

# **AUDIT REPORT**

CITY OF POWERS LAKE  
Powers Lake, North Dakota

For the Years Ended December 31, 2015 and 2014

**RATH & MEHRER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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For the Years Ended December 31, 2015 and 2014

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CITY OF POWERS LAKE  
Powers Lake, North Dakota

CITY OFFICIALS

John Albertson	Mayor
Darrell Carlson	Council Member
Arlo Griesbach	Council Member
Betty Ledene	Council Member
David Sellie	Council Member
Jennifer Titus	Auditor

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## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Powers Lake  
Powers Lake, North Dakota

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

## **Basis of Accounting**

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

## **Other Matters**

### Other Information

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

The management's discussion and analysis, budgeting comparison information, schedule of employer's share of net pension liability and the schedules of fund activity arising from cash transactions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 our opinion, the management's discussion and analysis, budgeting comparison information, schedule of employer's share of net pension liability and the schedules of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2016 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

June 3, 2016

CITY OF POWERS LAKE

Management's Discussion and Analysis

December 31, 2015 and 2014

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

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

**FINANCIAL HIGHLIGHTS**

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

- \* Total net position of the city increased \$1,391,633 as a result of the current year's operations. Net position of the governmental activities increased \$1,267,570 and net position of the business-type activities increased \$124,063.
- \* Governmental net position totaled \$4,673,606 and business-type net position totaled \$1,330,351.
- \* Total revenues from all sources were \$2,349,369 for governmental activities and \$453,631 for business-type activities.
- \* Total expenses were \$1,081,799 for governmental activities and \$329,568 for business-type activities.
- \* The city's general fund had \$2,210,100 in total revenues and \$931,055 in total expenditures. There was a total of \$6,000 paid from other financing uses. Overall, the general fund balance increased by \$1,273,045 for the year ended December 31, 2015.

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

- \* Total net position of the city decreased \$71,964 as a result of the current year's operations. Net position of the governmental activities decreased \$25,737 and net position of the business-type activities decreased \$46,227.
- \* Governmental net position totaled \$3,445,780 and business-type net position totaled \$1,206,288.
- \* Total revenues from all sources were \$814,044 for governmental activities and \$1,441,579 for business-type activities.
- \* Total expenses were \$839,780 for governmental activities and \$1,487,807 for business-type activities.
- \* The city's general fund had \$653,002 in total revenues and \$702,426 in total expenditures. There was a total of \$10,000 paid from other financing uses. Overall, the general fund balance decreased by \$59,424 for the year ended December 31, 2014.

## USING THIS ANNUAL REPORT

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

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

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

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

## REPORTING ON THE CITY AS A WHOLE

### Statement of Net Position and Statement of Activities

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

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

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

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

In the Statement of Net Position and the Statement of Activities, the city reports governmental and business-type activities. Governmental activities are the activities where most of the city's programs and services are reported including, but not limited to, general government, public safety, streets and public works, and culture and recreation. Business-type activities are where the city's enterprise services are reported including, but not limited to, water, sewer and garbage.

#### **REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS**

##### Balance Sheet - Governmental Funds

The city uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the city to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the city's major funds. Using the criteria established by GASB Statement No. 34, the city's general fund and sales tax fund are considered "major governmental funds". The city's water fund is considered a "major enterprise fund".

The city's other funds, which are used to account for a multitude of financial transactions, are summarized under the heading "Other Governmental Funds" and "Other Enterprise Funds".

#### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

Table I provides a summary of the city's net position as of December 31, 2015 and 2014. A comparative analysis of city-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the city's net position increased by \$1,391,633 and decreased by \$71,964 for the years ended December 31, 2015 and 2014, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2015 the city's net position of \$6,003,957 is segregated into three separate categories. Net investment in capital assets totals \$2,562,250. It should be noted that these assets are not available for future spending. The restricted component of net position is \$566,994 of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position is \$2,874,714 which includes (\$38,207) relating to the reporting of it's share of the unfunded liability for the North Dakota Public Employees Retirement System as required by GASB Statement No. 68. The net amount of \$2,912,921 is available to meet the city's ongoing obligations.



Table I  
 Net Position  
 As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	2,569,999	909,915
Capital Assets (net of accumulated depreciation)	2,141,814	420,436
Total Assets	<u>4,711,813</u>	<u>1,330,351</u>
Deferred Outflows of Resources	6,240	0
<u>Liabilities</u>		
Net Pension Liability	37,188	0
Deferred Inflows of Resources	7,259	0
<u>Net Position</u>		
Net Investment in Capital Assets	2,141,814	420,436
Restricted	566,994	
Unrestricted	1,964,799	909,915
Total Net Position	<u>4,673,606</u> =====	<u>1,330,351</u> =====

As of December 31, 2014, the city's net position of \$4,652,068 is segregated into three separate categories. Net investment in capital assets represents 49% of the city's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 13% of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 38% of the city's net position and is available to meet the city's ongoing obligations.

Net Position  
 As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,319,759	1,045,000
Capital Assets (net of accumulated depreciation)	2,126,021	161,288
Total Assets	<u>3,445,780</u>	<u>1,206,288</u>
<u>Net Position</u>		
Net Investment in Capital Assets	2,126,021	161,288
Restricted	589,799	
Unrestricted	729,960	1,045,000
Total Net Position	<u>3,445,780</u> =====	<u>1,206,288</u> =====

Net Position  
As of December 31, 2013

	<u>Governmental</u>	<u>Business- Type</u>
<b><u>Assets</u></b>		
Current Assets	1,334,001	1,083,499
Capital Assets (net of accumulated depreciation)	2,137,516	169,016
<b>Total Assets</b>	<b>3,471,517</b>	<b>1,252,515</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	2,137,516	169,016
Restricted	544,616	
Unrestricted	789,385	1,083,499
<b>Total Net Position</b>	<b>3,471,517</b>	<b>1,252,515</b>

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

Table II

Changes in Net Position  
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<b><u>Revenues</u></b>		
<b><u>Program Revenues:</u></b>		
Charges for Services	4,414	453,631
Operating Grants and Contributions	1,851,447	
<b><u>General Revenues:</u></b>		
Property Taxes	21,002	
Other Taxes	337,434	
Intergovernmental - Unrestricted	28,114	
Interest Earnings and Other Revenue	106,958	
<b>Total Revenues</b>	<b>2,349,369</b>	<b>453,631</b>
<b><u>Expenses</u></b>		
General Government	187,618	
Public Safety	142,712	
Streets and Public Works	675,125	
Urban and Economic Development	34,030	
Culture and Recreation	4,875	
Other	37,439	
Water		256,992
Sewer		6,377
Garbage		66,199
<b>Total Expenses</b>	<b>1,081,799</b>	<b>329,568</b>
<b>Net Change in Position</b>	<b>1,267,570</b>	<b>124,063</b>

Property taxes constituted 1%, other taxes 12%, unrestricted intergovernmental 1%, operating grants and contributions 66%, and charges for services made up 16% of the total revenues of all activities of the city for the fiscal year ended December 31, 2015.

General government constituted 13%, public safety 10%, streets and public works 48%, and enterprise 24% of total expenses for all activities during the fiscal year ended December 31, 2015.

Changes in Net Position  
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	1,590	1,037,833
Operating Grants and Contributions	40,886	354,634
<u>General Revenues:</u>		
Property Taxes	17,294	
Other Taxes	580,123	
Intergovernmental - Unrestricted	26,917	
Interest Earnings and Other Revenue	147,234	49,112
<b>Total Revenues</b>	<u>814,044</u>	<u>1,441,579</u>
<b>Expenses</b>		
General Government	165,960	
Public Safety	114,770	
Streets and Public Works	493,420	
Urban and Economic Development	10,300	
Culture and Recreation	3,936	
Other	51,394	
Water		1,393,554
Sewer		42,266
Garbage		51,987
<b>Total Expenses</b>	<u>839,780</u>	<u>1,487,807</u>
<b>Net Change in Position</b>	<u>(25,737)</u>	<u>(46,227)</u>
	=====	=====

Property taxes constituted 1%, other taxes 26%, unrestricted intergovernmental 1%, operating grants and contributions 17%, and charges for services made up 46% of the total revenues of all activities of the city for the fiscal year ended December 31, 2014.

General government constituted 7%, public safety 5%, streets and public works 21%, and enterprise 64% of total expenses for all activities during the fiscal year ended December 31, 2014.

Changes in Net Position  
As of December 31, 2013

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	3,971	1,035,125
Operating Grants and Contributions	75,917	
<u>General Revenues:</u>		
Property Taxes	14,742	
Other Taxes	553,178	
Intergovernmental - Unrestricted	25,342	
Interest Earnings and Other Revenue	11,668	
Total Revenues	684,818	1,035,125
<b>Expenses</b>		
General Government	162,080	
Public Safety	125,310	
Streets and Public Works	132,507	
Urban and Economic Development	15,000	
Culture and Recreation	4,111	
Other	5,416	
Water		564,467
Sewer		11,709
Garbage		46,857
Total Expenses	444,424	623,033
Net Change in Position Before Transfers	240,394	412,092
Transfers	1,515	(1,515)
Net Change in Position	241,909	410,577

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

Table III

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

	<u>Total Cost Year Ended Dec. 31, 2015</u>	<u>Net Cost Year Ended Dec. 31, 2015</u>
General Government	187,618	185,854
Public Safety	142,712	142,712
Streets and Public Works	675,125	(1,178,972)
Urban and Economic Development	34,030	34,030
Culture and Recreation	4,875	4,875
Other	37,439	37,439
Total Expenses	1,081,799	(774,062)

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

	Total Cost Year Ended <u>Dec. 31, 2014</u>	Net Cost Year Ended <u>Dec. 31, 2014</u>
General Government	165,960	165,905
Public Safety	114,770	113,525
Streets and Public Works	493,420	452,244
Urban and Economic Development	10,300	10,300
Culture and Recreation	3,936	3,936
Other	51,394	51,394
Total Expenses	839,780	797,304

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

The purpose of the city's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unassigned fund balance generally can be used as a measure of the city's net resources available for spending as of the end of the fiscal year. These funds are accounted for using the modified cash basis of accounting. The city's governmental funds had total revenue of \$2,349,369 and expenditures of \$1,099,129 for the year ended December 31, 2015. For the year ended December 31, 2014, the city's governmental funds had total revenue of \$814,044 and expenditures of \$828,285. As of December 31, 2015, the unassigned fund balance of the city's general fund was \$1,991,006. As of December 31, 2014, the unassigned fund balance of the city's general fund was \$717,960.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal years 2015 and 2014, the city did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2015 was \$1,948,435 more than budgeted. This variance was due mainly to the city underestimating collections for state surge funds. Actual expenditures for the year ended December 31, 2015 were over budget by \$354,936. This variance was due mainly to the city overestimating appropriations for general government and underestimating appropriations for streets and public works.

Actual revenue for the year ended December 31, 2014 was \$538,393 more than budgeted. This variance was due mainly to the underestimating collections for oil and gas production taxes. Actual expenditures for the year ended December 31, 2014 were over budget by \$138,201. This variance was due mainly to the city overestimating appropriations for general government and underestimating appropriations for streets and public works.

**CAPITAL ASSETS**

As of December 31, 2015 and 2014, the city had \$2,562,250 and \$2,287,309, respectively, invested in capital assets. The following tables show the balances, for governmental activities, as of December 31, 2015, 2014 and 2013.

Table IV

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

	<u>Governmental</u>	<u>Business- Type</u>
Land	37,500	
Buildings and Infrastructure	2,000,280	153,560
Machinery and Vehicles	104,034	266,876
Total (net of depreciation)	<u>2,141,814</u> =====	<u>420,436</u> =====

This total represents an increase of \$274,941 in capital assets from January 1, 2015. The increase in machinery and vehicles was for the purchase of a dredge and related equipment.

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

	<u>Governmental</u>	<u>Business- Type</u>
Land	37,500	
Buildings and Infrastructure	2,057,260	161,288
Machinery and Vehicles	31,261	
Total (net of depreciation)	<u>2,126,021</u> =====	<u>161,288</u> =====

This total represents a decrease of \$19,223 in capital assets from January 1, 2014. The increase in land was for the purchase of property for a community center. The increase in machinery and vehicles was for the purchase of a police vehicle.

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

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	2,114,240	169,016
Machinery and Vehicles	23,276	0
Total (net of depreciation)	<u>2,137,516</u> =====	<u>169,016</u> =====

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

**DEBT ADMINISTRATION**

As of December 31, 2015 and 2014 the city had no outstanding debt.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	2,545,989.91	909,914.76	3,455,904.67
Advances to Economic Development Projects	24,009.51		24,009.51
<b>Capital Assets (net of accumulated depreciation):</b>			
Land	37,500.00		37,500.00
Buildings and Infrastructure	2,000,280.00	153,560.00	2,153,840.00
Machinery and Vehicles	104,034.00	266,876.00	370,910.00
<b>Total Capital Assets</b>	<b>2,141,814.00</b>	<b>420,436.00</b>	<b>2,562,250.00</b>
<b>Total Assets</b>	<b>4,711,813.42</b>	<b>1,330,350.76</b>	<b>6,042,164.18</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Changes in Resources Related to Pensions	6,240.00		6,240.00
<b>LIABILITIES:</b>			
Net Pension Liability	37,188.00		37,188.00
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Changes in Resources Related to Pensions	7,259.00		7,259.00
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,141,814.00	420,436.00	2,562,250.00
Restricted for:			
Debt Service	95,291.40		95,291.40
Special Purposes	471,702.14		471,702.14
Unrestricted	1,964,798.88	909,914.76	2,874,713.64
<b>Total Net Position</b>	<b>4,673,606.42</b>	<b>1,330,350.76</b>	<b>6,003,957.18</b>

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



CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash, Cash Equivalents and Investments	1,292,365.63	1,044,999.94	2,337,365.57
Advances to Economic Development Projects	27,393.85		27,393.85
Capital Assets (net of accumulated depreciation):			
Land	37,500.00		37,500.00
Buildings and Infrastructure	2,057,260.00	161,288.00	2,218,548.00
Machinery and Vehicles	31,261.00		31,261.00
<b>Total Capital Assets</b>	<b>2,126,021.00</b>	<b>161,288.00</b>	<b>2,287,309.00</b>
<b>Total Assets</b>	<b>3,445,780.48</b>	<b>1,206,287.94</b>	<b>4,652,068.42</b>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	2,126,021.00	161,288.00	2,287,309.00
Restricted for:			
Debt Service	95,291.40		95,291.40
Special Purposes	494,507.59		494,507.59
Unrestricted	729,960.49	1,044,999.94	1,774,960.43
<b>Total Net Position</b>	<b>3,445,780.48</b>	<b>1,206,287.94</b>	<b>4,652,068.42</b>

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Net (Expense) Revenue and Changes in Net Position					
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs</b>						
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General Government	187,617.57	1,764.00		(185,853.57)	(185,853.57)	
Public Safety	142,711.92			(142,711.92)	(142,711.92)	
Streets and Public Works	675,125.31	2,650.00	1,851,447.10	1,178,971.79	1,178,971.79	
Urban and Economic Development	34,029.60			(34,029.60)	(34,029.60)	
Culture and Recreation	4,875.08			(4,875.08)	(4,875.08)	
Other	37,439.18			(37,439.18)	(37,439.18)	
<b>Total Governmental Activities</b>	<b>1,081,798.66</b>	<b>4,414.00</b>	<b>1,851,447.10</b>	<b>774,062.44</b>	<b>774,062.44</b>	
<b>Business-Type Activities:</b>						
Water	256,992.02	377,816.15		120,824.13	120,824.13	
Sewer	6,376.86	15,658.13		9,281.27	9,281.27	
Garbage	66,199.00	60,156.42		(6,042.58)	(6,042.58)	
<b>Total Business-Type Activities</b>	<b>329,567.88</b>	<b>453,630.70</b>		<b>124,062.82</b>	<b>124,062.82</b>	
<b>Total Primary Government</b>	<b>1,411,366.54</b>	<b>458,044.70</b>	<b>1,851,447.10</b>	<b>774,062.44</b>	<b>898,125.26</b>	
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes; levied for general purposes				7,347.70	7,347.70	
Property taxes; levied for special purposes				13,654.19	13,654.19	
Sales taxes				87,328.71	87,328.71	
Cigarette taxes				908.79	908.79	
Oil and gas production taxes				249,196.19	249,196.19	
Intergovernmental revenue not restricted to specific programs				28,113.69	28,113.69	
Earnings on investments and other revenue				106,958.23	106,958.23	
<b>Total General Revenues</b>				<b>493,507.50</b>	<b>493,507.50</b>	
<b>Change in Net Position</b>				<b>1,267,569.94</b>	<b>124,062.82</b>	<b>1,391,632.76</b>
<b>Net Position - January 1</b>				<b>3,445,780.48</b>	<b>1,206,287.94</b>	<b>4,652,068.42</b>
<b>Prior Period Adjustment, see Note 9</b>				<b>(39,744.00)</b>		<b>(39,744.00)</b>
<b>Net Position - January 1, as Restated</b>				<b>3,406,036.48</b>	<b>1,206,287.94</b>	<b>4,612,324.42</b>
<b>Net Position - December 31</b>				<b>4,673,606.42</b>	<b>1,330,350.76</b>	<b>6,003,957.18</b>

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Primary Government		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
<b>Functions/Programs</b>					
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	165,960.25	55.00		(165,905.25)	(165,905.25)
Public Safety	114,770.07		1,245.00	(113,525.07)	(113,525.07)
Streets and Public Works	493,419.97	1,535.00	39,641.03	(452,243.94)	(452,243.94)
Urban and Economic Development	10,300.00			(10,300.00)	(10,300.00)
Culture and Recreation	3,935.69			(3,935.69)	(3,935.69)
Other	51,394.27			(51,394.27)	(51,394.27)
<b>Total Governmental Activities</b>	<b>839,780.25</b>	<b>1,590.00</b>	<b>40,886.03</b>	<b>(797,304.22)</b>	<b>(797,304.22)</b>
<b>Business-Type Activities:</b>					
Water	1,393,554.48	966,890.92	354,634.00	(72,029.56)	(72,029.56)
Sewer	42,265.59	16,585.11		(25,680.48)	(25,680.48)
Garbage	51,986.57	54,357.38		2,370.81	2,370.81
<b>Total Business-Type Activities</b>	<b>1,487,806.64</b>	<b>1,037,833.41</b>	<b>354,634.00</b>	<b>(95,339.23)</b>	<b>(95,339.23)</b>
<b>Total Primary Government</b>	<b>2,327,586.89</b>	<b>1,039,423.41</b>	<b>395,520.03</b>	<b>(797,304.22)</b>	<b>(892,643.45)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
Property taxes; levied for general purposes			6,906.94		6,906.94
Property taxes; levied for special purposes			10,387.47		10,387.47
Sales taxes			110,714.74		110,714.74
Financial institution taxes			8,985.85		8,985.85
Cigarette taxes			923.04		923.04
Oil and gas production taxes			459,499.20		459,499.20
Intergovernmental revenue not restricted to specific programs			26,916.59		26,916.59
Earnings on investments and other revenue			147,233.74	49,111.92	196,345.66
<b>Total General Revenues</b>			<b>771,567.57</b>	<b>49,111.92</b>	<b>820,679.49</b>
<b>Change in Net Position</b>			<b>(25,736.65)</b>	<b>(46,227.31)</b>	<b>(71,963.96)</b>
<b>Net Position - January 1</b>			<b>3,471,517.13</b>	<b>1,252,515.25</b>	<b>4,724,032.38</b>
<b>Net Position - December 31</b>			<b>3,445,780.48</b>	<b>1,206,287.94</b>	<b>4,652,068.42</b>

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Major Funds			
	General	Sales Tax	Other Governmental Funds	
<b>ASSETS:</b>				
Cash and Investments	2,003,005.88	406,147.49	136,836.54	2,545,989.91
Advances to Economic Development Projects		24,009.51		24,009.51
<hr/>				
Total Assets	2,003,005.88	430,157.00	136,836.54	2,569,999.42
<hr/>				
<b>FUND BALANCES:</b>				
Nonspendable:				
Economic Development Loans		24,009.51		24,009.51
Restricted for:				
General Government			2,300.32	2,300.32
Streets and Public Works			33,974.79	33,974.79
Urban and Economic Development		253,132.51		253,132.51
Property Tax Relief and Municipal Improvement		99,553.64		99,553.64
Parks and Recreation		53,461.34		53,461.34
Emergency Services			4,130.40	4,130.40
Debt Service			95,291.40	95,291.40
Other Purposes			1,139.63	1,139.63
Assigned to:				
Equipment	6,000.00			6,000.00
Buildings	6,000.00			6,000.00
Unassigned	1,991,005.88			1,991,005.88
<hr/>				
Total Fund Balances	2,003,005.88	430,157.00	136,836.54	2,569,999.42
<hr/>				

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Major Funds			Total Governmental Funds
	General	Sales Tax	Other Governmental Funds	
<b>ASSETS:</b>				
Cash and Investments	729,960.49	349,177.80	213,227.34	1,292,365.63
Advances to Economic Development Projects		27,393.85		27,393.85
<b>Total Assets</b>	<b>729,960.49</b>	<b>376,571.65</b>	<b>213,227.34</b>	<b>1,319,759.48</b>
<hr style="border-top: 1px dashed black;"/>				
<b>FUND BALANCES:</b>				
Nonspendable:				
Economic Development Loans		27,393.85		27,393.85
Restricted for:				
General Government			5,149.90	5,149.90
Streets and Public Works			32,642.43	32,642.43
Urban and Economic Development		226,727.85		226,727.85
Property Tax Relief and Municipal Improvement		77,721.45		77,721.45
Parks and Recreation		44,728.50		44,728.50
Emergency Services			4,003.98	4,003.98
Debt Service			95,291.40	95,291.40
Other Purposes			76,139.63	76,139.63
Assigned to:				
Equipment	6,000.00			6,000.00
Buildings	6,000.00			6,000.00
Unassigned	717,960.49			717,960.49
<b>Total Fund Balances</b>	<b>729,960.49</b>	<b>376,571.65</b>	<b>213,227.34</b>	<b>1,319,759.48</b>
<hr style="border-top: 1px dashed black;"/>				

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

Total Fund Balances for Governmental Funds		2,569,999.42
<p>Total net position reported for government activities in the statement of net position is different because:</p> <p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets		2,557,650.00
Less Accumulated Depreciation		(415,836.00)
Net Capital Assets		2,141,814.00
<p>The deferred outflows and inflows of resources reported on the statement of net position are the result of changes in resources related to pensions and do not affect current financial resources.</p>		
Total Deferred Outflows of Resources		6,240.00
Total Deferred Inflows of Resources		(7,259.00)
Net Deferred Outflows/Inflows of Resources		(1,019.00)
<p>Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2015 are:</p>		
Net Pension Liability		(37,188.00)
Total Net Position of Governmental Activities		4,673,606.42

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

Total Fund Balances for Governmental Funds		1,319,759.48
Total net position reported for government activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.		
Cost of Capital Assets	2,470,886.00	
Less Accumulated Depreciation	(344,865.00)	
Net Capital Assets	<hr/>	2,126,021.00
Total Net Position of Governmental Activities		<hr/> 3,445,780.48 =====

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Major Funds			
	General	Sales Tax	Other Governmental Funds	
<b>Revenues:</b>				
Taxes	7,347.70	87,328.71	13,654.19	108,330.60
Licenses, Permits and Fees	1,764.00			1,764.00
Intergovernmental	2,092,087.28		37,578.49	2,129,665.77
Charges for Services	2,650.00			2,650.00
Miscellaneous	106,250.99	286.24	421.00	106,958.23
<b>Total Revenues</b>	<b>2,210,099.97</b>	<b>87,614.95</b>	<b>51,653.68</b>	<b>2,349,368.60</b>
<b>Expenditures:</b>				
Current:				
General Government	165,356.22		22,798.35	188,154.57
Public Safety	131,316.92			131,316.92
Streets and Public Works	580,303.18		36,246.13	616,549.31
Urban and Economic Development		34,029.60		34,029.60
Culture and Recreation	4,875.08			4,875.08
Other	37,439.18			37,439.18
Capital Outlay	11,764.00		75,000.00	86,764.00
<b>Total Expenditures</b>	<b>931,054.58</b>	<b>34,029.60</b>	<b>134,044.48</b>	<b>1,099,128.66</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,279,045.39</b>	<b>53,585.35</b>	<b>(82,390.80)</b>	<b>1,250,239.94</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In			6,000.00	6,000.00
Transfers Out	(6,000.00)			(6,000.00)
<b>Total Other Financing Sources (Uses)</b>	<b>(6,000.00)</b>		<b>6,000.00</b>	
<b>Net Change in Fund Balances</b>	<b>1,273,045.39</b>	<b>53,585.35</b>	<b>(76,390.80)</b>	<b>1,250,239.94</b>
<b>Fund Balance - January 1</b>	<b>729,960.49</b>	<b>376,571.65</b>	<b>213,227.34</b>	<b>1,319,759.48</b>
<b>Fund Balance - December 31</b>	<b>2,003,005.88</b>	<b>430,157.00</b>	<b>136,836.54</b>	<b>2,569,999.42</b>

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



CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Major Funds			Total Governmental Funds
	General	Sales Tax	Other Governmental Funds	
<b>Revenues:</b>				
Taxes	15,892.79	110,714.74	10,387.47	136,995.00
Licenses, Permits and Fees	55.00			55.00
Intergovernmental	550,254.48		39,612.88	589,867.36
Charges for Services	1,535.00			1,535.00
Miscellaneous	85,264.28	326.96		85,591.24
<b>Total Revenues</b>	<b>653,001.55</b>	<b>111,041.70</b>	<b>50,000.35</b>	<b>814,043.60</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	144,837.39		20,122.86	164,960.25
Public Safety	103,375.07			103,375.07
Streets and Public Works	345,583.34	51,600.00	43,836.63	441,019.97
Urban and Economic Development		10,300.00		10,300.00
Culture and Recreation	3,935.69			3,935.69
Other	51,394.27			51,394.27
Capital Outlay	53,300.00			53,300.00
<b>Total Expenditures</b>	<b>702,425.76</b>	<b>61,900.00</b>	<b>63,959.49</b>	<b>828,285.25</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(49,424.21)</b>	<b>49,141.70</b>	<b>(13,959.14)</b>	<b>(14,241.65)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In		35,000.00	85,000.00	120,000.00
Transfers Out	(10,000.00)	(110,000.00)		(120,000.00)
<b>Total Other Financing Sources (Uses)</b>	<b>(10,000.00)</b>	<b>(75,000.00)</b>	<b>85,000.00</b>	
<b>Net Change in Fund Balances</b>	<b>(59,424.21)</b>	<b>(25,858.30)</b>	<b>71,040.86</b>	<b>(14,241.65)</b>
<b>Fund Balance - January 1</b>	<b>789,384.70</b>	<b>402,429.95</b>	<b>142,186.48</b>	<b>1,334,001.13</b>
<b>Fund Balance - December 31</b>	<b>729,960.49</b>	<b>376,571.65</b>	<b>213,227.34</b>	<b>1,319,759.48</b>

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds	1,250,239.94
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current Year Capital Outlay	86,764.00	
Current Year Depreciation Expense	(70,971.00)	15,793.00

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Net Decrease to Pension Expense		1,537.00

Change in Net Position of Governmental Activities	1,267,569.94

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds	(14,241.65)
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The change in net position reported for governmental activities in the statement of activities is different because:

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

	53,300.00	
Current Year Capital Outlay	(64,795.00)	(11,495.00)
Current Year Depreciation Expense		
Change in Net Position of Governmental Activities		(25,736.65)

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Major Fund		Total Enterprise Funds
	Water	Other Enterprise Funds	
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	884,011.46	25,903.30	909,914.76
<b>Noncurrent Assets:</b>			
Capital Assets (net of accumulated depr):			
Buildings and Infrastructure	137,560.00	16,000.00	153,560.00
Machinery and Vehicles	266,876.00		266,876.00
<b>Total Noncurrent Assets</b>	<b>404,436.00</b>	<b>16,000.00</b>	<b>420,436.00</b>
<b>Total Assets</b>	<b>1,288,447.46</b>	<b>41,903.30</b>	<b>1,330,350.76</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	404,436.00	16,000.00	420,436.00
Unrestricted	884,011.46	25,903.30	909,914.76
<b>Total Net Position</b>	<b>1,288,447.46</b>	<b>41,903.30</b>	<b>1,330,350.76</b>

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Major Fund		Total Enterprise Funds
	Water	Other Enterprise Funds	
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	1,023,135.33	21,864.61	1,044,999.94
<b>Noncurrent Assets:</b>			
Capital Assets (net of accumulated depr):			
Buildings and Infrastructure	144,488.00	16,800.00	161,288.00
<b>Total Assets</b>	<b>1,167,623.33</b>	<b>38,664.61</b>	<b>1,206,287.94</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	144,488.00	16,800.00	161,288.00
Unrestricted	1,023,135.33	21,864.61	1,044,999.94
<b>Total Net Position</b>	<b>1,167,623.33</b>	<b>38,664.61</b>	<b>1,206,287.94</b>

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Major Fund		Total Enterprise Funds
	Water	Other Enterprise Funds	
<u>Operating Revenues:</u>			
Water Collections	23,359.13		23,359.13
Bulk Water Sales	298,611.96		298,611.96
Sewer Collections		15,658.13	15,658.13
Garbage Collections		60,156.42	60,156.42
RV Park Rentals	54,970.06		54,970.06
Other Charges	875.00		875.00
<b>Total Operating Revenues</b>	<b>377,816.15</b>	<b>75,814.55</b>	<b>453,630.70</b>
<u>Operating Expenses:</u>			
Salaries and Benefits	49,895.55		49,895.55
Repairs and Maintenance	5,746.02	2,768.46	8,514.48
Water Treatment Facility	19,678.41		19,678.41
Supplies	5,683.47	2,199.13	7,882.60
Utilities	8,797.93	609.27	9,407.20
Improvements	48,260.00		48,260.00
RV Park	20,831.69		20,831.69
Sanitation Contract		66,199.00	66,199.00
Miscellaneous	6,607.95		6,607.95
Depreciation	25,991.00	800.00	26,791.00
<b>Total Operating Expenses</b>	<b>191,492.02</b>	<b>72,575.86</b>	<b>264,067.88</b>
<b>Operating Income</b>	<b>186,324.13</b>	<b>3,238.69</b>	<b>189,562.82</b>
<u>Non-Operating (Expenses):</u>			
Community Grants	(65,500.00)		(65,500.00)
<b>Change in Net Position</b>	<b>120,824.13</b>	<b>3,238.69</b>	<b>124,062.82</b>
<b>Net Position - January 1</b>	<b>1,167,623.33</b>	<b>38,664.61</b>	<b>1,206,287.94</b>
<b>Net Position - December 31</b>	<b>1,288,447.46</b>	<b>41,903.30</b>	<b>1,330,350.76</b>

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Major Fund		Total Enterprise Funds
	Water	Other Enterprise Funds	
<b>Operating Revenues:</b>			
Water Collections	23,773.30		23,773.30
Bulk Water Sales	856,559.62		856,559.62
Sewer Collections		16,585.11	16,585.11
Garbage Collections		54,357.38	54,357.38
RV Park Rentals	80,298.00		80,298.00
Other Charges	6,260.00		6,260.00
<b>Total Operating Revenues</b>	<b>966,890.92</b>	<b>70,942.49</b>	<b>1,037,833.41</b>
<b>Operating Expenses:</b>			
Salaries and Benefits	62,127.61		62,127.61
Repairs and Maintenance	47,877.81	41,063.99	88,941.80
Water Tower Repairs and Maintenance	124,432.85		124,432.85
Water Treatment Facility	32,179.85		32,179.85
Street Repairs and Maintenance	181,959.90		181,959.90
Supplies	21,806.92		21,806.92
Utilities	13,150.65	401.60	13,552.25
Improvements	748,136.40		748,136.40
RV Park	33,171.09		33,171.09
Sanitation Contract		51,986.57	51,986.57
Miscellaneous	783.40		783.40
Depreciation	6,928.00	800.00	7,728.00
<b>Total Operating Expenses</b>	<b>1,272,554.48</b>	<b>94,252.16</b>	<b>1,366,806.64</b>
<b>Operating Income</b>	<b>(305,663.56)</b>	<b>(23,309.67)</b>	<b>(328,973.23)</b>
<b>Non-Operating Revenue (Expenses):</b>			
Oil Impact Grant	354,634.00		354,634.00
Miscellaneous Receipts	49,111.92		49,111.92
Community Grants	(121,000.00)		(121,000.00)
<b>Total Non-Operating (Expenses)</b>	<b>282,745.92</b>		<b>282,745.92</b>
<b>Income Before Transfers</b>	<b>(22,917.64)</b>	<b>(23,309.67)</b>	<b>(46,227.31)</b>
Transfers In		18,000.00	18,000.00
Transfers Out	(18,000.00)		(18,000.00)
<b>Change in Net Position</b>	<b>(40,917.64)</b>	<b>(5,309.67)</b>	<b>(46,227.31)</b>
<b>Net Position - January 1</b>	<b>1,208,540.97</b>	<b>43,974.28</b>	<b>1,252,515.25</b>
<b>Net Position - December 31</b>	<b>1,167,623.33</b>	<b>38,664.61</b>	<b>1,206,287.94</b>

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Major Fund		Total Enterprise Funds
	Water	Other Enterprise Funds	
<u>Cash flows from operating activities:</u>			
Receipts from customers	377,816.15	75,814.55	453,630.70
Payments to suppliers	(115,605.47)	(71,775.86)	(187,381.33)
Payments to employees	(49,895.55)		(49,895.55)
<u>Net cash provided (used) by operating activities</u>	212,315.13	4,038.69	216,353.82
<u>Cash flows from noncapital financing activities:</u>			
Community grants	(65,500.00)		(65,500.00)
<u>Cash flows from capital and related financing activities:</u>			
Dredge equipment	(285,939.00)		(285,939.00)
<u>Net increase (decrease) in cash and cash equivalents</u>	(139,123.87)	4,038.69	(135,085.18)
Cash and cash equivalents, January 1	1,023,135.33	21,864.61	1,044,999.94
Cash and cash equivalents, December 31	884,011.46	25,903.30	909,914.76
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating income	186,324.13	3,238.69	189,562.82
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	25,991.00	800.00	26,791.00
<u>Net cash provided (used) by operating activities</u>	212,315.13	4,038.69	216,353.82

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



CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Major Fund		
	Water	Other Enterprise Funds	Total Enterprise Funds
<u>Cash flows from operating activities:</u>			
Receipts from customers	966,890.92	70,942.49	1,037,833.41
Payments to suppliers	(1,203,498.87)	(93,452.16)	(1,296,951.03)
Payments to employees	(62,127.61)		(62,127.61)
Net cash provided (used) by operating activities	(298,735.56)	(22,509.67)	(321,245.23)
<u>Cash flows from noncapital financing activities:</u>			
Oil Impact Grant	354,634.00		354,634.00
Miscellaneous receipts	49,111.92		49,111.92
Community grants	(121,000.00)		(121,000.00)
Transfers in		18,000.00	18,000.00
Transfers out	(18,000.00)		(18,000.00)
Net cash provided (used) by noncapital financing activities	264,745.92	18,000.00	282,745.92
Net increase (decrease) in cash and cash equivalents	(33,989.64)	(4,509.67)	(38,499.31)
Cash and cash equivalents, January 1	1,057,124.97	26,374.28	1,083,499.25
Cash and cash equivalents, December 31	1,023,135.33	21,864.61	1,044,999.94
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating (loss)	(305,663.56)	(23,309.67)	(328,973.23)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	6,928.00	800.00	7,728.00
Net cash provided (used) by operating activities	(298,735.56)	(22,509.67)	(321,245.23)

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

Statement of Fiduciary Assets and Liabilities  
Modified Cash Basis - Agency Fund  
December 31, 2015

	Agency Fund
<b><u>Assets:</u></b>	
Cash	49,097.84
<b><u>Liabilities:</u></b>	
Due to Other Governments	49,097.84

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

Statement of Fiduciary Assets and Liabilities  
Modified Cash Basis - Agency Fund  
December 31, 2014

	Agency Fund
<u>Assets:</u>	
Cash	11,508.30
<u>Liabilities:</u>	
Due to Other Governments	11,508.30

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

Notes to the Financial Statements  
December 31, 2015 and 2014

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

B. Basis of Presentation

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

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

*Fund Financial Statements:* The fund financial statements provide information about the city's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investments earnings, result from nonexchange transactions or ancillary activities.

The city reports the following major governmental funds:

*General Fund.* This is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Sales Tax Fund.* This fund accounts for the city's sales tax collections, which are used for urban and economic development, property tax relief and to provide funds for the city's parks and recreation activities.

The city reports the following major enterprise funds:

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

The city reports the following fund type:

*Agency Fund.* This fund accounts for assets held by the city in a custodial capacity as an agent on behalf of others. The city's agency fund is used to account for various deposits of other governments.

#### C. Measurement Focus and Basis of Accounting

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

##### Measurement Focus

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

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

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

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

#### Basis of Accounting

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

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

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

#### D. Cash, Cash Equivalents and Investments

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

Investments consist of certificates of deposit stated at cost.

#### E. Capital Assets

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

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	7 to 20 years

#### F. Compensated Absences

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

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

#### G. Pension

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS); additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### H. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** - Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the city is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

**Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

**Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the city council through the adoption of a resolution. The city council also may modify or rescind the commitment.

**Assigned** - Fund balances are reported as assigned when amounts are constrained by the city's intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The city reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

**Flow Assumptions** - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the city's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the city's policy to use fund balance in the following order:

- \* Committed
- \* Assigned
- \* Unassigned

**Net Position** - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the city has not spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

#### I. Interfund Transactions

In the governmental and proprietary fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers.

In the government-wide financial statements, interfund transactions have been eliminated.

#### J. Use of Estimates

The preparation of financial statements in conformity with the special reporting framework (SRF) used by the city requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

### Note 2 DEPOSITS AND INVESTMENTS

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

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



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

At December 31, 2015 the city's carrying amount of deposits was \$3,505,003 and the bank balance was \$3,549,715. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$3,299,715 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2014 the city's carrying amount of deposits was \$2,348,874 and the bank balance was \$2,398,930. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$2,148,930 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk

The city may invest idle funds as authorized in North Dakota Statutes, as follows:

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

At December 31, 2015 the city held certificates of deposit in the amount of \$164,843, which are all considered deposits.

At December 31, 2014 the city held certificates of deposit in the amount of \$164,843, which are all considered deposits.

#### Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 ADVANCES TO ECONOMIC DEVELOPMENT PROJECTS

The city has loaned funds from the city sales tax fund to provide monies for various local economic development projects. These funds are to be repaid per the terms of the loan agreements. At December 31, the following loans were outstanding:

	<u>12-31-15</u>	<u>12-31-14</u>
Breding Auto	2,771.11	2,771.11
Country Fresh Foods		1,104.06
Lil Rancher's Community Child Care	9,100.00	9,100.00
Russell Holmen	4,059.60	5,049.50
Country Store	8,078.80	9,044.18
KC Windshield		325.00
Total Loans Receivable	<u>24,009.51</u>	<u>27,393.85</u>

Note 5 CAPITAL ASSETS

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

	<u>2015</u>			Balance December 31
	Balance January 1	Increases	Decreases	
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	37,500			37,500
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,385,000			2,385,000
Machinery and Vehicles	48,386	86,764		135,150
Total	<u>2,433,386</u>	<u>86,764</u>		<u>2,520,150</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	327,740	56,980		384,720
Machinery and Vehicles	17,125	13,991		31,116
Total	<u>344,865</u>	<u>70,971</u>		<u>415,836</u>
Total capital assets being depreciated, net	<u>2,088,521</u>	<u>15,793</u>		<u>2,104,314</u>
Governmental Activities Capital Assets, Net	<u>2,126,021</u>	<u>15,793</u>	-0-	<u>2,141,814</u>

	<u>2014</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land		37,500		37,500
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	2,385,000			2,385,000
Machinery and Vehicles	39,586	15,800	7,000	48,386
<b>Total</b>	<b>2,424,586</b>	<b>15,800</b>	<b>7,000</b>	<b>2,433,386</b>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	270,760	56,980		327,740
Machinery and Vehicles	16,310	7,815	7,000	17,125
<b>Total</b>	<b>287,070</b>	<b>64,795</b>	<b>7,000</b>	<b>344,865</b>
<b>Total capital assets being depreciated, net</b>	<b>2,137,516</b>	<b>(48,995)</b>		<b>2,088,521</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>2,137,516</b>	<b>(11,495)</b>	<b>-0-</b>	<b>2,126,021</b>

	<u>2015</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	243,200			243,200
Machinery and Vehicles		285,939		285,939
<b>Total</b>	<b>243,200</b>	<b>285,939</b>		<b>529,139</b>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	81,912	7,728		89,640
Machinery and Vehicles		19,063		19,063
<b>Total</b>	<b>81,912</b>	<b>26,791</b>		<b>108,703</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>161,288</b>	<b>259,148</b>	<b>-0-</b>	<b>420,436</b>

	<u>2014</u>			
	Balance <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	243,200			243,200
<hr/>				
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	74,184	7,728		81,912
<hr/>				
<b>Business-type Activities</b>				
Capital Assets, Net	169,016	(7,728)	-0-	161,288
	=====	=====	=====	=====

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

	<u>2015</u>	<u>2014</u>
<u>Governmental Activities:</u>		
General Government	1,000	1,000
Public Safety	11,395	11,395
Streets and Public Works	58,576	52,400
Total	70,971	64,795
	=====	=====
<u>Business-type Activities:</u>		
Water	25,991	6,928
Sewer	800	800
Total	26,791	7,728
	=====	=====

Note 6 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2015</u>		
Social Security	6,000.00	
General		6,000.00

To subsidize expenditures.

December 31, 2014

Social Security	10,000.00	
General		10,000.00
Sewer	18,000.00	
Water		18,000.00
Lake Project	75,000.00	
City Sales Tax - Econ. Dev.		75,000.00
To subsidize expenditures.		
City Sales Tax - New Home		
Prop. Relief and Mun. Imp.	35,000.00	
City Sales Tax - Econ. Dev.		35,000.00
To transfer excess funds.		

Note 7 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDRIF for its general liability, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$1,000,000 per occurrence for general liability and automobile; and \$64,744 for public assets.

The city also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The city pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the city with a blanket fidelity bond coverage in the amount of \$478,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 8 PENSION PLAN

North Dakota Public Employees Retirement System (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.

NDPERS is a cost-sharing multiple-employer defined benefit 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 NDPERS plan is financed by investment income and contributions.

Responsibility for administration of the NDPERS benefits program 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 active membership of the NDPERS system; and one member elected by the retired public employees.

**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 (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.

**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, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an 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.

#### **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

#### **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.

#### **Pension Liabilities, Pension Expense; and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, the City of Powers Lake reported a liability of \$37,188 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The city's proportion of the net pension liability was based on the city's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2014 the city's proportion was .005859 percent.

For the year ended December 31, 2015 the city recognized pension expense of \$3,680. At December 31, 2015 the city reported deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources -----	Deferred Inflows of Resources -----
Differences between expected and actual experience	1,206	
Net difference between projected and actual earnings on pension plan investments		7,259
City contributions subsequent to the measurement date (see below)	5,034	
Total	----- 6,240 =====	----- 7,259 =====

\$5,034 reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30: -----	
2016	(1,558)
2017	(1,558)
2018	(1,558)
2019	(1,558)
2020	180
Thereafter	0

**Actuarial assumptions.** The total pension liability in the July 1, 2014 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 Morality 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, 2014, 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 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 Equity Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash Equivalents	5%	0.00%

**Discount rate.** The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. 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, 2014, 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, 2014. 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, 2014.

Sensitivity of the city's proportionate share of the net pension liability to changes in the discount rate. The following presents the city's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the city's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
	-----	-----	-----
The city's proportionate share of the net pension liability	57,355	37,188	20,326

**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 9 PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was made to the Governmental Activities. This adjustment was made to account for the district's net pension liability less it's deferred outflows of resources at December 31, 2014.

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	8,315.00	8,315.00	7,347.70	(967.30)
Licenses, Permits and Fees	1,150.00	1,150.00	1,764.00	614.00
Intergovernmental	245,900.00	245,900.00	2,092,087.28	1,846,187.28
Charges for Services	1,500.00	1,500.00	2,650.00	1,150.00
Miscellaneous	4,800.00	4,800.00	106,250.99	101,450.99
<b>Total Revenues</b>	<b>261,665.00</b>	<b>261,665.00</b>	<b>2,210,099.97</b>	<b>1,948,434.97</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	411,700.00	411,700.00	165,356.22	246,343.78
Public Safety	164,419.00	164,419.00	131,316.92	33,102.08
Streets and Public Works			580,303.18	(580,303.18)
Culture and Recreation			4,875.08	(4,875.08)
Other			37,439.18	(37,439.18)
Capital Outlay			11,764.00	(11,764.00)
<b>Total Expenditures</b>	<b>576,119.00</b>	<b>576,119.00</b>	<b>931,054.58</b>	<b>(354,935.58)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(314,454.00)</b>	<b>(314,454.00)</b>	<b>1,279,045.39</b>	<b>1,593,499.39</b>
<b>Other Financing (Uses):</b>				
Transfers Out	(30,000.00)	(30,000.00)	(6,000.00)	24,000.00
<b>Net Change in Fund Balances</b>	<b>(344,454.00)</b>	<b>(344,454.00)</b>	<b>1,273,045.39</b>	<b>1,617,499.39</b>
<b>Fund Balance - January 1</b>	<b>729,960.49</b>	<b>729,960.49</b>	<b>729,960.49</b>	
<b>Fund Balance - December 31</b>	<b>385,506.49</b>	<b>385,506.49</b>	<b>2,003,005.88</b>	<b>1,617,499.39</b>

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	6,659.00	6,659.00	15,892.79	9,233.79
Licenses, Permits and Fees	1,150.00	1,150.00	55.00	(1,095.00)
Intergovernmental	100,500.00	100,500.00	550,254.48	449,754.48
Charges for Services	1,500.00	1,500.00	1,535.00	35.00
Miscellaneous	4,800.00	4,800.00	85,264.28	80,464.28
<b>Total Revenues</b>	<b>114,609.00</b>	<b>114,609.00</b>	<b>653,001.55</b>	<b>538,392.55</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	463,400.00	463,400.00	144,837.39	318,562.61
Public Safety	100,825.00	100,825.00	103,375.07	(2,550.07)
Streets and Public Works			345,583.34	(345,583.34)
Culture and Recreation			3,935.69	(3,935.69)
Other			51,394.27	(51,394.27)
Capital Outlay			53,300.00	(53,300.00)
<b>Total Expenditures</b>	<b>564,225.00</b>	<b>564,225.00</b>	<b>702,425.76</b>	<b>(138,200.76)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(449,616.00)</b>	<b>(449,616.00)</b>	<b>(49,424.21)</b>	<b>400,191.79</b>
<b>Other Financing (Uses):</b>				
Transfers Out	(30,000.00)	(30,000.00)	(10,000.00)	20,000.00
<b>Net Change in Fund Balances</b>	<b>(479,616.00)</b>	<b>(479,616.00)</b>	<b>(59,424.21)</b>	<b>420,191.79</b>
<b>Fund Balance - January 1</b>	<b>789,384.70</b>	<b>789,384.70</b>	<b>789,384.70</b>	
<b>Fund Balance - December 31</b>	<b>309,768.70</b>	<b>309,768.70</b>	<b>729,960.49</b>	<b>420,191.79</b>

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	78,000.00	78,000.00	110,714.74	32,714.74
Miscellaneous			326.96	326.96
<b>Total Revenues</b>	<b>78,000.00</b>	<b>78,000.00</b>	<b>111,041.70</b>	<b>33,041.70</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Streets and Public Works	50,000.00	50,000.00	51,600.00	(1,600.00)
Urban and Economic Development	10,000.00	10,000.00	10,300.00	(300.00)
Culture and Recreation	500.00	500.00	500.00	500.00
<b>Total Expenditures</b>	<b>60,500.00</b>	<b>60,500.00</b>	<b>61,900.00</b>	<b>(1,400.00)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>17,500.00</b>	<b>17,500.00</b>	<b>49,141.70</b>	<b>31,641.70</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In			35,000.00	35,000.00
Transfers Out			(110,000.00)	(110,000.00)
<b>Total Other Financing Sources (Uses)</b>			<b>(75,000.00)</b>	<b>(75,000.00)</b>
<b>Net Change in Fund Balances</b>	<b>17,500.00</b>	<b>17,500.00</b>	<b>(25,858.30)</b>	<b>(43,358.30)</b>
<b>Fund Balance - January 1</b>	<b>402,429.95</b>	<b>402,429.95</b>	<b>402,429.95</b>	
<b>Fund Balance - December 31</b>	<b>419,929.95</b>	<b>419,929.95</b>	<b>376,571.65</b>	<b>(43,358.30)</b>

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

The governing board did not amend the budgets during the years ended December 31, 2015 and 2014.

Excess of Actual Expenditures Over Budget

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

	<u>2015</u>	<u>2014</u>
General Fund	354,935.58	138,200.76
<u>Special Revenue Funds</u>		
* Sales Tax	34,026.60	1,400.00
Social Security	2,514.80	6,065.85
Insurance Reserve	459.55	537.01
* Lake Project	75,000.00	

\* A budget was not prepared for this fund for the year ending December 31, 2015.

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

CITY OF POWERS LAKE  
Powers Lake, North Dakota

Schedule of Employer's Share of Net Pension Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years\*

	2015
	-----
City's proportion of the net pension liability	0.005859%
City's proportionate share of the net pension liability	37,188
City's covered-employee payroll	49,351
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.35%
Plan fiduciary net position as a percentage of the total pension liability	77.7%

Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years\*

	2015
	-----
Statutorily required contribution	3,268
Contributions in relation to the statutorily required contribution	(3,268)
Contribution deficiency (excess)	0
City's covered-employee payroll	49,351
Contributions as a percentage of covered-employee payroll	6.62%

\* Complete data for this schedule is not available prior to 2015.

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
<b>Major Governmental Funds</b>						
<b>General Fund:</b>						
General	729,960.49	396,231.36		6,000.00	409,171.31	711,020.54
Surge Fund		1,813,868.61			521,883.27	1,291,985.34
<b>City Sales Tax:</b>						
Economic Development	226,727.85	60,434.26			34,029.60	253,132.51
New Home Property Tax Relief and Municipal Improvement	77,721.45	21,832.19				99,553.64
Parks and Recreation	44,728.50	8,732.84				53,461.34
<b>Total Major Governmental Funds</b>	<b>1,079,138.29</b>	<b>2,301,099.26</b>		<b>6,000.00</b>	<b>965,084.18</b>	<b>2,409,153.37</b>
<b>Non-Major Governmental Funds</b>						
Highway	32,642.43	37,578.49			36,246.13	33,974.79
Social Security	2,511.56	11,547.69	6,000.00		18,338.80	1,720.45
Insurance Reserve	2,638.34	2,401.08			4,459.55	579.87
Emergency	4,003.98	126.42				4,130.40
Lake Project	76,139.63				75,000.00	1,139.63
Water & Sewer Imp. Project	73,475.40					73,475.40
Water & Sewer Imp. Project Res.	21,816.00					21,816.00
<b>Total Non-Major Governmental Funds</b>	<b>213,227.34</b>	<b>51,653.68</b>	<b>6,000.00</b>		<b>134,044.48</b>	<b>136,836.54</b>
<b>Total Governmental Funds</b>	<b>1,292,365.63</b>	<b>2,352,752.94</b>	<b>6,000.00</b>	<b>6,000.00</b>	<b>1,099,128.66</b>	<b>2,545,989.91</b>
<b>Major Enterprise Fund</b>						
Water	1,023,135.33	377,816.15			516,940.02	884,011.46
<b>Non-Major Enterprise Funds</b>						
Sewer	15,489.51	15,658.13			5,576.86	25,570.78
Garbage	6,375.10	60,156.42			66,199.00	332.52
<b>Total Non-Major Enterprise Funds</b>	<b>21,864.61</b>	<b>75,814.55</b>			<b>71,775.86</b>	<b>25,903.30</b>
<b>Total Enterprise Funds</b>	<b>1,044,999.94</b>	<b>453,630.70</b>			<b>588,715.88</b>	<b>909,914.76</b>
<b>Agency Fund</b>						
Watershed Project	11,508.30	68,770.55			31,181.01	49,097.84
<b>Total All Funds</b>	<b>2,348,873.87</b>	<b>2,875,154.19</b>	<b>6,000.00</b>	<b>6,000.00</b>	<b>1,719,025.55</b>	<b>3,505,002.51</b>



CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

	Balance 1-1-14	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-14
<b>Major Governmental Funds</b>						
General Fund	789,384.70	653,001.55		10,000.00	702,425.76	729,960.49
City Sales Tax:						
Economic Development	270,384.06	76,968.79		110,000.00	10,625.00	226,727.85
New Home Property Tax Relief and Municipal Improvement	66,677.02	27,644.43	35,000.00		51,600.00	77,721.45
Parks and Recreation	33,670.76	11,057.74				44,728.50
<b>Total Major Governmental Funds</b>	<b>1,160,116.54</b>	<b>768,672.51</b>	<b>35,000.00</b>	<b>120,000.00</b>	<b>764,650.76</b>	<b>1,079,138.29</b>
<b>Non-Major Governmental Funds</b>						
Highway	36,866.18	39,612.88			43,836.63	32,642.43
Social Security	944.26	7,953.15	10,000.00		16,385.85	2,511.56
Insurance Reserve	4,886.34	1,489.01			3,737.01	2,638.34
Emergency	3,058.67	945.31				4,003.98
Lake Project	1,139.63		75,000.00			76,139.63
Water & Sewer Imp. Project	73,475.40					73,475.40
Water & Sewer Imp. Project Res.	21,816.00					21,816.00
<b>Total Non-Major Governmental Funds</b>	<b>142,186.48</b>	<b>50,000.35</b>	<b>85,000.00</b>		<b>63,959.49</b>	<b>213,227.34</b>
<b>Total Governmental Funds</b>	<b>1,302,303.02</b>	<b>818,672.86</b>	<b>120,000.00</b>	<b>120,000.00</b>	<b>828,610.25</b>	<b>1,292,365.63</b>
<b>Major Enterprise Fund</b>						
Water	1,057,124.97	1,370,636.84		18,000.00	1,386,626.48	1,023,135.33
<b>Non-Major Enterprise Funds</b>						
Sewer	22,369.99	16,585.11	18,000.00		41,465.59	15,489.51
Garbage	4,004.29	54,357.38			51,986.57	6,375.10
<b>Total Non-Major Enterprise Funds</b>	<b>26,374.28</b>	<b>70,942.49</b>	<b>18,000.00</b>		<b>93,452.16</b>	<b>21,864.61</b>
<b>Total Enterprise Funds</b>	<b>1,083,499.25</b>	<b>1,441,579.33</b>	<b>18,000.00</b>	<b>18,000.00</b>	<b>1,480,078.64</b>	<b>1,044,999.94</b>
<b>Agency Fund</b>						
Watershed Project	18,391.49	17,085.06			23,968.25	11,508.30
<b>Total All Funds</b>	<b>2,404,193.76</b>	<b>2,277,337.25</b>	<b>138,000.00</b>	<b>138,000.00</b>	<b>2,332,657.14</b>	<b>2,348,873.87</b>

# Rath & Mehler

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Specializing in Governmental Auditing

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Powers Lake  
Powers Lake, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Powers Lake, Powers Lake, North Dakota, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated June 3, 2016.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

### City's Response to Findings

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

### Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

June 3, 2016

CITY OF POWERS LAKE  
Powers Lake, North Dakota

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

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

\* Material weakness(es) identified?                   Yes              X   No

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

Noncompliance Material to financial  
statements noted?                                        Yes              X   No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. Segregation of Duties

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

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

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

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

*Client Response:* No response is considered necessary.

## 2. Financial Statement Preparation

*Condition:* The city's financial statements as of December 31, 2015 and 2014 are prepared by the city's external auditors.

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

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

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

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

# Rath & Mehrer

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Bismarck, ND 58501

Governing Board  
City of Powers Lake  
Powers Lake, North Dakota

Our audits of the financial records of the City of Powers Lake, Powers Lake, North Dakota, for the years ended December 31, 2015 and 2014 have disclosed opportunities for improvements in the operations of the city. Items which we believe should be brought to your attention are set forth below:

\* \* \* \* \*

## BUDGETS

Budgets were not prepared for all special revenue funds of the city. NDCC section 40-40-05 requires the preparation of a separate schedule for each special revenue fund of the city, including those which do not have a mill levy. We recommend that the city comply with this section and prepare a separate schedule "C" for each special revenue fund when preparing future annual budgets.

## MINUTES

Monthly disbursements are recorded in the official proceedings of the governing board showing only the payee and amount. We recommend that check numbers be included with the listing of monthly disbursements.

\* \* \* \* \*

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

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

*Rath and Mehrer*

Rath and Mehrer, P.C.

June 3, 2016