

CITY OF GACKLE
GACKLE, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

CITY OF GACKLE
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CITY OF GACKLE
LIST OF OFFICIALS
DECEMBER 31, 2015

CITY COUNCIL

Office

Ritchie Jacobson	Mayor
Andrew Heflin	
Carol Muller	
Harry Krause	
Loren Schroeder	

EMPLOYEES

Samantha Remboldt	Auditor
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Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

City Council
City of Gackle
Gackle, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of City of Gackle as of and for the year ended December 31, 2015, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

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

Basis of Accounting

I 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 U.S. generally accepted accounting principles. My opinion is not modified with respect to that matter.

Other Matters

Management has omitted the management discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.


Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gackle's basic financial statements. The Schedule of Activity is presented for purposes of additional analysis and is not a required part of the basis financial statements.

The Schedule of Activity is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Activity is fairly stated, in all material respects, in relation to the basis financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated March 31, 2016, on my considerations of the City's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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.



West Fargo, North Dakota
March 31, 2016

405 West Main Avenue Box 816 West Fargo, ND 58078 Phone (701)281-0483 Cell 212-3908

CITY OF GACKLE
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	211,820.83	385,379.18	597,200.01
Non-current assets:			
Capital assets (net of accumulated depreciati	107,200.00	2,929,180.14	3,036,380.14
Total Assets	319,020.83	3,314,559.32	3,633,580.15
 LIABILITIES			
Current liabilities:			
Non-current liabilities:			
Due within one year:			
Bonds payable		45,000.00	45,000.00
Notes payable		-	-
Due after one year:			
Bonds payable		1,110,000.00	1,110,000.00
Notes payable		-	-
Total liabilities	-	1,155,000.00	1,155,000.00
 NET POSITION			
Net investment in capital assets	107,200.00	1,774,180.14	1,881,380.14
Restricted for:			-
Debt service		125,000.00	125,000.00
Unrestricted	211,820.83	260,379.18	472,200.01
Total Net Position	319,020.83	2,159,559.32	2,478,580.15

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

CITY OF GACKLE

STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS

YEAR ENDED DECEMBER 31, 2015

		Program Revenues		Revenue & Changes
	Expenses	Charges for	Operating grants	in Net Position
		Services	and Contribution	Governmental
				Activities
Governmental activities:				
General government	72,408.14			(72,408.14)
Public safety	8,519.00			(8,519.00)
Highways and streets	31,128.55		31,668.95	540.40
Library	2,285.34			(2,285.34)
Total Governmental Activities	114,341.03	-	31,668.95	(82,672.08)
Business-type activities				
Water	84,718.75	94,770.00		10,051.25
Sewer	180,062.11	86,635.00		(93,427.11)
Garbage	12,196.99	24,231.00		12,034.01
Debt	36,626.26	-		(36,626.26)
Total Business-type activities	313,604.11	205,636.00	-	(107,968.11)
Total	427,945.14	205,636.00	31,668.95	(190,640.19)
Net expense		Governmental (82,672.08)	Business-type (107,968.11)	Total (190,640.19)
General Revenues				
Taxes:				
Property taxes		43,158.44		43,158.44
Sales taxes		16,666.83		16,666.83
Special assessments		-		-
Licenses and permits		2,124.00		2,124.00
Intergovernmental		52,158.29	-	52,158.29
Interest income		1,064.43		1,064.43
Other revenue		16,344.24	1,617.06	17,961.30
Total General Revenues		131,516.23	1,617.06	133,133.29
Transfers in (out)		-	-	-
Change in Net Position		48,844.15	(106,351.05)	(57,506.90)
Net Position- January 1		270,176.68	2,265,910.37	2,536,087.05
Net Position- December 31		319,020.83	2,159,559.32	2,478,580.15

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

CITY OF GACKLE
 BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 DECEMBER 31, 2015

	GENERAL	SALES TAX FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and investments	176,037.84	25,793.07	9,989.92	211,820.83
Total Assets	176,037.84	25,793.07	9,989.92	211,820.83
LIABILITIES				
Total liabilities	-	-	-	-
FUND BALANCE				
Restricted for other purposes		25,793.07	9,989.92	35,782.99
Unassigned	176,037.84	-		176,037.84
Total fund balance	176,037.84	25,793.07	9,989.92	211,820.83

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

CITY OF GACKLE
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015

Total Fund Balances for Governmental Funds 211,820.83

Total net position reported for governmental 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 governmental funds

Cost of capital assets	246,065.00	
Less accumulated depreciation	138,865.00	
Net capital assets		107,200.00

Total Net Position of Governmental Activities 319,020.83

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

CITY OF GACKLE
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
 YEAR ENDED DECEMBER 31, 2015

	GENERAL	SALES TAX FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	39,607.37	-	3,551.07	43,158.44
Sales taxes	-	16,666.83		16,666.83
Special Assessments		-		-
Intergovernmental	66,910.39	-	16,916.85	83,827.24
Interest	1,064.43			1,064.43
Charges for services	13,345.00			13,345.00
Other	5,123.24			5,123.24
Total Revenues	126,050.43	16,666.83	20,467.92	163,185.18
Current:				
General government	54,026.56	-	18,381.58	72,408.14
Public safety	8,519.00			8,519.00
Highways and streets	17,728.55			17,728.55
Library		-	2,285.34	2,285.34
Total Expenditures	80,274.11	-	20,666.92	100,941.03
Excess revenues (expenditure	45,776.32	16,666.83	(199.00)	62,244.15
Other Financing Sources (Uses):				
Transfers in	-	-		-
Transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Net change in fund balances	45,776.32	16,666.83	(199.00)	62,244.15
Fund balance- beginning	130,261.52	9,126.24	10,188.92	149,576.68
Fund balance- ending	176,037.84	25,793.07	9,989.92	211,820.83

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

CITY OF GACKLE
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances- Total Governmental Funds 62,244.15

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

Governmental funds report capital outlay 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 outlays exceeded depreciation in the current year.

Current year capital outlay	-	
Current year depreciation exper	13,400.00	(13,400.00)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net pc -

Change in net position of Governmental Activities 48,844.15

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

CITY OF GACKLE
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Water & Sewer	Garbage	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	343,815.33	41,563.85	385,379.18
Non-current assets:			
Capital assets (net of accumulated depreciati	2,929,180.14		2,929,180.14
Total Assets	3,272,995.47	41,563.85	3,314,559.32
LIABILITIES			
Current liabilities:			
			-
Non-current liabilities:			
Due within one year:			
Bonds payable	45,000.00		45,000.00
Notes payable	-		-
Due after one year:			
Bonds payable	1,110,000.00		1,110,000.00
Notes payable	-		-
Total liabilities	1,155,000.00	-	1,155,000.00
NET POSITION			
Net investment in capital assets	1,774,180.14		1,774,180.14
Restricted for:			
			-
Debt service	125,000.00		125,000.00
Unrestricted	218,815.33	41,563.85	260,379.18
Total Net Position	2,117,995.47	41,563.85	2,159,559.32

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

CITY OF GACKLE
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Water & Sewer	Garbage	Total
OPERATING REVENUE			
Charges for services	181,405.00	24,231.00	205,636.00
OPERATING EXPENSES			
Salaries and benefits	29,102.79	-	29,102.79
Professional fees	-	-	-
Insurance	-	-	-
Contract services	44,544.46	11,136.24	55,680.70
Electricity	4,659.68	-	4,659.68
Supplies	2,674.98	1,005.75	3,680.73
Repairs and maintenance	4,282.57	-	4,282.57
Heating fuel	-	-	-
Telephone	-	-	-
Depreciation	173,991.21	-	173,991.21
Miscellaneous	5,525.17	55.00	5,580.17
Total operating expenses	264,780.86	12,196.99	276,977.85
Operating income (loss)	(83,375.86)	12,034.01	(71,341.85)
NON-OPERATING REVENUE (EXPENSE)			
Bond proceeds	-	-	-
Grants	-	-	-
Principal	-	-	-
Interest expense	(36,626.26)	-	(36,626.26)
Capital outlay	-	-	-
Other	1,617.06	-	1,617.06
Total non-operating rev (exp)	(35,009.20)	-	(35,009.20)
Income (loss) before transfers	(118,385.06)	12,034.01	(106,351.05)
Transfers in	-	-	-
Transfers out	-	-	-
Change in Net Position	(118,385.06)	12,034.01	(106,351.05)
Net Position- January 1	2,236,380.53	29,529.84	2,265,910.37
Net Position- December 31	2,117,995.47	41,563.85	2,159,559.32

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

CITY OF GACKLE
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Water & Sewer	Garbage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	181,405.00	24,231.00	205,636.00
Payments to suppliers	(61,686.86)	(12,196.99)	(73,883.85)
Payments to employees	(29,102.79)	-	(29,102.79)
Other receipts	1,617.06	-	1,617.06
Net cash provided by (used in) operating activities	92,232.41	12,034.01	104,266.42
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	-	-
Transfers from other funds	-	-	-
Net cash provided by (used in) noncapital financing activities	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	-	-
Principal paid on capital debt	(45,000.00)	-	(45,000.00)
Interest paid on capital debt	(36,626.26)	-	(36,626.26)
Debt proceeds	-	-	-
Net cash provided by (used in) capital and related financing :	(81,626.26)	-	(81,626.26)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	-	-	-
Net cash provided by (used in) investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	10,606.15	12,034.01	22,640.16
Balance- beginning of year	333,209.18	29,529.84	362,739.02
Balance- end of year	343,815.33	41,563.85	385,379.18
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(83,375.86)	12,034.01	(71,341.85)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	173,991.21	-	173,991.21
Miscellaneous receipts (expense)	1,617.06	-	1,617.06
Net cash provided by operating activities	92,232.41	12,034.01	104,266.42

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

CITY OF GACKLE
GACKLE, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Gackle (City) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. 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 such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental 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.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF GACKLE

Notes to Financial Statements- Continued

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: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses/expenditures. Funds are organized into two major categories: governmental and proprietary. The City currently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria: a) Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise funds are at least 10% of the corresponding total for all funds of that category or type and b) Total assets, liabilities, revenues, expenses/expenditures of the individual governmental fund or enterprise fund are at least 5% of the corresponding total for all governmental and enterpris funds combined.

The City reports the following major governmental funds:

General Fund. The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Sales tax fund. The sales tax fund is used to record the collection of sales taxes and economic development expenses.

CITY OF GACKLE
Notes to Financial Statements- Continued

The City reports the following major enterprise funds:

Water and sewer- accounts for operating activities of the City's water and sewer utility services.

Sanitation- accounts for operating activities of the City's sanitation services

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements. In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined 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.

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 presents 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.

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 assets.

CITY OF GACKLE

Notes to Financial Statements- Continued

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive 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. All government-wide financial statements would be presented on the accrual basis of accounting.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

CITY OF GACKLE
Notes to Financial Statements- Continued

D. Budgets

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

City taxes must be levied by the governing board on or before the seventh day of October. The taxes levied must be certified to the County auditor by October 10. The governing body of the City may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the County auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and money market accounts. Investments consist of certificates of deposits, with a maturity date in excess of 90 days, stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2004. Prior to January 1, 2004, governmental funds infrastructure assets were not capitalized. 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.

CITY OF GACKLE
Notes to Financial Statements- Continued

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Vehicles and equipment	10

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 assets. 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 Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

CITY OF GACKLE
Notes to Financial Statements- Continued

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the city council-the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the City's preference is to first use restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

The council has set a General Fund minimum fund balance target at 10% of expenditures and recurring transfers.

I. Interfund Transactions

In the governmental 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.

CITY OF GACKLE
Notes to Financial Statements- Continued

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating 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 Other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Council did not amend the City budget for 2015.

EXPENDITURES OVER APPROPRIATIONS

The City did not overspend any budgets

NOTE 3 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 institution 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 deposit not covered by insurance or bonds.

CITY OF GACKLE
Notes to Financial Statements- Continued

Authorized collateral includes bills, notes, or bonds issued by the United State government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, notes, warrants, and certificates of indebtedness, insured certificates of deposit, shares of investment 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, instrumentalities, or by any City, city, township, school district, park district, or 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 such other securities approved by the banking board.

At December 31, 2015, the City's carrying amount of deposits was \$597,201. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$347,201 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

State statutes authorize the City to invest in:(1) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an 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 the type listed above.(3) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state.(4) Obligations of the state.

Concentration of Credit Risk

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

CITY OF GACKLE
Notes to Financial Statements- Continued

NOTE 4: PROPERTY TAXES

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The County treasurer acts as and 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 6: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2015:

	Balance January 1	Increases	Decreases	Balance December 31
Capital assets, being depreciated				
Governmental activities				
Bldgs and Improvements	106,565			106,565
Vehicles & Equipment	139,500			139,500
Total Cap Assets	246,065			246,065
Less accumulated depreciation for:				
Buildings & Improve	106,565			106,565
Equipment	18,900	13,400		32,300
Total Accumulated Dep	125,465	13,400		138,865
Total Cap Assets, Net	120,600			107,200
Capital assets, being depreciated				
Business-type activities				
Infrastructure	2,630,726			2,630,726
Bldgs and Improvements	1,121,598			1,212,598
Equipment	61,811			61,811
Total Cap Assets	3,905,135			3,905,135

CITY OF GACKLE
Notes to Financial Statements- Continued

Less accumulated depreciation for:			
Buildings & Improve	436,692	39,144	475,836
Equipment	21,230	6,856	28,086
Infrastructure	344,042	127,991	472,033
Total Accumulated Dep	801,964	173,991	975,955
Total Cap Assets, Net	3,103,171		2,929,180

Depreciation Expense was charged to functions/programs of the City as follows:

Governmental Activities:	
Highways and streets	13,400
Business-type activities	
Water and sewer	173,991

NOTE 7: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2015, the following changes occurred in liabilities reported in long-term debt:

	Payable 2014	Increases	Decreases	Payable 2015	Due Within One Year
USDA Note					
Bonds Payable	1,200,000		45,000	1,155,000	45,000
SRF Notes					
Notes payable					
TOTAL	1,200,000		45,000	1,155,000	

Debt payable at December 31, 2015, is comprised of the following individual issues:

Bonds Payable:
Refunding Bonds of 2015 due in annual installments of 35,000, to 60,000 plus interest at 2.0- 3.5%, through December 2039. 1,155,000

CITY OF GACKLE
Notes to Financial Statements- Continued

The annual long-term debt service requirements for bonds payable, as of December 31, 2015, are as follows:

BUSINESS-TYPE ACTIVITIES			
Year Ending	Long-Term Debt		
December 31	Principal	Interest	Principal Interest
2016	45,000	35,706	
2017	45,000	34,806	
2018	45,000	33,906	
2019	45,000	32,781	
2020	55,000	31,281	
2021-2025	235,000	133,156	
2026-2030	210,000	101,291	
2031-2035	245,000	64,525	
2036-2039	230,000	17,556	
TOTAL	1,155,000	485,010	

NOTE 8: RISK MANAGEMENT

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

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

The State Bonding Fund currently provides the City with blanket fidelity bond coverage in the amount of \$1,000,000 for its employees. The State Bonding fund does not currently charge any premium for this coverage.

The City has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

CITY OF GACKLE
 FUND ACTIVITY
 DECEMBER 31,2015

	Beginning Balance	Revenues	Expenditures	Transfers In (Out)	Ending Balance
GENERAL	130,261.52	126,050.43	80,274.11		176,037.84
AIRPORT	6,037.36	18,182.58	18,381.58		5,838.36
LIBRARY	4,151.56	2,285.34	2,285.34		4,151.56
SALES TAX	9,126.24	16,666.83			25,793.07
SPECIAL ASSESSMENTS	-				-
SPECIAL REVENUE FUNDS	19,315.16	37,134.75	20,666.92	-	35,782.99
TOTAL FUND BALANCE	149,576.68	163,185.18	100,941.03	-	211,820.83
WATER	149,444.65	94,800.00	84,718.75		159,525.90
WATER RESERVE	-				-
SEWER	58,764.53	88,222.06	87,697.16		59,289.43
GARBAGE	29,529.84	24,231.00	12,196.99		41,563.85
WATER DEBT SERVICE	(0.00)				(0.00)
SEWER PROJECT	0.00				0.00
SEWER DEBT SERVICE	125,000.00				125,000.00
SEWER ASSET MANAGEME	-				-
ENTERPRISE FUNDS	362,739.02	207,253.06	184,612.90	-	385,379.18
Report Totals	512,315.70	370,438.24	285,553.93	-	597,200.01

CITY OF GACKLE

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2015

City of Gackle
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Harold J. Rotunda

Certified Public Accountant

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

City Council
City of Gackle
Gackle, North Dakota

I 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, business-type activities, each major fund, and the aggregate remaining fund information of City of Gackle as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated March 31, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Gackle's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, I do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify one deficiency in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2015-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Gackle's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

City's Response to Findings

City of Gackle's response to the finding identified in my audit is described in the accompanying schedule of findings. City of Gackle's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

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



Harold Rotunda, CPA

March 31, 2016

CITY OF GACKLE
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of Report Issued?

Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____	Yes	___X___	No
Significant deficiencies identified not Considered to be material weaknesses?	___X___	Yes	_____	No
Noncompliance material to financial statements Noted?	_____	Yes	___X___	No

Section II- Financial Statement Findings

Finding No. 2015-1

Condition

The limited number of staff prevents a proper segregation of duties.

Criteria

A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Effect

Inadequate segregation of duties could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

CITY OF GACKLE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

Recommendation

While I recognize that the City office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal accounting control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve the efficiency and effectiveness of the City.

Client Response

At the present time, the City has segregated the duties of all key accounting personnel in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.