CITY OF OAKES
OAKES, NORTH DAKOTA

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

CITY OF OAKES
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CITY OF OAKES
LIST OF OFFICIALS
DECEMBER 31, 2016

CITY COUNCIL

	Office
Monty Zimmer	Mayor
Larry Engel	
Jeff Forward	
Arthur Conklin	
Nathan O'Brien	
Kevin Ford	
Nick Harris	

EMPLOYEES:

Gary Neuharth	City Attorney
April Haring	City Auditor
Marke Roberts	Chief of Police
Pat Nelson	Public Works Director

Harold J. Rotunda

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

City Council
City of Oakes
Oakes, 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 Oakes as of and for the year ended December 31, 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

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 Oakes as of December 31, 2016, 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 Oakes'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, 2017, 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, 2017

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

CITY OF OAKES
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and investments	1,413,422.54	708,578.48	2,122,001.02
Non-current assets			
Capital assets (net of accumulated depreciation)	9,432,743.35	18,945,902.38	28,378,645.73
Total Assets	10,846,165.89	19,654,480.86	30,500,646.75
LIABILITIES			
Current liabilities			
Non-current liabilities:			
Due within one year:			
Bonds payable	260,000.00	271,112.00	531,112.00
Notes payable	30,167.88	-	30,167.88
Due after one year:			
Bonds payable	4,203,000.00	12,367,041.51	16,570,041.51
Notes payable	311,681.64	-	311,681.64
Total liabilities	4,804,849.52	12,638,153.51	17,443,003.03
NET POSITION			
Net investment in capital assets	4,627,893.83	6,307,748.87	10,935,642.70
Restricted for:			
Capital projects	15,005.50	-	15,005.50
Debt service	1,095,428.98	-	1,095,428.98
Unrestricted	302,988.06	708,578.48	1,011,566.54
Total net position	6,041,316.37	7,016,327.35	13,057,643.72

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

CITY OF OAKES
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating grants and Contributions	Revenue & Changes in Net Position: Governmental Activities
Governmental activities:				
General government	503,851.51			(503,851.51)
Public safety	629,941.62			(629,941.62)
Highways and streets	388,354.27		121,583.26	(266,771.01)
Economic development	124,745.58			(124,745.58)
Capital outlays	-			-
Interest expense	427,173.71			(427,173.71)
Total Governmental Activities	2,074,066.69	-	121,583.26	(1,952,483.43)
Business-type activities				
Water	266,431.35	516,256.07		249,824.72
Sewer	91,423.99	251,690.02		160,266.03
Garbage	206,182.97	279,129.73		72,946.76
Debt	319,516.51	13,389.27		(306,127.24)
Capital outlay	43,118.76			(43,118.76)
				-
				-
				-
Depreciation	1,134,724.00			(1,134,724.00)
Total Business-type activities	2,061,397.58	1,060,465.09	-	(1,000,932.49)
Total	4,135,464.27	1,060,465.09	121,583.26	(2,953,415.92)

	Governmental	Business-type	Total
Net expense	(1,952,483.43)	(1,000,932.49)	(2,953,415.92)
General Revenues			
Taxes:			
Property taxes	560,724.39	-	560,724.39
Sales taxes	441,302.25		441,302.25
Special assessments	491,707.83		491,707.83
Licenses and permits	14,485.00		14,485.00
Intergovernmental	262,231.45	499,777.00	762,008.45
Interest income	470.05	3,789.33	4,259.38
Other revenue	502,702.36	54,988.74	557,691.10
Total General Revenues	2,273,623.33	558,555.07	2,832,178.40
Transfers in (out)	(57,725.57)	57,725.57	-
Change in Net Position	263,414.33	(384,651.85)	(121,237.52)
Net Position- January 1	5,777,902.04	7,400,979.20	13,178,881.24
Net Position- December 31	6,041,316.37	7,016,327.35	13,057,643.72

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

CITY OF OAKES
BALANCE SHEET - GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
DECEMBER 31, 2016

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and investments	-	15,005.50	899,718.89	498,698.15	1,413,422.54
Due from other funds			233,232.84		233,232.84
Total Assets	-	15,005.50	1,132,951.73	498,698.15	1,646,655.38
LIABILITIES					
Due to other funds	189,687.63		37,522.75	6,022.46	233,232.84
					-
Total liabilities	189,687.63	-	37,522.75	6,022.46	233,232.84
FUND BALANCE					
Restricted for Capital Projects		15,005.50	-	-	15,005.50
Restricted for Debt Service			1,132,951.73	-	1,132,951.73
Restricted for other purposes				504,720.61	504,720.61
Unassigned	(189,687.63)		(37,522.75)	(6,022.46)	(233,232.84)
Total fund balance	(189,687.63)	15,005.50	1,095,428.98	498,698.15	1,419,445.00
Total liabilities and fund balance	-	15,005.50	1,132,951.73	504,720.61	1,652,677.84

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

CITY OF OAKES
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET ASSETS- MODIFIED CASH BASIS
DECEMBER 31, 2016

Total Fund Balances for Governmental Funds		1,413,422.54
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in governmental funds		
Cost of capital assets	12,637,024.35	
Less accumulated depreciation	3,204,281.00	
Net capital assets		9,432,743.35
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net assets. Balances at year end are:		
Bonds payable		(3,575,000.00)
SRF Notes payable		(888,000.00)
Notes payable		(341,849.52)
Total Net Position of Governmental Activities		6,041,316.37

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

CITY OF OAKES
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	239,036.59		282,319.62	39,368.18	560,724.39
Sales taxes			-	441,302.25	441,302.25
Special Assessments			491,707.83	-	491,707.83
Intergovernmental	155,839.92	-	-	227,974.79	383,814.71
Interest	111.43	-	57.48	301.14	470.05
Charges for services	9,991.56		19,347.96	245,322.78	274,662.30
Other	466,363.64			26,161.42	492,525.06
Total Revenues	871,343.14	-	793,432.89	980,430.56	2,645,206.59
Current:					
General government	415,885.02			105,898.00	521,783.02
Public safety	330,579.37			352,861.67	683,441.04
Highways and streets				121,765.27	121,765.27
Economic development			-	124,745.58	124,745.58
Capital outlays	463,502.74	96,816.34	-	-	560,319.08
Debt Service					
Principal			545,923.00	26,464.27	572,387.27
Interest expense			286,990.30	4,796.14	291,786.44
Total Expenditures	1,209,967.13	96,816.34	832,913.30	736,530.93	2,876,227.70
Excess revenues (expenditures)	(338,623.99)	(96,816.34)	(39,480.41)	243,899.63	(231,021.11)
Other Financing Sources (Uses):					
Transfers in	183,548.01	-	110,325.54	89,382.00	383,255.55
Transfers out	(20,382.00)	-	-	(420,599.12)	(440,981.12)
Bond proceeds		-	-	-	-
Total other financing sources and uses	163,166.01	-	110,325.54	(331,217.12)	(57,725.57)
Net change in fund balances	(175,457.98)	(96,816.34)	70,845.13	(87,317.49)	(288,746.68)
Fund balance- beginning	(14,229.65)	111,821.84	1,024,583.85	579,993.18	1,702,169.22
Fund balance- ending	(189,687.63)	15,005.50	1,095,428.98	492,675.69	1,413,422.54

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

CITY OF OAKES
RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016

Net Change in Fund Balances- Total Governmental Funds		(288,746.68)
The change in net assets 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	595,873.80	
Current year depreciation expense	266,589.00	329,284.80
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 assets.		(250,000.00) 472,876.21
		-
Change in Net Position of Governmental Activities		263,414.33

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

CITY OF OAKES
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Water & Sewer	Sanitation	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	530,123.88	178,454.60	708,578.48
Noncurrent assets:			-
Capital assets (net of accumulated depreciation)	18,945,902.38		18,945,902.38
Total Assets	19,476,026.26	178,454.60	19,654,480.86
LIABILITIES			
Current liabilities:			-
Accounts Payable			-
			-
Non-current liabilities			
Due within one year:			
Bonds payable	271,112.00		271,112.00
Notes payable	-		-
Due after one year:	-		
Bonds payable	12,367,041.51		12,367,041.51
Notes payable	-		-
Total liabilities	12,638,153.51	-	12,638,153.51
NET POSITION			
Net investment in capital assets	6,307,748.87	-	6,307,748.87
Restricted for:	-		
Capital projects	-		-
Debt service	-		-
Unrestricted	530,123.88	178,454.60	708,578.48
Total net position	6,837,872.75	178,454.60	7,016,327.35

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

CITY OF OAKES
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	Water & Sewer	Sanitation	Total
OPERATING REVENUE			
Charges for services	781,335.36	279,129.73	1,060,465.09
OPERATING EXPENSES			
Salaries	174,274.61	55,586.95	229,861.56
Benefits	40,140.04	20,672.92	60,812.96
Equipment	-		-
Contract services	-	87,960.17	87,960.17
Electricity	46,520.42		46,520.42
Supplies	67,385.46	20,324.58	87,710.04
Repairs and maintenance	20,621.05	15,516.64	36,137.69
Insurance	3,353.27	4,366.98	7,720.25
Office expense	479.15	597.80	1,076.95
Depreciation	1,134,724.00		1,134,724.00
Miscellaneous	5,081.34	1,156.93	6,238.27
Total operating expenses	1,492,579.34	206,182.97	1,698,762.31
Operating income (loss)	(711,243.98)	72,946.76	(638,297.22)
NON-OPERATING REVENUE (EXPENSE)			
Property taxes	-		-
Interest income	3,789.33		3,789.33
Grant income	499,777.00		499,777.00
Interest expense	(319,516.51)		(319,516.51)
Capital outlay	(43,118.76)	-	(43,118.76)
Other	43,504.26	11,484.48	54,988.74
Total non-operating rev (exp)	184,435.32	11,484.48	195,919.80
Income (loss) before transfers	(526,808.66)	84,431.24	(442,377.42)
Transfers in	501,292.05	10,000.00	511,292.05
Transfers out	(427,066.48)	(26,500.00)	(453,566.48)
Change in net position	(452,583.09)	67,931.24	(384,651.85)
Net Position- January 1	7,290,455.84	110,523.36	7,400,979.20
Net Position- December 31	6,837,872.75	178,454.60	7,016,327.35

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

CITY OF OAKES
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	Water & Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	781,335.36	279,129.73	1,060,465.09
Payments to suppliers	(183,580.73)	(150,596.02)	(334,176.75)
Payments to employees	(174,274.61)	(55,586.95)	(229,861.56)
Other receipts	543,281.26	11,484.48	554,765.74
Net cash provided by (used in) operating activities	966,761.28	84,431.24	1,051,192.52
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	501,292.05	10,000.00	511,292.05
Transfers to other funds	(427,066.48)	(26,500.00)	(453,566.48)
Net cash provided by (used in) noncapital financing acti	74,225.57	(16,500.00)	57,725.57
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(642,706.51)	-	(642,706.51)
Principal paid on capital debt	(270,725.29)		(270,725.29)
Interest paid on capital debt	(319,516.51)	-	(319,516.51)
Debt proceeds	97,616.91		97,616.91
Net cash provided by (used in) capital and related financ	(1,135,331.40)	-	(1,135,331.40)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	3,789.33	-	3,789.33
Net cash provided by (used in) investing activities	3,789.33	-	3,789.33
Net increase (decrease) in cash and cash equivalents	(90,555.22)	67,931.24	(22,623.98)
Balance- beginning of year	620,679.10	110,523.36	731,202.46
Balance- end of year	530,123.88	178,454.60	708,578.48
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	(711,243.98)	72,946.76	(638,297.22)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	1,134,724.00	-	1,134,724.00
Miscellaneous receipts (expense)	543,281.26	11,484.48	554,765.74
Net cash provided by operating activities	966,761.28	84,431.24	1,051,192.52

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

CITY OF OAKES
OAKES, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Oakes(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 the above criteria the city has the following component units:

Oakes Airport Authority- The Airport Authority was organized to provide management of the airport in Oakes. The Council appoints all Board members and approves its tax levy.

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.

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.

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.

Capital Projects Funds. Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items.

Debt Service funds. Debt funds are used to account for the accumulation of financial resources for the payment of principal and interest on the City's debt. The City annually levies special assessments restricted for the retirement of debt.

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.

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.

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 October 7. 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 and certificates of deposits with maturity of less than 90 days. 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.

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	30
Vehicles and equipment	7

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.

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.

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 amended the City budget for 2016. The budget amendments are detailed in the attached schedule on page 34.

EXPENDITURES OVER APPROPRIATIONS
The City did not overspend any budgets.

No remedial action is required.

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.

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, 2016, the City's carrying amount of deposits was $2,433,372. Of the bank balances, $250,000 was covered by Federal Depository Insurance. The remaining balance of $2,183,372 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.

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 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 5: TRANSFERS

Transfers are used to 1)move unrestricted revenues to finance various programs 2)move sales tax revenues to fund programs and projects and 3)move revenues from the fund with collection authorization to the debt service funds as debt service principal and interest payments become due. A schedule of the transfers is on page 33.

CITY OF OAKES
Notes to Financial Statements- Continued

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2016:

	Balance January 1	Increases	Decreases	Balance December 31
Construction in progress	3,568,113	562,174		4,130,287
Land	2,284,202			2,284,202
Total	5,852,315	562,174		6,414,489
Capital assets, being depreciated				
Governmental activities				
Bldgs and Improvements	990,200			990,200
Vehicles & Equipment	1,188,282	33,700		1,221,982
Infrastructure	4,010,354			4,010,354
Total Cap Assets	6,188,836	33,700		6,222,536
Less accumulated depreciation for:				
Buildings & Improve	799,160	14,140		813,300
Vehicles & Equip	1,011,939	52,981		1,064,920
Infrastructure	1,126,593	199,468		1,326,061
Total Accumulated Dep	2,937,692	266,589		3,204,281
Total Cap Assets, Net	3,251,144			3,018,255
Total Cap Assets, Net	9,103,459			9,432,744
Business-type activities				
Construction in progress	1,368,748	599,588		1,968,336
Land	39,895			39,895
Total	1,408,643	599,588		2,008,231
Bldgs and Improvements	4,825,342			4,825,342
Vehicles & Equipment	585,482			585,482
Infrastructure	18,791,043			18,791,043
Total Cap Assets	24,201,867			24,201,867
Less accumulated depreciation for:				
Buildings & Improve	1,896,142	142,675		2,038,817
Vehicles & Equip	397,982	52,497		450,479
Infrastructure	3,835,348	939,552		4,774,900
Total Accumulated Dep	6,129,472	1,134,724		7,264,196
Total Cap Assets, Net	18,072,395			16,937,671
Total Cap Assets, Net	19,481,038			18,945,902

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

Governmental Activities:	
General government	36,135
Public safety	10,007
Street	225,704
Total	266,589
Business-type activities:	
Water and sewer	1,134,724

NOTE 7: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2016, the following changes occurred in liabilities reported in long-term debt:

	Payable 2015	Increases	Decreases	Payable 2016	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Notes payable	127,726	250,000	35,876	341,850	
Bonds Payable	3,915,000		340,000	3,575,000	225,000
SRF Notes	985,000		97,000	888,000	103,000
TOTAL	5,027,726	250,000	472,876	4,804,850	
BUSINESS-TYPE ACTIVITIES					
USDA Loan	11,841,262	97,617	177,725	11,761,154	293,653
Bonds Payable	505,000		40,000	465,000	40,000
SRF Notes	465,000		53,000	412,000	55,000
Notes payable					
TOTAL	12,811,262	97,617	270,725	12,638,154	

Bonds payable consist of the following:

	Maturity Date	Interest Rate	Balance Outstanding
Refunding imp bonds- 2007	11/01/2023	4.00-4.30%	455,000
Refunding imp bonds- 2007	05/01/2022	4.00-4.25%	170,000
Refunding imp bonds- 2004	05/01/2018	3.10-6.00%	65,000
Refunding imp bonds- 2015	05/01/2025	1.5%	985,000
Refunding imp bonds- 2016	05/01/2025	1.5%	1,900,000
Total			3,575,000
Refunding imp bonds- 2016	05/01/2026	1.80-3.40%	465,000
Bank of ND	11/01/2038	3.00%	113,849
Bank of ND	11/01/2040	3.00%	507,668
USDA bond	05/01/2046	3.25%	1,067,953
USDA bond	05/01/2041	3.75%	2,471,588
USDA bond	05/01/2047	3.75%	2,944,109
USDA bond	05/01/2043	2.75%	1,649,708
USDA bond	05/01/2040	3.00%	2,393,370
USDA bond	05/01/2040	3.00%	515,292
USDA bond	05/01/2040	3.00%	97,617
Total			12,226,154

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions. Special Assessment bonds are paid directly from debt service sinking funds. Special assessments are certified annually in amounts sufficient to pay debt service requirements. Whenever all special assessements appropriated and collected for a special assessment district are insufficient to pay principal and interest then due on special assessment improvement bonds issued against such improvement district, the city is required to levy a deficiency levy upon all taxable property in the City.

SRF NOTES PAYABLE

The City obtained financing from the State of North Dakota's State Revolving Loan Fund (SRF) to finance improvements to the City's utility systems. Details relative to the outstanding notes payable are shown below:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Water treatment bonds-1995	03/01/2026	2.5%	545,000
Water treatment bonds-1995	03/01/2023	2.5%	70,000
Water treatment bonds-1995	03/01/2022	2.5%	273,000
Total			888,000
BUSINESS-TYPE ACTIVITIES			
Water Treatment-1998	09/01/2023	2.5%	190,000
Water treatment bonds-1995	03/01/2023	2.5%	63,000
Water treatment bonds-1995	03/01/2017	2.5%	8,000
Water treatment bonds-1995	03/01/2027	2.5%	151,000
Total			412,000

The annual long-term debt service requirements for bonds payable, as of December 31, 2016, are as follows:

GOVERNMENTAL ACTIVITIES

Year Ending	Bonds Payable		SRF Notes Payable	
December 31	Principal	Interest	Principal	Interest
2017	340,000	120,500	102,000	22,200
2018	345,000	109,666	104,000	19,650
2019	320,000	98,218	105,000	17,050
2020	325,000	87,298	107,000	14,425
2021	325,000	75,915	112,000	11,750
2022-2026	1,300,000	214,649	358,000	24,075
2027-2030	620,000	47,073		
TOTAL	3,575,000	753,318	888,000	109,150
2017	358,084	394,280	53,000	10,300
2018	368,373	383,180	45,000	8,975
2019	379,009	371,465	47,000	7,850
2020	389,910	359,213	47,000	6,675
2021	498,978	346,413	52,000	5,500
2022-2026	2,205,996	1,526,548	153,000	10,425
2027-2031	2,313,325	1,159,168	15,000	375
2032-2036	2,723,471	749,022		
2037-2041	2,275,917	400,138		
2042-2046	384,590	73,451		
2047-2051	328,502	47,381		
TOTAL	12,226,154	5,810,260	412,000	50,100

The Airport Authority has a note payable that it used to pay for the local match for its last project. The original loan was for $158,856.96 with an annual interest rate of 3.8%. The annual payment for the loan is $35,021.46 until August 2019.

NOTE 8. FUND BALANCE

Fund balance in the various funds has been restricted or assigned for the following purposes:

Restricted:

Restricted for debt service	1,024,584
Police vehicle replacement	26,472
Public works building	1,147
Water contingency	41,448
Sewer contingency	29,470
Garbage equipment replacement	41,697
Total	1,164,818

NOTE 9: PENSION PLANS

NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM (NDPERS)

The City participates in the North Dakota Public Employees Retirement System (NDPERS) - Main System. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

A. DESCRIPTION OF PENSION PLAN

NDPERS is a cost-sharing multiple-employer defined benefits pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the governor, one member appointed by the Attorney General; one member appointed by the State Health Officer, three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

B. PENSION BENEFITS

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85) or at normal retirement age of (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

C. DEATH AND DISABILITY BENEFITS

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

D. REFUNDS OF MEMBER ACCOUNT BALANCE

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service - Greater of one percent of monthly salary or $25
13 to 25 months of service - Greater of two percent of monthly salary or $25
25 to 36 months of service - Greater of three percent of monthly salary or $25
Longer than 36 months of service - Greater of four percent of monthly salary or $25

E. MEMBER AND EMPLOYER CONTRIBUTIONS

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

F. PENSION EXPENSE RELATED TO PENSIONS

$54,701 reported as expense related to pensions resulting from Employer contributions for the year ended December 31, 2016.

Actuarial assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 10: 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 OAKES
FUND BALANCE
DECEMBER 31, 2016

	BEGINNING BALANCE	REVENUE	EXPENSE	TRANSFERS IN (OUT)	ENDING BALANCE
100 GENERAL FUNDS	(14,229.65)	871,343.14	1,209,967.13	163,166.01	(189,687.63)
201 STREET FUND	45,576.20	148,812.29	121,765.27	(30,700.00)	41,923.22
202 SOCIAL SECURITY FUND	7,255.78			(7,255.78)	-
203 RETIREMENT	19,273.87			(19,273.87)	-
205 ADVERTISING FUND	20,842.09			(20,842.09)	-
206 EMERGENCY FUND	18,103.58	3,207.23			21,310.81
207 FORESTRY	16,767.30			(16,767.30)	-
208 CEMETERY	-	8,797.87	15,031.69	10,000.00	3,766.18
209 ARMORY	9,108.97			(9,108.97)	-
210 PERPETUAL CEMETERY	74,693.38	3,083.05	10,076.00		67,700.43
215 SALES TAX- POOL	-	110,325.54		(110,325.54)	-
216 SALES TAX- CITY	42,423.76	110,325.59	12,000.00	(96,000.00)	44,749.35
217 SALES TAX- OEI	12,102.47	110,325.55	112,745.58		9,682.44
218 SALES TAX- INFRASTRUCTURE	-	110,325.57		(110,325.57)	-
220 PUBLIC SAFETY GRANT	(17,673.96)	7,651.50		4,000.00	(6,022.46)
221 POLICE VEHICLE REPLACEMENT	26,472.06		21,605.00	15,000.00	19,867.06
222 GENERAL BUILDING RESERVE	6,860.12		3,091.60	1,382.00	5,150.52
223 PUBLIC WORKS BUILDING RES	1,146.75				1,146.75
224 PUBLIC WORKS EQUIPMENT	79,106.24		12,769.49	19,000.00	85,336.75
230 VENTURE/OAKES DEVELOP	56,296.69	87.42			56,384.11
250 CITY SHOP	24,256.12		29,754.11	40,000.00	34,502.01
801 FLEX MEDICAL SPENDING	451.10	16,436.48	13,662.36		3,225.22
802 FLEX DEPENDENT CARE	0.10	1,989.00	1,989.00		0.10
812 FUNDRAISING	-				-
902 AIRPORT	127,347.08	70,858.44	103,167.67		95,037.85
904 AMBULANCE	(553.86)	261,290.14	259,349.41		1,386.87
906 LIBRARY	10,137.34	16,914.89	19,523.75		7,528.48
TOTAL SPECIAL REVENUE	579,993.18	980,430.56	736,530.93	(331,217.12)	492,675.69
340 2010-2 SDWG/JVG EXT	(466.07)	272,573.65	309,630.33		(37,522.75)
302 2003-3 STREET	24,429.27	10,069.92	9,706.78		24,792.41
303 PILOT DRAIN PROJECT ASSMT	2,862.71	1,511.10	832.27		3,541.54
313 2009-2 PHASE I W/S IMP	5,263.56	19,347.96	21,039.39		3,572.13
305 2003-1/2003-2 SEWER	-				-
306 2003-4 JVG ROAD	(0.00)				(0.00)
307 2003-5 DRAIN	-				-
308 2006-2 KOLA AVENUE	-				-
333 STREET IMP 2015-1	238,151.14	195,952.53	183,740.50		250,363.17
314 2009-2 PHASE I W/S IMP	498,523.96	178,822.32	143,834.49		533,511.79
317 2012-2 PHASE 4 WATER/SEWER	100,141.73	115,155.41	86,132.54		129,164.60

CITY OF OAKES
FUND BALANCE
DECEMBER 31, 2016

	BEGINNING BALANCE	REVENUE	EXPENSE	TRANSFERS IN (OUT)	ENDING BALANCE
350 POOL PROJECT	155,677.55		77,997.00	110,325.54	188,006.09
TOTAL DEBT SERVICE	1,024,583.85	793,432.89	832,913.30	110,325.54	1,095,428.98
525 HWY 1 IMPROVEMENT	(0.00)				(0.00)
524 CLINES ADDITION	(0.00)				(0.00)
515 2010-1 PHASE 2 CONSTRUCTION	0.00				0.00
518 2009-2 MAIN AVE CONST	(0.00)				(0.00)
519 2010-2 SDWG/JVG EXT	0.00				0.00
517 SAFE ROUTES TO SCHOOL	-				-
526 2012-1 PHASE 4 CONSTRUCTION	(3.89)				(3.89)
533 STREET IMP 2015-1	111,825.73		96,816.34		15,009.39
599 411 MAIN AVENUE	-				-
TOTAL CAPITAL PROJECT	111,821.84	-	96,816.34	-	15,005.50
TOTAL FUND BALANCE	1,702,169.22	2,645,206.59	2,876,227.70	(57,725.57)	1,413,422.54
501 WATER FUND	23,650.14	518,160.36	261,182.92	(291,600.00)	(10,972.42)
502 WATER CONTINGENCY	41,448.36	2,971.20	5,248.43		39,171.13
504 SEWER FUND	29,470.11	251,759.58	91,423.99	(133,500.00)	56,305.70
505 SEWER CONTINGENCY	171,484.14	17,337.47	43,118.76		145,702.85
507 GARBAGE	68,826.36	285,346.51	206,182.97	(26,500.00)	121,489.90
508 GARBAGE EQUIP REPLACE	41,697.00	5,267.70		10,000.00	56,964.70
534 2016-1 LAGOON IMPROVEMENT	(0.00)	97,616.91	97,616.91		(0.00)
528 2014-1 WATER TOWER IMP	234.96	499,777.00	501,970.84	1,966.48	7.60
310 2004-1 WATER PROJ PART 2	4,420.89		10,110.00	12,000.00	6,310.89
324 2016-1 LAGOON IMPROVEMENT	-	66.75			66.75
312 2006-1 WATER IMP	86,444.53	248.03	218,327.93	195,000.00	63,364.63
315 2010-1 PHASE 2 WATER/SEWER	79,714.70	681.00	145,952.00	110,325.57	44,769.27
316 2012-1 PHASE 3 WATER/SEWER	46,224.50		58,034.00	100,000.00	88,190.50
318 WATER TOWER	39,665.64	24,082.04	46,263.37	13,033.52	30,517.83
320 2002 LIFT STATION	5,123.57		8,460.00	7,000.00	3,663.57
321 2004-1 SEWER PART 1	8,087.73		31,387.50	30,000.00	6,700.23
322 2007-3 SEWER IMP	9,385.33		16,890.00	15,000.00	7,495.33
330 2011 BOND	75,324.50	13,322.52	54,817.00	15,000.00	48,830.02
TOTAL RETAINED EARNINGS	731,202.46	1,716,637.07	1,796,986.62	57,725.57	708,578.48
TOTAL FUND BAL & RET EARN	2,433,371.68	4,361,843.66	4,673,214.32	-	2,122,001.02

CITY OF OAKES
SCHEDULE OF TRANSFERS
YEAR ENDED DECEMBER 31, 2016

	TRANSFER IN	TRANSFER OUT
GENERAL	110,300.00	20,382.00
STREET		30,700.00
SOCIAL SECURITY		
RETIREMENT		
FORESTRY		
CEMETERY	10,000.00	
PUBLIC SAFETY	4,000.00	
SALES TAX- POOL		110,325.54
SALES TAX- CITY		96,000.00
SALES TAX- INFRASTRUCTURE		110,325.57
POLICE VEHICLE REPLACEMENT	15,000.00	
GENERAL BUILDING RESERVE	1,382.00	
PUBLIC WORKS EQUIPMENT	19,000.00	
CITY SHOP	40,000.00	
2003-3		
POOL PROJECT	110,325.54	
2012-1		
2010-1		
WATER TOWER	15,000.00	1,966.48
WATER FUND		291,600.00
WATER CONTINGENCY		
SEWER		133,500.00
SEWER CONTINGENCY		
GARBAGE		26,500.00
GARBAGE EQUIPMENT REPLACE	10,000.00	
2011 BOND	15,000.00	
2014-1 WATER TOWER	1,966.48	
2006-1 WATER IMPROVEMENT	195,000.00	
2002 LIFT STATION	7,000.00	
2004-1 SEWER PART 1	30,000.00	
2007-3 SEWER IMPROVEMENT	15,000.00	
2004-1	12,000.00	
2010-1 PHASE 2	110,325.57	
2010-1 PHASE 3	100,000.00	
TOTAL	821,299.59	821,299.59

CITY OF OAKES
SCHEDULE OF BUDGET AMENDMENTS
YEAR ENDED DECEMBER 31, 2016

	ORIGINAL BUDGET	AMENDMENTS	AMENDED BUDGET
GENERAL	540,208.54	-	540,208.54
STREET	265,410.50	(105,410.50)	160,000.00
SOCIAL SECURITY	39,000.00	1,200.00	40,200.00
RETIREMENT	57,000.00	14,300.00	71,300.00
ADVERTISING	17,000.00	-	17,000.00
EMERGENCY	14,250.00	(14,250.00)	-
FORESTRY	12,000.00	25,500.00	37,500.00
CEMETERY	12,980.00	5,120.00	18,100.00
ARMORY	32,700.00	14,400.00	47,100.00
PERPUTUAL CEMETERY	65,000.00	(61,950.00)	3,050.00
SALES TAX- POOL	90,000.00	17,110.00	107,110.00
SALES TAX- CITY	155,000.00	-	155,000.00
SALES TAX- OEI	90,000.00	19,000.00	109,000.00
SALES TAX- INFRASTRUCTURE	90,000.00	17,110.00	107,110.00
PUBLIC SAFETY GRANT	-	22,600.00	22,600.00
POLICE VEHICLE REPLACEMENT	43,200.00	-	43,200.00
GENERAL BUILDING RESERVE	6,300.00	(5,500.00)	800.00
PUBLIC WORKS BUILDING RESERVE	-	425.00	425.00
PUBLIC WORKS EQUIPMENT	189,000.00	7,000.00	196,000.00
PUBLIC WORKS GRANT	-	-	-
OAKES DEVELOPMENT	56,000.00	(56,000.00)	-
CITY SHOP	49,200.00	-	49,200.00
PILOT DRAIN	2,500.00	-	2,500.00
STORM 2011		-	
2003-3	10,497.06	22.94	10,520.00
POOL PROJECT	117,125.00	(34,725.00)	82,400.00
WATER FUND		-	
WATER CONTINGENCY	230,000.00	(219,000.00)	11,000.00
SEWER	94,100.38	99.62	94,200.00
SEWER CONTINGENCY	261,000.00	(246,700.00)	14,300.00
GARBAGE	192,005.38	24,494.62	216,500.00
GARBAGE EQUIPMENT	80,000.00	-	80,000.00
FLEX DAYCARE		-	
SCDRC HWY 1 FUEL		-	
AIRPORT	1,887,527.22	(259,127.22)	1,628,400.00
AMBULANCE	208,699.15	29,300.85	238,000.00

CITY OF OAKES

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2016

City of Oakes

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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 Oakes
Oakes, 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 Oakes as of and for the year ended December 31, 2016 , and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated March 31, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Oakes'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 (2016-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Oakes'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 Oakes's response to the finding identified in my audit is described in the accompanying schedule of findings. City of Oakes'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, 2017

CITY OF OAKES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

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. 2016-1

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 OAKES
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

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.