing Board
City of Flasher
Flasher, North Dakota

Our audits of the financial records of the City of Flasher, Flasher, North Dakota, for the years ended December 31, 2015 and 2014 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:

* * * * *

EMERGENCY FUND

During the course of the audit, we noted that the city's emergency fund balance has exceeded the limitation set by NDCC section 57-15-48. The emergency fund balance is limited to 5 mills or five dollars per capita, whichever is greater. We recommend that the city discontinue the levy for the emergency fund until the fund balance falls below this.

* * * * *

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

Rath and Mehrer, P.C.

September 9, 2016