

AUDIT REPORT

CITY OF FLASHER
Flasher, North Dakota

For the Years Ended December 31, 2017 and 2016

RATH & MEHRER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FLASHER
Flasher, North Dakota

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CITY OF FLASHER
Flasher, North Dakota

CITY OFFICIALS

Tamara Bartz	Commission President
Alesia Medeiros	Commissioner
Shelly Meyhoff	Commissioner
Monte Mortenson	Commissioner
Joanie Rossow	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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flasher, Flasher, North Dakota, as of December 31, 2017 and 2016, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The management's discussion and analysis, budgeting comparison information and 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 October 5, 2018 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

October 5, 2018

CITY OF FLASHER

Management's Discussion and Analysis

December 31, 2017 and 2016

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, 2017 and 2016. The intent of the MD&A is to look at the city's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2017 are as follows:

- * Total net position of the city decreased \$14,629 as a result of the current year's operations. Net position of the governmental activities increased \$41,191 and net position of the business-type activities decreased \$55,820.
- * Governmental net position totaled \$350,106 and business-type net position totaled \$264,078.
- * Total revenues from all sources were \$130,483 for governmental activities and \$233,370 for business-type activities.
- * Total expenses were \$128,785 for governmental activities and \$249,698 for business-type activities.
- * The city's general fund had \$68,108 in total revenues and \$65,000 in total expenditures. There was a total of \$3,500 paid from other financing uses. Overall, the general fund balance decreased by \$392 for the year ended December 31, 2017.

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

- * Total net position of the city increased \$42,688 as a result of the current year's operations. Net position of the governmental activities decreased \$2,649 and net position of the business-type activities increased \$45,337.
- * Governmental net position totaled \$308,916 and business-type net position totaled \$319,898.
- * Total revenues from all sources were \$122,712 for governmental activities and \$233,232 for business-type activities.
- * Total expenses were \$131,666 for governmental activities and \$181,590 for business-type activities.
- * The city's general fund had \$70,844 in total revenues and \$72,114 in total expenditures. There was a total of \$10,581 paid from other financing uses. Overall, the general fund balance decreased by \$11,851 for the year ended December 31, 2016.

USING THIS ANNUAL REPORT

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

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

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

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

REPORTING ON THE CITY AS A WHOLE

Statement of Net Position and Statement of Activities

These statements are summaries of all the funds used by the city to provide programs and activities and attempt to answer the question "How did the city do financially during the years ended December 31, 2017 and 2016?"

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

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

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

In the Statement of Net Position and the Statement of Activities, the city reports governmental and business-type activities. Governmental activities are the activities where most of the city's programs and services are reported including, but not limited to, general government, 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, emergency 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, 2017 and 2016. A comparative analysis of city-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the city's net position decreased by \$14,629 and increased by \$42,688 for the years ended December 31, 2017 and 2016, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2017, the city's net position of \$614,185 is segregated into three separate categories. Net investment in capital assets represents 56% 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 10% 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.

Table I
 Net Position
 As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	101,420	169,298
Capital Assets (net of accumulated depreciation)	263,075	181,380
Total Assets	<u>364,495</u>	<u>350,678</u>
<u>Liabilities</u>		
Current Liabilities	7,074	13,800
Long-Term Liabilities	7,314	72,800
Total Liabilities	<u>14,388</u>	<u>86,600</u>
<u>Net Position</u>		
Net Investment in Capital Assets	248,687	94,780
Restricted	58,554	1,146
Unrestricted	42,866	168,152
Total Net Position	<u>350,106</u> =====	<u>264,078</u> =====

As of December 31, 2016, the city's net position of \$628,814 is segregated into three separate categories. Net investment in capital assets represents 47% 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 14% 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 39% of the city's net position and is available to meet the city's ongoing obligations.

Net Position
 As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	115,723	218,124
Capital Assets (net of accumulated depreciation)	214,493	202,020
Total Assets	<u>330,216</u>	<u>420,144</u>
<u>Liabilities</u>		
Current Liabilities	6,912	13,646
Long-Term Liabilities	14,388	86,600
Total Liabilities	<u>21,300</u>	<u>100,246</u>
<u>Net Position</u>		
Net Investment in Capital Assets	193,193	101,774
Restricted	72,465	18,901
Unrestricted	43,258	199,223
Total Net Position	<u>308,916</u> =====	<u>319,898</u> =====

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> =====

Table II shows the changes in net position for the fiscal years ended December 31, 2017 and 2016. A comparative analysis of city-wide data is presented for both current years and prior year.

Table II
Changes in Net Position
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<u>Revenues</u>		
<u>Program Revenues:</u>		
Charges for Services	34,724	160,539
Operating Grants and Contributions	22,413	71,826
<u>General Revenues:</u>		
Property Taxes	45,629	
Other Taxes	1,392	
Intergovernmental - Unrestricted	14,629	
Interest Earnings and Other Revenue	11,696	1,005
Total Revenues	<u>130,483</u>	<u>233,370</u>
<u>Expenses</u>		
General Government	66,399	
Public Safety	3	
Streets and Public Works	60,596	
Culture and Recreation	1,207	
Interest on Long-Term Debt	580	
Waterworks		83,786
Sewer		125,811
Garbage		40,101
Total Expenses	<u>128,785</u>	<u>249,698</u>
Net Change in Position Before Transfers	<u>1,698</u>	<u>(16,328)</u>
Transfers	<u>39,492</u>	<u>(39,492)</u>
Net Change in Position	<u>41,190</u> =====	<u>(55,820)</u> =====

Property taxes constituted 13%, unrestricted intergovernmental 4%, operating grants and contributions 26%, and charges for services made up 54% of the total revenues of all activities of the city for the fiscal year ended December 31, 2017.

General government constituted 17%, streets and public works 16% and enterprise 66% of total expenses for all activities during the fiscal year ended December 31, 2017.

Changes in Net Position
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	37,482	154,849
Operating Grants and Contributions	16,935	76,034
<u>General Revenues:</u>		
Property Taxes	40,319	
Other Taxes	1,471	
Intergovernmental - Unrestricted	22,341	
Interest Earnings and Other Revenue	4,163	2,349
Total Revenues	122,712	233,232
Expenses		
General Government	76,475	
Streets and Public Works	54,427	
Interest on Long-Term Debt	764	
Waterworks		70,194
Sewer		76,750
Garbage		34,645
Total Expenses	131,666	181,590
Net Change in Position Before Transfers	(8,954)	51,642
Transfers	6,305	(6,305)
Net Change in Position	(2,649)	45,337
	=====	=====

Property taxes constituted 11%, unrestricted intergovernmental 6%, operating grants and contributions 26% and charges for services made up 54% of the total revenues of all activities of the city for the fiscal year ended December 31, 2016.

General government constituted 24%, streets and public works 17% and enterprise 58% of total expenses for all activities during the fiscal year ended December 31, 2016.

Changes in Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	32,774	138,163
Operating Grants and Contributions	19,227	
<u>General Revenues:</u>		
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

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

Table III

Total and Net Cost of Services
As of December 31, 2017

	<u>Total Cost Year Ended Dec. 31, 2017</u>	<u>Net Cost Year Ended Dec. 31, 2017</u>
General Government	66,399	62,254
Public Safety	3	3
Streets and Public Works	60,596	9,558
Culture and Recreation	1,207	(748)
Interest on Long-Term Debt	580	580
Total Expenses	128,785	71,647

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

	Total Cost Year Ended <u>Dec. 31, 2016</u>	Net Cost Year Ended <u>Dec. 31, 2016</u>
General Government	76,475	72,795
Streets and Public Works	54,427	8,855
Culture and Recreation	0	(5,165)
Interest on Long-Term Debt	764	764
Total Expenses	131,666	77,249

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 \$130,483 and expenditures of \$184,279 for the year ended December 31, 2017. For the year ended December 31, 2016, the city's governmental funds had total revenue of \$122,712 and expenditures of \$125,961. As of December 31, 2017, the unassigned fund balance of the city's general fund was \$42,866. As of December 31, 2016, the unassigned fund balance of the city's general fund was \$43,258.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal year 2017, the city did not amend the general fund budget.

During the course of fiscal year 2016, the city amended the general fund budget. The gross effect of the amendment was to increase transfers out by \$16,231.

Actual revenue for the year ended December 31, 2017 was \$33 more than budgeted. Actual expenditures for the year ended December 31, 2017 were under budget by \$10,260. This variance was mainly due to the city overestimating appropriations for general government purposes.

Actual revenue for the year ended December 31, 2016 was \$2,644 more than budgeted. Actual expenditures for the year ended December 31, 2016 were equal to the amount budgeted.

CAPITAL ASSETS

As of December 31, 2017 and 2016, the city had \$444,455 and \$416,513, respectively, invested in capital assets. The following tables show the balances, for governmental activities and business-type activities, as of December 31, 2017, 2016 and 2015.

Table IV

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

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	157,964	173,260
Machinery and Vehicles	105,111	8,120
Total (net of depreciation)	<u>263,075</u> =====	<u>181,380</u> =====

This total represents an increase of \$27,942 in capital assets from January 1, 2017. The increase in machinery and vehicles was due to the city purchasing a front end loader and a tar kettle.

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

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	164,465	191,870
Machinery and Vehicles	50,028	10,150
Total (net of depreciation)	<u>214,493</u> =====	<u>202,020</u> =====

This total represents a decrease of \$33,037 in capital assets from January 1, 2016.

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

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

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 4 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2017, the city had \$100,988 in outstanding debt of which \$20,874 was due within one year. As of December 31, 2016, the city had \$121,546 in outstanding debt of which \$20,558 was due within one year. During fiscal year 2016, the city issued one new debt obligation.

Bank Loan Payable, in the amount of \$82,000.00. The city obtained a bank loan to finance a sewer project. This loan was paid off during the year ended December 31, 2016.

For a detailed breakdown of the long-term debt, readers are referred to Note 5 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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	101,419.65	169,297.93	270,717.58
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	157,964.00	173,260.00	331,224.00
Machinery and Vehicles	105,111.00	8,120.00	113,231.00
Total Capital Assets	263,075.00	181,380.00	444,455.00
Total Assets	364,494.65	350,677.93	715,172.58
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Bank Loan Payable	7,074.12		7,074.12
Revenue Bonds Payable		13,800.00	13,800.00
Due After One Year:			
Bank Loan Payable	7,314.09		7,314.09
Revenue Bonds Payable		72,799.81	72,799.81
Total Liabilities	14,388.21	86,599.81	100,988.02
NET POSITION:			
Net Investment in Capital Assets	248,686.79	94,780.19	343,466.98
Restricted for:			
Special Purposes	58,553.57	1,145.64	59,699.21
Unrestricted	42,866.08	168,152.29	211,018.37
Total Net Position	350,106.44	264,078.12	614,184.56

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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash, Cash Equivalents and Investments	115,723.16	218,124.05	333,847.21
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	164,465.00	191,870.00	356,335.00
Machinery and Vehicles	50,028.00	10,150.00	60,178.00
Total Capital Assets	214,493.00	202,020.00	416,513.00
Total Assets	330,216.16	420,144.05	750,360.21
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Bank Loan Payable	6,911.99		6,911.99
Revenue Bonds Payable		13,646.25	13,646.25
Due After One Year:			
Bank Loan Payable	14,388.21		14,388.21
Revenue Bonds Payable		86,599.81	86,599.81
Total Liabilities	21,300.20	100,246.06	121,546.26
NET POSITION:			
Net Investment in Capital Assets	193,192.80	101,773.94	294,966.74
Restricted for:			
Special Purposes	72,464.82	18,900.83	91,365.65
Unrestricted	43,258.34	199,223.22	242,481.56
Total Net Position	308,915.96	319,897.99	628,813.95

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, 2017

	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
Functions/Programs					
Primary Government:					
Governmental Activities:					
General Government	66,398.58	4,145.00		(62,253.58)	(62,253.58)
Public Safety	3.49			(3.49)	(3.49)
Streets and Public Works	60,596.03	28,624.47	22,413.41	(9,558.15)	(9,558.15)
Culture and Recreation	1,206.82	1,955.00		748.18	748.18
Interest on Long-Term Debt	580.31			(580.31)	(580.31)
Total Governmental Activities	128,785.23	34,724.47	22,413.41	(71,647.35)	(71,647.35)
Business-Type Activities:					
Waterworks	83,785.81	80,636.74		(3,149.07)	(3,149.07)
Sewer	125,810.57	31,726.11	71,826.07	(22,258.39)	(22,258.39)
Garbage	40,101.13	48,175.99		8,074.86	8,074.86
Total Business-Type Activities	249,697.51	160,538.84	71,826.07	(17,332.60)	(17,332.60)
Total Primary Government	378,482.74	195,263.31	94,239.48	(71,647.35)	(17,332.60)
General Revenues:					
Taxes:					
Property taxes; levied for general purposes			45,598.30		45,598.30
Property taxes; levied for special purposes			30.27		30.27
Cigarette taxes			667.46		667.46
Telecommunications taxes			725.01		725.01
Intergovernmental revenue not restricted to specific programs			14,628.63		14,628.63
Earnings on investments and other revenue			11,695.86	1,005.03	12,700.89
Transfers			39,492.30	(39,492.30)	
Total General Revenues and Transfers			112,837.83	(38,487.27)	74,350.56
Change in Net Position			41,190.48	(55,819.87)	(14,629.39)
Net Position - January 1			308,915.96	319,897.99	628,813.95
Net Position - December 31			350,106.44	264,078.12	614,184.56

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, 2016

	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
Functions/Programs					
Primary Government:					
Governmental Activities:					
General Government	76,474.84	3,680.00		(72,794.84)	(72,794.84)
Streets and Public Works	54,427.49	28,637.03	16,935.08	(8,855.38)	(8,855.38)
Culture and Recreation		5,165.00		5,165.00	5,165.00
Interest on Long-Term Debt	763.59			(763.59)	(763.59)
Total Governmental Activities	131,665.92	37,482.03	16,935.08	(77,248.81)	(77,248.81)
Business-Type Activities:					
Waterworks	70,194.43	89,426.62		19,232.19	19,232.19
Sewer	76,750.28	27,169.55	76,034.43	26,453.70	26,453.70
Garbage	34,645.42	38,252.70		3,607.28	3,607.28
Total Business-Type Activities	181,590.13	154,848.87	76,034.43	49,293.17	49,293.17
Total Primary Government	313,256.05	192,330.90	92,969.51	(77,248.81)	49,293.17
=====					
General Revenues:					
Taxes:					
Property taxes; levied for general purposes			39,823.78		39,823.78
Property taxes; levied for special purposes			495.09		495.09
Cigarette taxes			702.18		702.18
Telecommunications taxes			768.99		768.99
Intergovernmental revenue not restricted to specific programs			22,341.19		22,341.19
Earnings on investments and other revenue			4,163.31	2,349.05	6,512.36
Transfers			6,305.40	(6,305.40)	
Total General Revenues and Transfers			74,599.94	(3,956.35)	70,643.59
Change in Net Position			(2,648.87)	45,336.82	42,687.95
Net Position - January 1			311,564.83	274,561.17	586,126.00
Net Position - December 31			308,915.96	319,897.99	628,813.95
=====					

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, 2017

	Major Funds					
	General	Highway	Emergency	Street Improvement	Other Governmental Fund	Total Governmental Funds
ASSETS:						
Cash, Cash Equivalents and Investments	42,866.08	26,444.75	339.25	30,994.48	775.09	101,419.65
<hr style="border-top: 1px dashed black;"/>						
FUND BALANCES:						
Restricted for:						
Streets and Public Works		26,444.75		30,994.48		57,439.23
Emergency Services			339.25			339.25
Legion Hall					775.09	775.09
Unassigned	42,866.08					42,866.08
<hr style="border-top: 1px solid black;"/>						
Total Fund Balances	42,866.08	26,444.75	339.25	30,994.48	775.09	101,419.65
<hr style="border-top: 1px dashed black;"/>						

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, 2016

	Major Funds					
	General	Highway	Emergency	Street Improvement	Other Governmental Fund	Total Governmental Funds
ASSETS:						
Cash, Cash Equivalents and Investments	43,258.34	10,203.03	3,643.01	57,843.69	775.09	115,723.16
<hr style="border-top: 1px dashed black;"/>						
FUND BALANCES:						
Restricted for:						
Streets and Public Works		10,203.03		57,843.69		68,046.72
Emergency Services			3,643.01			3,643.01
Legion Hall					775.09	775.09
Unassigned	43,258.34					43,258.34
<hr style="border-top: 1px solid black;"/>						
Total Fund Balances	43,258.34	10,203.03	3,643.01	57,843.69	775.09	115,723.16
<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, 2017

Total Fund Balances for Governmental Funds		101,419.65
<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		469,769.00
Less Accumulated Depreciation		(206,694.00)
Net Capital Assets		263,075.00
<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, 2017 are:</p>		
Bank Loan Payable		(14,388.21)
Total Net Position of Governmental Activities		350,106.44

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, 2016

Total Fund Balances for Governmental Funds		115,723.16
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	448,069.00	
Less Accumulated Depreciation	(233,576.00)	
Net Capital Assets	<hr/>	214,493.00
Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2016 are:		
Bank Loan Payable		(21,300.20)
Total Net Position of Governmental Activities		<hr/> <u>308,915.96</u> =====

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, 2017

	Major Funds					Total Governmental Funds
	General	Highway	Emergency	Street Improvement	Other Governmental Fund	
Revenues:						
Taxes	46,323.31		30.27			46,353.58
Licenses, Permits and Fees	4,145.00					4,145.00
Intergovernmental	15,296.09	22,413.41				37,709.50
Charges for Services		21,093.70		9,485.77		30,579.47
Miscellaneous	2,343.69	8,902.67		449.50		11,695.86
Total Revenues	68,108.09	52,409.78	30.27	9,935.27		130,483.41
Expenditures:						
Current:						
General Government	63,148.58					63,148.58
Public Safety	3.49					3.49
Streets and Public Works	641.46	34,668.06	3,334.03	8,084.48		46,728.03
Culture and Recreation	1,206.82					1,206.82
Capital Outlay			37,000.00	28,700.00		65,700.00
Debt Service:						
Principal		6,911.99				6,911.99
Interest		580.31				580.31
Total Expenditures	65,000.35	42,160.36	40,334.03	36,784.48		184,279.22
Excess (Deficiency) of Revenues Over Expenditures	3,107.74	10,249.42	(40,303.76)	(26,849.21)		(53,795.81)
Other Financing Sources (Uses):						
Transfers In		7,492.30	37,000.00			44,492.30
Transfers Out	(3,500.00)	(1,500.00)				(5,000.00)
Total Other Financing Sources (Uses)	(3,500.00)	5,992.30	37,000.00			39,492.30
Net Change in Fund Balances	(392.26)	16,241.72	(3,303.76)	(26,849.21)		(14,303.51)
Fund Balance - January 1	43,258.34	10,203.03	3,643.01	57,843.69	775.09	115,723.16
Fund Balance - December 31	42,866.08	26,444.75	339.25	30,994.48	775.09	101,419.65

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, 2016

	Major Funds					
	General	Highway	Emergency	Street Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	40,592.77		490.89		4.20	41,087.86
Licenses, Permits and Fees	3,680.00					3,680.00
Intergovernmental	23,043.37	16,935.08				39,978.45
Charges for Services		24,367.95		9,434.08		33,802.03
Miscellaneous	3,527.98				635.33	4,163.31
Total Revenues	70,844.12	41,303.03	490.89	9,434.08	639.53	122,711.65
Expenditures:						
Current:						
General Government	69,999.63				3,225.21	73,224.84
Streets and Public Works	2,114.42	34,719.77	2,697.01	5,749.29		45,280.49
Debt Service:						
Principal		6,691.62				6,691.62
Interest and Service Charges		763.59				763.59
Total Expenditures	72,114.05	42,174.98	2,697.01	5,749.29	3,225.21	125,960.54
Excess (Deficiency) of Revenues Over Expenditures	(1,269.93)	(871.95)	(2,206.12)	3,684.79	(2,585.68)	(3,248.89)
Other Financing Sources (Uses):						
Transfers In	5,649.94	6,305.40			16,230.59	28,185.93
Transfers Out	(16,230.59)				(5,649.94)	(21,880.53)
Total Other Financing Sources (Uses)	(10,580.65)	6,305.40			10,580.65	6,305.40
Net Change in Fund Balances	(11,850.58)	5,433.45	(2,206.12)	3,684.79	7,994.97	3,056.51
Fund Balance - January 1	55,108.92	4,769.58	5,849.13	54,158.90	(7,219.88)	112,666.65
Fund Balance - December 31	43,258.34	10,203.03	3,643.01	57,843.69	775.09	115,723.16

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, 2017

Net Change in Fund Balances - Total Governmental Funds (14,303.51)

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	65,700.00	
Current Year Depreciation Expense	(17,118.00)	48,582.00

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	6,911.99	6,911.99

Change in Net Position of Governmental Activities 41,190.48
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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, 2016

Net Change in Fund Balances - Total Governmental Funds 3,056.51

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	(12,397.00)	(12,397.00)

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	6,691.62	6,691.62

Change in Net Position of Governmental Activities (2,648.87)
=====

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, 2017

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash and Cash Equivalents	114,178.81	24,662.24	30,456.88	169,297.93
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	44,300.00	128,960.00		173,260.00
Machinery and Vehicles		8,120.00		8,120.00
Total Noncurrent Assets	44,300.00	137,080.00		181,380.00
Total Assets	158,478.81	161,742.24	30,456.88	350,677.93
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Revenue Bonds Payable	4,800.00	9,000.00		13,800.00
<u>Noncurrent Liabilities:</u>				
Revenue Bonds Payable	39,799.81	33,000.00		72,799.81
Total Liabilities	44,599.81	42,000.00		86,599.81
<u>NET POSITION</u>				
Net Investment in Capital Assets	(299.81)	95,080.00		94,780.19
Restricted for Sewer Project		1,145.64		1,145.64
Unrestricted	114,178.81	23,516.60	30,456.88	168,152.29
Total Net Position	113,879.00	119,742.24	30,456.88	264,078.12

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, 2016

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>ASSETS</u>				
<u>Current Assets:</u>				
Cash and Cash Equivalents	143,296.54	49,198.05	25,629.46	218,124.05
<u>Noncurrent Assets:</u>				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	54,850.00	137,020.00		191,870.00
Machinery and Vehicles		10,150.00		10,150.00
Total Noncurrent Assets	54,850.00	147,170.00		202,020.00
Total Assets	198,146.54	196,368.05	25,629.46	420,144.05
<u>LIABILITIES</u>				
<u>Current Liabilities:</u>				
Revenue Bonds Payable	4,646.25	9,000.00		13,646.25
<u>Noncurrent Liabilities:</u>				
Revenue Bonds Payable	44,599.81	42,000.00		86,599.81
Total Liabilities	49,246.06	51,000.00		100,246.06
<u>NET POSITION</u>				
Net Investment in Capital Assets	5,603.94	96,170.00		101,773.94
Restricted for Sewer Project		18,900.83		18,900.83
Unrestricted	143,296.54	30,297.22	25,629.46	199,223.22
Total Net Position	148,900.48	145,368.05	25,629.46	319,897.99

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, 2017

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Operating Revenues:</u>				
<u>Charges for Sales and Services:</u>				
Water Sales	79,486.74			79,486.74
Sewer Fees		31,726.11		31,726.11
Garbage Fees			41,020.99	41,020.99
Landfill Charges			7,155.00	7,155.00
Water Hookup Fee	1,000.00			1,000.00
Water Reconnect Fee	150.00			150.00
Total Operating Revenues	80,636.74	31,726.11	48,175.99	160,538.84
<u>Operating Expenses:</u>				
Salaries and Benefits	6,531.15	4,340.66	3,339.48	14,211.29
Electricity	2,977.56	1,084.70		4,062.26
Office Supplies	1,808.75			1,808.75
Repairs, Supplies and Maintenance	19,741.63	95,016.10	3,521.65	118,279.38
Garbage Contract			33,200.00	33,200.00
Rural Water Contract	13,824.00			13,824.00
Rural Water Purchases	25,097.36			25,097.36
Miscellaneous	1,916.52	13,749.11	40.00	15,705.63
Depreciation	10,550.00	10,090.00		20,640.00
Total Operating Expenses	82,446.97	124,280.57	40,101.13	246,828.67
Operating Income (Loss)	(1,810.23)	(92,554.46)	8,074.86	(86,289.83)
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	428.39			428.39
Special Assessments		2,826.07		2,826.07
CDBG		69,000.00		69,000.00
Meter Deposits	196.64			196.64
Miscellaneous Revenues		130.00	250.00	380.00
Interest and Service Charges	(1,338.84)	(1,530.00)		(2,868.84)
Total Non-Operating Revenues (Expenses)	(713.81)	70,426.07	250.00	69,962.26
Income (Loss) Before Transfers	(2,524.04)	(22,128.39)	8,324.86	(16,327.57)
Transfers Out	(32,497.44)	(3,497.42)	(3,497.44)	(39,492.30)
Change in Net Position	(35,021.48)	(25,625.81)	4,827.42	(55,819.87)
Net Position - January 1	148,900.48	145,368.05	25,629.46	319,897.99
Net Position - December 31	113,879.00	119,742.24	30,456.88	264,078.12

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, 2016

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Operating Revenues:</u>				
<u>Charges for Sales and Services:</u>				
Water Sales	87,701.62			87,701.62
Sewer Fees		27,169.55		27,169.55
Garbage Fees			37,822.70	37,822.70
Landfill Charges			430.00	430.00
Water Hookup Fee	1,500.00			1,500.00
Water Reconnect Fee	225.00			225.00
Total Operating Revenues	89,426.62	27,169.55	38,252.70	154,848.87
<u>Operating Expenses:</u>				
Salaries and Benefits	6,576.03	4,650.99	2,888.68	14,115.70
Electricity	2,020.76	1,001.52		3,022.28
Office Supplies	1,600.57			1,600.57
Repairs, Supplies and Maintenance	5,283.16	56,871.03	234.06	62,388.25
Garbage Contract			29,941.24	29,941.24
Rural Water Contract	13,824.00			13,824.00
Rural Water Purchases	24,394.86			24,394.86
Miscellaneous	4,341.26	43.20	1,581.44	5,965.90
Depreciation	10,550.00	10,090.00		20,640.00
Total Operating Expenses	68,590.64	72,656.74	34,645.42	175,892.80
Operating Income (Loss)	20,835.98	(45,487.19)	3,607.28	(21,043.93)
<u>Non-Operating Revenues (Expenses):</u>				
Interest	623.68			623.68
Special Assessments		76,034.43		76,034.43
Meter Deposits	1,725.37			1,725.37
Interest and Service Charges	(1,603.79)	(4,093.54)		(5,697.33)
Total Non-Operating Revenues (Expenses)	745.26	71,940.89		72,686.15
Income (Loss) Before Transfers	21,581.24	26,453.70	3,607.28	51,642.22
Transfers Out	(2,596.36)	(1,112.68)	(2,596.36)	(6,305.40)
Change in Net Position	18,984.88	25,341.02	1,010.92	45,336.82
Net Position - January 1	129,915.60	120,027.03	24,618.54	274,561.17
Net Position - December 31	148,900.48	145,368.05	25,629.46	319,897.99

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, 2017

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	80,636.74	31,726.11	48,175.99	160,538.84
Payments to suppliers	(65,365.82)	(109,849.91)	(36,761.65)	(211,977.38)
Payments to employees	(6,531.15)	(4,340.66)	(3,339.48)	(14,211.29)
Net cash provided (used) by operating activities	8,739.77	(82,464.46)	8,074.86	(65,649.83)
<u>Cash flows from noncapital financing activities:</u>				
Meter deposits	196.64			196.64
CDBG		69,000.00		69,000.00
Transfers out	(32,497.44)	(3,497.42)	(3,497.44)	(39,492.30)
Net cash provided (used) by noncapital financing activities	(32,300.80)	65,502.58	(3,497.44)	29,704.34
<u>Cash flows from capital and related financing activities:</u>				
Special assessments		2,826.07		2,826.07
Miscellaneous receipts		130.00	250.00	380.00
Principal payments on revenue bonds	(4,646.25)	(9,000.00)		(13,646.25)
Interest payments and service charges	(1,338.84)	(1,530.00)		(2,868.84)
Net cash provided (used) by capital and related financing activities	(5,985.09)	(7,573.93)	250.00	(13,309.02)
<u>Cash flows from investing activities:</u>				
Interest income	428.39			428.39
Net increase in cash and cash equivalents	(29,117.73)	(24,535.81)	4,827.42	(48,826.12)
Cash and cash equivalents, January 1	143,296.54	49,198.05	25,629.46	218,124.05
Cash and cash equivalents, December 31	114,178.81	24,662.24	30,456.88	169,297.93
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	(1,810.23)	(92,554.46)	8,074.86	(86,289.83)
<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	8,739.77	(82,464.46)	8,074.86	(65,649.83)

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, 2016

	Major Enterprise Funds			Total Enterprise Funds
	Waterworks	Sewer	Garbage	
<u>Cash flows from operating activities:</u>				
Receipts from customers	89,426.62	27,169.55	38,252.70	154,848.87
Payments to suppliers	(51,464.61)	(57,915.75)	(31,756.74)	(141,137.10)
Payments to employees	(6,576.03)	(4,650.99)	(2,888.68)	(14,115.70)
Net cash provided (used) by operating activities	31,385.98	(35,397.19)	3,607.28	(403.93)
<u>Cash flows from noncapital financing activities:</u>				
Proceeds from bank loan		82,000.00		82,000.00
Meter deposits	1,725.37			1,725.37
Transfers out	(2,596.36)	(1,112.68)	(2,596.36)	(6,305.40)
Net cash provided (used) by noncapital financing activities	(870.99)	80,887.32	(2,596.36)	77,419.97
<u>Cash flows from capital and related financing activities:</u>				
Special assessments		76,034.43		76,034.43
Principal payments on revenue bonds	(4,523.48)	(92,000.00)		(96,523.48)
Interest payments and service charges	(1,603.79)	(4,093.54)		(5,697.33)
Net cash provided (used) by capital and related financing activities	(6,127.27)	(20,059.11)		(26,186.38)
<u>Cash flows from investing activities:</u>				
Interest income	623.68			623.68
Net increase in cash and cash equivalents	25,011.40	25,431.02	1,010.92	51,453.34
Cash and cash equivalents, January 1	118,285.14	23,767.03	24,618.54	166,670.71
Cash and cash equivalents, December 31	143,296.54	49,198.05	25,629.46	218,124.05
=====				
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	20,835.98	(45,487.19)	3,607.28	(21,043.93)
<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	31,385.98	(35,397.19)	3,607.28	(403.93)
=====				

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

CITY OF FLASHER
Flasher, North Dakota

Notes to the Financial Statements
December 31, 2017 and 2016

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.

Emergency Fund. This fund accounts for a tax levy to be used for emergency purposes.

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

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2017 the city's carrying amount of deposits was \$270,718 and the bank balance was \$301,624 which was covered by Federal Depository Insurance.

At December 31, 2016 the city's carrying amount of deposits was \$333,847 and the bank balance was \$338,680 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, 2017 the city held certificates of deposit in the amount of \$38,518, which are all considered deposits.

At December 31, 2016 the city held certificates of deposit in the amount of \$38,099, 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 CAPITAL ASSETS

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

	<u>2017</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</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	135,469	65,700	44,000	157,169
Total	<u>448,069</u>	<u>65,700</u>	<u>44,000</u>	<u>469,769</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	148,135	6,501		154,636
Machinery and Vehicles	85,441	10,617	44,000	52,058
Total	<u>233,576</u>	<u>17,118</u>	<u>44,000</u>	<u>206,694</u>
Governmental Activities Capital Assets, Net	<u>214,493</u>	<u>48,582</u>	<u>-0-</u>	<u>263,075</u>
	=====	=====	=====	=====

2016

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets</i> <i>being depreciated:</i>				
Buildings and Infrastructure	312,600			312,600
Machinery and Vehicles	135,469			135,469
Total	<u>448,069</u>			<u>448,069</u>
<i>Less accumulated</i> <i>depreciation for:</i>				
Buildings and Infrastructure	141,635	6,500		148,135
Machinery and Vehicles	79,544	5,897		85,441
Total	<u>221,179</u>	<u>12,397</u>		<u>233,576</u>
Governmental Activities Capital Assets, Net	<u>226,890</u>	<u>(12,397)</u>	<u>-0-</u>	<u>214,493</u>

2017

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets</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	329,630	18,610		348,240
Machinery and Vehicles	10,150	2,030		12,180
Total	<u>339,780</u>	<u>20,640</u>		<u>360,420</u>
Business-type Activities Capital Assets, Net	<u>202,020</u>	<u>(20,640)</u>	<u>-0-</u>	<u>181,380</u>

Business-type Activities (Proprietary Funds):

	<u>2017</u>			<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Revenue Bonds Payable	100,246	-0-	13,646	86,600	13,800
=====					
	<u>2016</u>			<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>		
Bank Loan Payable		82,000	82,000		
Revenue Bonds Payable	114,769		14,523	100,246	13,646
Total	114,769	82,000	96,523	100,246	13,646
=====					

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

Governmental Activities:

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

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, 2017 is as follows:

\$34,469.35 loan payable with Starion Financial dated October 30, 2014. Payments are due quarterly through November 1, 2019; interest is at 2.79%.	14,388.21
	=====

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2018	7,074.12	344.00
2019	7,314.09	130.05
Total	14,388.21	474.05
	=====	=====

Business-type Activities (Proprietary Funds):

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

\$150,000 Waterworks Project Revenue Bonds 1987A, due in annual installments of \$4,646 to \$1,700 through 2-10-2026; interest is at 3%.	44,599.81
\$121,414 Sewer Revenue Bonds of 2008, due in annual installments of \$4,000 to \$10,000 through 9-1-2022; interest is at 2.5%.	42,000.00
Total Revenue Bonds Payable	<u>86,599.81</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>
2018	13,800.00	2,315.09
2019	14,000.00	1,943.09
2020	15,100.00	1,566.60
2021	15,300.00	1,160.60
2022	9,400.00	750.10
2023-2027	18,999.81	962.81
Total	<u>86,599.81</u> =====	<u>8,698.29</u> =====

Note 6 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2017</u>		
Emergency	37,000.00	
General		3,500.00
Highway		1,500.00
Waterworks		30,000.00
Sewer:		
Operating		1,000.00
Garbage		1,000.00

The city declared a snow emergency and transferred funds for the purchase of a front end loader.

Highway	7,492.30	
Waterworks		2,497.44
Sewer:		
Operating		2,497.44
Garbage		2,497.42

To provide funds for debt service payments.

December 31, 2016

Highway	6,305.40	
Waterworks		2,596.36
Sewer:		
Operating		1,112.68
Garbage		2,596.36

To provide funds for debt service payments.

General	5,649.94	
Social Security		605.31
Share of Special Assessments		3,423.72
Advertising		1,520.15
Library		100.76

Insurance Reserve	16,230.59	
General		16,230.59

To close funds.

Note 7 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDRIF for its general liability, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$256,045 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 \$128,000 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, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	47,000.00	47,000.00	46,323.31	(676.69)
Licenses, Permits and Fees	1,650.00	1,650.00	4,145.00	2,495.00
Intergovernmental	17,925.00	17,925.00	15,296.09	(2,628.91)
Miscellaneous	1,500.00	1,500.00	2,343.69	843.69
Total Revenues	68,075.00	68,075.00	68,108.09	33.09
<u>Expenditures:</u>				
Current:				
General Government	71,960.00	71,960.00	63,148.58	8,811.42
Public Safety	300.00	300.00	3.49	296.51
Streets and Public Works	2,000.00	2,000.00	641.46	1,358.54
Culture and Recreation	1,000.00	1,000.00	1,206.82	(206.82)
Total Expenditures	75,260.00	75,260.00	65,000.35	10,259.65
Excess (Deficiency) of Revenues Over Expenditures	(7,185.00)	(7,185.00)	3,107.74	10,292.74
<u>Other Financing (Uses):</u>				
Transfers Out			(3,500.00)	(3,500.00)
Net Change in Fund Balances	(7,185.00)	(7,185.00)	(392.26)	6,792.74
Fund Balance - January 1	43,258.34	43,258.34	43,258.34	
Fund Balance - December 31	36,073.34	36,073.34	42,866.08	6,792.74

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	47,000.00	47,000.00	40,592.77	(6,407.23)
Licenses, Permits and Fees	1,600.00	1,600.00	3,680.00	2,080.00
Intergovernmental	18,700.00	18,700.00	23,043.37	4,343.37
Miscellaneous	900.00	900.00	3,527.98	2,627.98
Total Revenues	68,200.00	68,200.00	70,844.12	2,644.12
<u>Expenditures:</u>				
Current:				
General Government	69,899.05	69,899.05	69,999.63	(100.58)
Streets and Public Works	2,215.00	2,215.00	2,114.42	100.58
Total Expenditures	72,114.05	72,114.05	72,114.05	
Excess (Deficiency) of Revenues Over Expenditures	(3,914.05)	(3,914.05)	(1,269.93)	2,644.12
<u>Other Financing Sources (Uses):</u>				
Transfers In			5,649.94	5,649.94
Transfers Out		(16,230.59)	(16,230.59)	
Total Other Financing Sources (Uses)		(16,230.59)	(10,580.65)	5,649.94
Net Change in Fund Balances	(3,914.05)	(20,144.64)	(11,850.58)	8,294.06
Fund Balance - January 1	55,108.92	55,108.92	55,108.92	
Fund Balance - December 31	51,194.87	34,964.28	43,258.34	8,294.06

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	15,574.00	15,574.00	22,413.41	6,839.41
Charges for Services	21,000.00	21,000.00	21,093.70	93.70
Miscellaneous			8,902.67	8,902.67
Total Revenues	36,574.00	36,574.00	52,409.78	15,835.78
<u>Expenditures:</u>				
Current:				
Streets and Public Works	30,107.70	30,107.70	34,668.06	(4,560.36)
Debt Service:				
Principal	6,911.99	6,911.99	6,911.99	
Interest	580.31	580.31	580.31	
Total Expenditures	37,600.00	37,600.00	42,160.36	(4,560.36)
Excess (Deficiency) of Revenues Over Expenditures	(1,026.00)	(1,026.00)	10,249.42	11,275.42
<u>Other Financing Sources (Uses):</u>				
Transfers In			7,492.30	7,492.30
Transfers Out			(1,500.00)	(1,500.00)
Total Other Financing Sources (Uses)			5,992.30	5,992.30
Net Change in Fund Balances	(1,026.00)	(1,026.00)	16,241.72	17,267.72
Fund Balance - January 1	10,203.03	10,203.03	10,203.03	
Fund Balance - December 31	9,177.03	9,177.03	26,444.75	17,267.72

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	22,000.00	22,000.00	16,935.08	(5,064.92)
Charges for Services	21,000.00	21,000.00	24,367.95	3,367.95
Total Revenues	43,000.00	43,000.00	41,303.03	(1,696.97)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	35,509.79	35,509.79	34,719.77	790.02
Debt Service:				
Principal	6,691.62	6,691.62	6,691.62	
Interest and Service Charges	763.59	763.59	763.59	
Total Expenditures	42,965.00	42,965.00	42,174.98	790.02
Excess (Deficiency) of Revenues Over Expenditures	35.00	35.00	(871.95)	(906.95)
<u>Other Financing Sources:</u>				
Transfers In			6,305.40	6,305.40
Net Change in Fund Balances	35.00	35.00	5,433.45	5,398.45
Fund Balance - January 1	4,769.58	4,769.58	4,769.58	
Fund Balance - December 31	4,804.58	4,804.58	10,203.03	5,398.45

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	500.00	500.00	30.27	(469.73)
<u>Expenditures:</u>				
Current:				
Streets and Public Works		3,600.00	3,334.03	265.97
Capital Outlay		37,000.00	37,000.00	
Total Expenditures		40,600.00	40,334.03	265.97
Excess (Deficiency) of Revenues Over Expenditures	500.00	(40,100.00)	(40,303.76)	(203.76)
<u>Other Financing Sources:</u>				
Transfers In			37,000.00	37,000.00
Net Change in Fund Balances	500.00	(40,100.00)	(3,303.76)	36,796.24
Fund Balance - January 1	3,643.01	3,643.01	3,643.01	
Fund Balance - December 31	4,143.01	(36,456.99)	339.25	36,796.24

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	500.00	500.00	490.89	(9.11)
<u>Expenditures:</u>				
Current:				
Streets and Public Works		5,500.00	2,697.01	2,802.99
Net Change in Fund Balances	500.00	(5,000.00)	(2,206.12)	2,793.88
Fund Balance - January 1	5,849.13	5,849.13	5,849.13	
Fund Balance - December 31	6,349.13	849.13	3,643.01	2,793.88

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Charges for Services	9,900.00	9,900.00	9,485.77	(414.23)
Miscellaneous			449.50	449.50
Total Revenues	9,900.00	9,900.00	9,935.27	35.27
<u>Expenditures:</u>				
Current:				
Streets and Public Works	9,900.00	9,900.00	8,084.48	1,815.52
Capital Outlay		26,900.00	28,700.00	(1,800.00)
Total Expenditures	9,900.00	36,800.00	36,784.48	15.52
Net Change in Fund Balances		(26,900.00)	(26,849.21)	50.79
Fund Balance - January 1	57,843.69	57,843.69	57,843.69	
Fund Balance - December 31	57,843.69	30,943.69	30,994.48	50.79

CITY OF FLASHER
Flasher, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Charges for Services	9,900.00	9,900.00	9,434.08	(465.92)
<u>Expenditures:</u>				
Current:				
Streets and Public Works		8,000.00	5,749.29	2,250.71
Net Change in Fund Balances	9,900.00	1,900.00	3,684.79	1,784.79
Fund Balance - January 1	54,158.90	54,158.90	54,158.90	
Fund Balance - December 31	64,058.90	56,058.90	57,843.69	1,784.79

CITY OF FLASHER
Flasher, North Dakota

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

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

Budget Amendment

The governing board approved the following amendments to the city's budgets for the years ending December 31, 2017 and 2016:

December 31, 2017

	Original Budget	Amendment	Amended Budget
<u>Appropriations</u>			
<u>Special Revenue Funds</u>			
Emergency		40,600	40,600
Street Improvement	9,900	26,900	36,800

December 31, 2016

	Original Budget	Amendment	Amended Budget
<u>Appropriations</u>			
<u>Special Revenue Funds</u>			
Emergency		5,500	5,500
Street Improvement		8,000	8,000
<u>Transfers In</u>			
<u>Special Revenue Fund</u>			
Insurance Reserve		16,231	16,231
<u>Transfers Out</u>			
General Fund		16,231	16,231

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the year ending December 31, 2017:

Special Revenue Fund

Highway

4,560.36

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, 2017

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
Major Governmental Funds						
General Fund	43,258.34	68,108.09		3,500.00	65,000.35	42,866.08
Highway	10,203.03	52,409.78	7,492.30	1,500.00	42,160.36	26,444.75
Emergency	3,643.01	30.27	37,000.00		40,334.03	339.25
Street Improvement	57,843.69	9,935.27			36,784.48	30,994.48
Total Major Governmental Funds	114,948.07	130,483.41	44,492.30	5,000.00	184,279.22	100,644.56
Non-Major Governmental Fund						
Legion Hall	775.09					775.09
Total Governmental Funds	115,723.16	130,483.41	44,492.30	5,000.00	184,279.22	101,419.65
Major Enterprise Funds						
Waterworks	143,296.54	81,261.77		32,497.44	77,882.06	114,178.81
Sewer:						
Operating	30,297.22	31,726.11		3,497.42	35,009.31	23,516.60
Special Improvement	18,900.83	2,826.07			20,690.27	1,036.63
CDBG Sewer Project		69,130.00			69,020.99	109.01
Garbage	25,629.46	48,425.99		3,497.44	40,101.13	30,456.88
Total Major Enterprise Funds	218,124.05	233,369.94		39,492.30	242,703.76	169,297.93
Total All Funds	333,847.21	363,853.35	44,492.30	44,492.30	426,982.98	270,717.58

CITY OF FLASHER
Flasher, North Dakota

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

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
Major Governmental Funds						
General Fund	55,108.92	70,844.12	5,649.94	16,230.59	72,114.05	43,258.34
Highway	4,769.58	41,303.03	6,305.40		42,174.98	10,203.03
Emergency	5,849.13	490.89			2,697.01	3,643.01
Street Improvement	54,158.90	9,434.08			5,749.29	57,843.69
Total Major Governmental Funds	119,886.53	122,072.12	11,955.34	16,230.59	122,735.33	114,948.07
Non-Major Governmental Funds						
Social Security	3,828.43	2.09		605.31	3,225.21	
Share of Special Assessments	3,423.72			3,423.72		
Advertising	1,518.04	2.11		1,520.15		
Legion Hall	775.09					775.09
Insurance Reserve	(16,865.92)	635.33	16,230.59			
Library	100.76			100.76		
Total Non-Major Governmental Funds	(7,219.88)	639.53	16,230.59	5,649.94	3,225.21	775.09
Total Governmental Funds	112,666.65	122,711.65	28,185.93	21,880.53	125,960.54	115,723.16
Major Enterprise Funds						
Waterworks	118,285.14	91,775.67		2,596.36	64,167.91	143,296.54
Sewer:						
Operating	23,767.03	27,169.55		1,112.68	19,526.68	30,297.22
Special Improvement		158,034.43			139,133.60	18,900.83
Garbage	24,618.54	38,252.70		2,596.36	34,645.42	25,629.46
Total Major Enterprise Funds	166,670.71	315,232.35		6,305.40	257,473.61	218,124.05
Total All Funds	279,337.36	437,944.00	28,185.93	28,185.93	383,434.15	333,847.21

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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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated October 5, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Rath and Mehrer

Rath and Mehrer, P.C.

Bismarck, North Dakota

October 5, 2018

CITY OF FLASHER
Flasher, North Dakota

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

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No

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

Noncompliance Material to financial
statements noted? Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. Segregation of Duties

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

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

Effect: There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare financial statements. This increases the risk of misstatement of the city's financial condition.

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

Client Response: No response is considered necessary.

2. Financial Statement Preparation

Condition: The city's financial statements as of December 31, 2017 and 2016 are prepared by the city's external auditors.

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

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

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

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