

AUDIT REPORT

CITY OF SAWYER
Sawyer, North Dakota

For the Years Ended December 31, 2017 and 2016

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SAWYER
Sawyer, North Dakota

TABLE OF CONTENTS
For the Years Ended December 31, 2017 and 2016

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

CITY OF SAWYER
Sawyer, North Dakota

CITY OFFICIALS

Dennis Redding	Mayor
Eileen Darkow	Chairperson
Gary Anfinson	Council Member
Kevin Dynes	Council Member
Cody Roteliuk	Council Member
Susan Schmidt	Auditor

Rath & Mehler, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehler, CPA
Bryce Fischer, CPA

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Sawyer
Sawyer, 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 Sawyer, Sawyer, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Basis of Accounting

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

Other Matters

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the city's basic financial statements. The management's discussion and analysis, budgeting comparison information and 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 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 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 August 10, 2018 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

August 10, 2018

CITY OF SAWYER

Management's Discussion and Analysis

December 31, 2017 and 2016

The Management's Discussion and Analysis (MD&A) of the City of Sawyer's financial performance provides an overall review of the city's financial activities for the fiscal years ended December 31, 2017 and 2016. The intent of the MD&A is to look at the city's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

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

FINANCIAL HIGHLIGHTS

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

- * Total net position of the city increased \$34,076 as a result of the current year's operations. Net position of the governmental activities increased \$54,255 and net position of the business-type activities decreased \$20,178.
- * Governmental net position totaled \$184,799 and business-type net position totaled \$881,685.
- * Total revenues from all sources were \$231,292 for governmental activities and \$131,139 for business-type activities.
- * Total expenses were \$177,037 for governmental activities and \$151,318 for business-type activities.
- * The city's general fund had \$159,715 in total revenues and \$88,363 in total expenditures. Overall, the general fund balance increased by \$71,351 for the year ended December 31, 2017.

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

- * Total net position of the city decreased \$43,489 as a result of the current year's operations. Net position of the governmental activities decreased \$29,927 and net position of the business-type activities decreased \$13,562.
- * Governmental net position totaled \$130,544 and business-type net position totaled \$901,863.
- * Total revenues from all sources were \$110,701 for governmental activities and \$117,939 for business-type activities.
- * Total expenses were \$140,628 for governmental activities and \$131,500 for business-type activities.
- * The city's general fund had \$81,686 in total revenues and \$83,774 in total expenditures. Overall, the general fund balance decreased by \$2,088 for the year ended December 31, 2016.

USING THIS ANNUAL REPORT

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

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

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

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

REPORTING ON THE CITY AS A WHOLE

Statement of Net Position and Statement of Activities

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

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

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

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

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

REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Table I provides a summary of the city's net position as of December 31, 2017 and 2016. A comparative analysis of city-wide data is presented for both current years and prior year.

As indicated in the financial highlights above, the city's net position increased by \$34,076 and decreased by \$43,489 for the years ended December 31, 2017 and 2016, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2017, the city's net position of \$1,066,484 is segregated into three separate categories. Net investment in capital assets represents 65% 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 9% 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 26% of the city's net position and is available to meet the city's ongoing obligations.

Table I
 Net Position
 As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	113,844	259,788
Capital Assets (net of accumulated depreciation)	93,332	1,052,935
Total Assets	<u>207,176</u>	<u>1,312,723</u>
<u>Liabilities</u>		
Current Liabilities	5,893	36,796
Long-Term Liabilities	16,484	394,242
Total Liabilities	<u>22,377</u>	<u>431,038</u>
<u>Net Position</u>		
Net Investment in Capital Assets	70,955	621,897
Restricted	18,812	77,418
Unrestricted	95,032	182,370
Total Net Position	<u>184,799</u> =====	<u>881,685</u> =====

As of December 31, 2016, the city's net position of \$1,032,407 is segregated into three separate categories. Net investment in capital assets represents 68% 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 8% 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 24% of the city's net position and is available to meet the city's ongoing obligations.

Net Position
 As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	66,780	264,360
Capital Assets (net of accumulated depreciation)	106,283	839,990
Total Assets	<u>173,063</u>	<u>1,104,350</u>
<u>Liabilities</u>		
Current Liabilities	20,142	28,318
Long-Term Liabilities	22,377	306,038
Total Liabilities	<u>42,519</u>	<u>334,356</u>
<u>Net Position</u>		
Net Investment in Capital Assets	63,764	637,503
Restricted	12,116	74,088
Unrestricted	54,665	190,271
Total Net Position	<u>130,544</u> =====	<u>901,863</u> =====

Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	115,254	400,216
Capital Assets (net of accumulated depreciation)	74,334	877,946
Total Assets	189,588	1,278,162
<u>Liabilities</u>		
Current Liabilities	14,717	28,381
Long-Term Liabilities	14,400	334,356
Total Liabilities	29,117	362,737
<u>Net Position</u>		
Net Investment in Capital Assets	45,217	515,209
Restricted	47,405	71,387
Unrestricted	67,849	328,829
Total Net Position	160,471	915,425

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

Table II

Changes in Net Position
As of December 31, 2017

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	7,441	128,376
Operating Grants and Contributions	132,935	
<u>General Revenues:</u>		
Property Taxes	53,874	
Other Taxes	5,335	
Intergovernmental - Unrestricted	31,016	
Interest Earnings and Other Revenue	691	2,764
Total Revenues	231,292	131,139
Expenses		
General Government	73,325	
Public Safety	2,453	
Streets and Public Works	50,450	
Culture and Recreation	16,744	
Other	33,196	
Interest on Long-Term Debt	869	
Water, Sewer and Sanitation		151,318
Total Expenses	177,037	151,318
Net Change in Position	54,255	(20,178)

Property taxes constituted 15%, unrestricted intergovernmental 9%, operating grants and contributions 37%, and charges for services made up 37% of the total revenues of all activities of the city for the fiscal year ended December 31, 2017.

General government constituted 22%, streets and public works 15% and enterprise 46% of total expenses for all activities during the fiscal year ended December 31, 2017.

Changes in Net Position
As of December 31, 2016

	<u>Governmental</u>	<u>Business-</u> <u>Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	4,938	115,547
Operating Grants and Contributions	26,060	
<u>General Revenues:</u>		
Property Taxes	47,431	
Other Taxes	3,361	
Intergovernmental - Unrestricted	26,268	
Interest Earnings and Other Revenue	2,643	2,392
Total Revenues	<u>110,701</u>	<u>117,939</u>
Expenses		
General Government	78,567	
Public Safety	1,700	
Streets and Public Works	52,575	
Culture and Recreation	6,292	
Other	409	
Interest on Long-Term Debt	1,085	
Water, Sewer and Sanitation		131,500
Total Expenses	<u>140,628</u>	<u>131,500</u>
Net Change in Position	<u>(29,927)</u>	<u>(13,562)</u>
	=====	=====

Property taxes constituted 21%, unrestricted intergovernmental 11%, operating grants and contributions 11% and charges for services made up 53% of the total revenues of all activities of the city for the fiscal year ended December 31, 2016.

General government constituted 29%, streets and public works 19% and enterprise 48% of total expenses for all activities during the fiscal year ended December 31, 2016.

Changes in Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	1,430	110,551
Operating Grants and Contributions	29,587	478,152
<u>General Revenues:</u>		
Property Taxes	29,163	
Other Taxes	1,916	
Intergovernmental - Unrestricted	40,512	
Interest Earnings and Other Revenue	1,526	833
Total Revenues	104,133	589,536
Expenses		
General Government	42,832	
Streets and Public Works	37,286	
Culture and Recreation	824	
Other	1,026	
Interest on Long-Term Debt	1,473	
Water, Sewer and Sanitation		110,090
Total Expenses	83,440	110,090
Net Change in Position	20,693	479,446

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

Table III

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

	<u>Total Cost Year Ended Dec. 31, 2017</u>	<u>Net Cost Year Ended Dec. 31, 2017</u>
General Government	73,325	71,345
Public Safety	2,453	2,453
Streets and Public Works	50,450	(87,946)
Culture and Recreation	16,744	16,744
Other	33,196	33,196
Interest on Long-Term Debt	869	869
Total Expenses	177,037	36,661

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

	Total Cost Year Ended <u>Dec. 31, 2016</u>	Net Cost Year Ended <u>Dec. 31, 2016</u>
General Government	78,567	76,107
Public Safety	1,700	1,700
Streets and Public Works	52,575	24,037
Culture and Recreation	6,292	6,292
Other	409	409
Interest on Long-Term Debt	1,085	1,085
Total Expenses	140,628 =====	109,630 =====

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 \$231,292 and expenditures of \$184,228 for the year ended December 31, 2017. For the year ended December 31, 2016, the city's governmental funds had total revenue of \$110,701 and expenditures of \$189,175. As of December 31, 2017, the unassigned fund balance of the city's general fund was \$137,112 and total unassigned fund balance of all of the city's governmental funds was \$95,032. As of December 31, 2016, the unassigned fund balance of the city's general fund was \$65,761 and total unassigned fund balance of all of the city's governmental funds was \$54,665.

GENERAL FUND BUDGET HIGHLIGHTS

During the course of fiscal years 2017 and 2016, the city did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2017 was \$63,908 more than budgeted. This variance was due to the city underestimating collections for state grants. Actual expenditures for the year ended December 31, 2017 were over budget by \$7,508.

Actual revenue for the year ended December 31, 2016 was \$514 less than budgeted. Actual expenditures for the year ended December 31, 2016 were over budget by \$1,574.

CAPITAL ASSETS

As of December 31, 2017 and 2016, the city had \$1,146,267 and \$1,078,142, respectively, invested in capital assets. The following tables show the balances, for governmental activities and business-type activities, as of December 31, 2017, 2016 and 2015.

Table IV

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

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	28,800	1,052,935
Machinery and Vehicles	64,532	
Total (net of depreciation)	<u>93,332</u> =====	<u>1,052,935</u> =====

This total represents an increase of \$68,125 in capital assets from January 1, 2017. The increase in buildings and infrastructure was due to the completion of the water upgrade project.

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

	<u>Governmental</u>	<u>Business- Type</u>
Construction in Progress		131,869
Buildings and Infrastructure	33,600	839,990
Machinery and Vehicles	72,683	
Total (net of depreciation)	<u>106,283</u> =====	<u>971,859</u> =====

This total represents an increase of \$125,862 in capital assets from January 1, 2016. The increase in machinery and vehicles is due to the purchase of a Harper Mower and the increase in construction in progress is due to an ongoing water upgrade project.

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

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	38,400	877,946
Machinery and Vehicles	35,934	
Total (net of depreciation)	<u>74,334</u> =====	<u>877,946</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, 2017, the city had \$453,415 in outstanding debt of which \$42,689 was due within one year. As of December 31, 2016, the city had \$376,875 in outstanding debt of which \$48,460 was due within one year.

During fiscal years 2017 and 2016, the city issued two new long-term debt obligations:

Loan Payable, in the amount of \$125,000. The city obtained financing from the Rural Development Finance Corporation to provide funds for the purpose of connecting the city's water system to North Prairie Rural Water District. This loan will have a final payment on June 16, 2027.

Bank Loan Payable, in the amount of \$30,000. The city obtained funding from U.S. Bank for the purpose of purchasing an ATM 72LC Harper mower. This loan will have a final payment on August 7, 2021.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	113,843.88	259,787.57	373,631.45
Capital Assets (net of accumulated depreciation):			
Buildings and Infrastructure	28,800.00	1,052,935.00	1,081,735.00
Machinery and Vehicles	64,532.00		64,532.00
Total Capital Assets	93,332.00	1,052,935.00	1,146,267.00
Total Assets	207,175.88	1,312,722.57	1,519,898.45
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Notes Payable	5,893.04		5,893.04
Loans Payable		21,795.59	21,795.59
Revenue Bonds Payable		15,000.00	15,000.00
Due After One Year:			
Notes Payable	16,483.91		16,483.91
Loans Payable		174,242.08	174,242.08
Revenue Bonds Payable		220,000.00	220,000.00
Total Liabilities	22,376.95	431,037.67	453,414.62
NET POSITION:			
Net Investment in Capital Assets	70,955.05	621,897.33	692,852.38
Restricted for:			
Special Purposes	18,812.03		18,812.03
Debt Service		77,417.54	77,417.54
Unrestricted	95,031.85	182,370.03	277,401.88
Total Net Position	184,798.93	881,684.90	1,066,483.83

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Net Position - Modified Cash Basis
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	66,780.19	264,359.92	331,140.11
Capital Assets (net of accumulated depreciation):			
Construction in Progress		131,869.00	131,869.00
Buildings and Infrastructure	33,600.00	839,990.00	873,590.00
Machinery and Vehicles	72,683.00		72,683.00
Total Capital Assets	106,283.00	971,859.00	1,078,142.00
Total Assets	173,063.19	1,236,218.92	1,409,282.11
LIABILITIES:			
Long-Term Liabilities:			
Due Within One Year:			
Notes Payable	20,141.96		20,141.96
Loans Payable		13,318.09	13,318.09
Revenue Bonds Payable		15,000.00	15,000.00
Due After One Year:			
Notes Payable	22,376.95		22,376.95
Loans Payable		71,037.67	71,037.67
Revenue Bonds Payable		235,000.00	235,000.00
Total Liabilities	42,518.91	334,355.76	376,874.67
NET POSITION:			
Net Investment in Capital Assets	63,764.09	637,503.24	701,267.33
Restricted for:			
Special Purposes	12,115.60		12,115.60
Debt Service		74,088.46	74,088.46
Unrestricted	54,664.59	190,271.46	244,936.05
Total Net Position	130,544.28	901,863.16	1,032,407.44

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2017

	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
<u>Functions/Programs</u>					
<u>Primary Government:</u>					
<u>Governmental Activities:</u>					
General Government	73,325.37	1,980.00		(71,345.37)	(71,345.37)
Public Safety	2,453.04			(2,453.04)	(2,453.04)
Streets and Public Works	50,449.88	5,461.00	132,935.03	87,946.15	87,946.15
Culture and Recreation	16,744.46			(16,744.46)	(16,744.46)
Other	33,195.98			(33,195.98)	(33,195.98)
Interest on Long-Term Debt	868.62			(868.62)	(868.62)
Total Governmental Activities	177,037.35	7,441.00	132,935.03	(36,661.32)	(36,661.32)
<u>Business-Type Activities:</u>					
Water, Sewer and Sanitation	151,317.57	128,375.57		(22,942.00)	(22,942.00)
Total Primary Government	328,354.92	135,816.57	132,935.03	(36,661.32)	(22,942.00)
=====					
<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes			53,662.29		53,662.29
Property taxes; levied for special purposes			211.31		211.31
Oil and gas production taxes			708.71		708.71
Cigarette taxes			1,027.08		1,027.08
Homestead tax credit			3,176.02		3,176.02
Disabled veterans tax credit			423.61		423.61
Intergovernmental revenue not restricted to specific programs			31,015.68		31,015.68
Earnings on investments and other revenue			691.27	2,763.74	3,455.01
Total General Revenues			90,915.97	2,763.74	93,679.71
Change in Net Position			54,254.65	(20,178.26)	34,076.39
Net Position - January 1			130,544.28	901,863.16	1,032,407.44
Net Position - December 31			184,798.93	881,684.90	1,066,483.83
=====					

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016

	Net (Expense) Revenue and Changes in Net Position				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<u>Functions/Programs</u>					
<u>Primary Government:</u>					
<u>Governmental Activities:</u>					
General Government	78,567.17	2,460.00		(76,107.17)	(76,107.17)
Public Safety	1,700.00			(1,700.00)	(1,700.00)
Streets and Public Works	52,575.02	2,478.00	26,059.61	(24,037.41)	(24,037.41)
Culture and Recreation	6,291.70			(6,291.70)	(6,291.70)
Other	408.87			(408.87)	(408.87)
Interest on Long-Term Debt	1,084.95			(1,084.95)	(1,084.95)
Total Governmental Activities	140,627.71	4,938.00	26,059.61	(109,630.10)	(109,630.10)
<u>Business-Type Activities:</u>					
Water, Sewer and Sanitation	131,500.29	115,546.89		(15,953.40)	(15,953.40)
Total Primary Government	272,128.00	120,484.89	26,059.61	(109,630.10)	(125,583.50)

<u>General Revenues:</u>					
<u>Taxes:</u>					
Property taxes; levied for general purposes			46,963.63		46,963.63
Property taxes; levied for special purposes			467.27		467.27
Oil and gas production taxes			508.83		508.83
Cigarette taxes			1,080.51		1,080.51
Homestead tax credit			1,429.33		1,429.33
Disabled veterans tax credit			342.34		342.34
Intergovernmental revenue not restricted to specific programs			26,268.19		26,268.19
Earnings on investments and other revenue			2,643.09	2,391.67	5,034.76
Total General Revenues			79,703.19	2,391.67	82,094.86
Change in Net Position			(29,926.91)	(13,561.73)	(43,488.64)
Net Position - January 1			160,471.19	915,424.89	1,075,896.08
Net Position - December 31			130,544.28	901,863.16	1,032,407.44
=====					

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

CITY OF SAWYER
Sawyer, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2017

	Major Funds				Total Governmental Funds
	General	Highway	FEMA	Other Governmental Fund	
<u>ASSETS:</u>					
Cash and Cash Equivalents	95,031.85		12,185.48	6,626.55	113,843.88
Interfund Receivable	42,080.23				42,080.23
<hr/>					
Total Assets	137,112.08	-0-	12,185.48	6,626.55	155,924.11
<hr style="border-top: 1px dashed black;"/>					
<u>LIABILITIES AND FUND BALANCES:</u>					
<u>Liabilities:</u>					
Interfund Payable		42,080.23			42,080.23
<hr/>					
<u>FUND BALANCES:</u>					
Restricted for:					
General Government				6,626.55	6,626.55
Streets and Public Works			12,185.48		12,185.48
Unassigned	137,112.08	(42,080.23)			95,031.85
<hr/>					
Total Fund Balances	137,112.08	(42,080.23)	12,185.48	6,626.55	113,843.88
<hr/>					
Total Liabilities and Fund Balances	137,112.08	-0-	12,185.48	6,626.55	155,924.11
<hr style="border-top: 1px dashed black;"/>					

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

CITY OF SAWYER
Sawyer, North Dakota

Balance Sheet - Modified Cash Basis
Governmental Funds
December 31, 2016

	Major Funds			Total Governmental Funds
	General	Highway	Other Governmental Fund	
ASSETS:				
Cash and Cash Equivalents	54,664.59		12,115.60	66,780.19
Interfund Receivable	11,096.00			11,096.00
<hr/>				
Total Assets	65,760.59	-0-	12,115.60	77,876.19
<hr style="border-top: 1px dashed black;"/>				
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Interfund Payable		11,096.00		11,096.00
<hr/>				
FUND BALANCES:				
Restricted for:				
General Government			12,115.60	12,115.60
Unassigned	65,760.59	(11,096.00)		54,664.59
<hr/>				
Total Fund Balances	65,760.59	(11,096.00)	12,115.60	66,780.19
<hr/>				
Total Liabilities and Fund Balances	65,760.59	-0-	12,115.60	77,876.19
<hr style="border-top: 1px dashed black;"/>				

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

CITY OF SAWYER
Sawyer, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2017

Total Fund Balances for Governmental Funds		113,843.88
<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	257,778.00	
Less Accumulated Depreciation	(164,446.00)	
Net Capital Assets	93,332.00	93,332.00
<p>Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2017 are:</p>		
Notes Payable		(22,376.95)
Total Net Position of Governmental Activities		184,798.93

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

CITY OF SAWYER
Sawyer, North Dakota

Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position - Modified Cash Basis
For the Year Ended December 31, 2016

Total Fund Balances for Governmental Funds	66,780.19
--	-----------

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	257,778.00	
Less Accumulated Depreciation	(151,495.00)	
Net Capital Assets		106,283.00

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2016 are:

Notes Payable		(42,518.91)
---------------	--	-------------

Total Net Position of Governmental Activities	<u>130,544.28</u> =====
---	----------------------------

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2017

	Major Funds			Other Governmental Fund	Total Governmental Funds
	General	Highway	FEMA		
Revenues:					
Taxes	53,662.29			211.31	53,873.60
Licenses, Permits and Fees	1,980.00				1,980.00
Intergovernmental	97,954.04	26,795.61	44,536.48		169,286.13
Charges for Services	5,461.00				5,461.00
Miscellaneous	657.57	33.70			691.27
Total Revenues	159,714.90	26,829.31	44,536.48	211.31	231,292.00
Expenditures:					
Current:					
General Government	66,825.01			5,700.36	72,525.37
Public Safety	2,453.04				2,453.04
Streets and Public Works	1,495.92	36,802.96			38,298.88
Culture and Recreation	16,744.46				16,744.46
Other	844.98		32,351.00		33,195.98
Debt Service:					
Principal		20,141.96			20,141.96
Interest and Service Charges		868.62			868.62
Total Expenditures	88,363.41	57,813.54	32,351.00	5,700.36	184,228.31
Net Change in Fund Balances	71,351.49	(30,984.23)	12,185.48	(5,489.05)	47,063.69
Fund Balance - January 1	65,760.59	(11,096.00)	-0-	12,115.60	66,780.19
Fund Balance - December 31	137,112.08	(42,080.23)	12,185.48	6,626.55	113,843.88

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2016

	Major Funds			Total Governmental Funds
	General	Highway	Other Governmental Fund	
<u>Revenues:</u>				
Taxes	46,963.63		467.27	47,430.90
Licenses, Permits and Fees	2,460.00			2,460.00
Intergovernmental	29,629.20	26,059.61		55,688.81
Charges for Services		2,478.00		2,478.00
Miscellaneous	2,633.43	9.66		2,643.09
Total Revenues	81,686.26	28,547.27	467.27	110,700.80
<u>Expenditures:</u>				
Current:				
General Government	72,968.87		4,798.30	77,767.17
Public Safety	1,700.00			1,700.00
Streets and Public Works	2,405.00	38,019.02		40,424.02
Culture and Recreation	6,291.70			6,291.70
Other	408.87			408.87
Capital Outlay		44,900.00		44,900.00
Debt Service:				
Principal		16,598.14		16,598.14
Interest and Service Charges		1,084.95		1,084.95
Total Expenditures	83,774.44	100,602.11	4,798.30	189,174.85
Excess (Deficiency) of Revenues Over Expenditures	(2,088.18)	(72,054.84)	(4,331.03)	(78,474.05)
<u>Other Financing Sources:</u>				
Proceeds from Loan		30,000.00		30,000.00
Net Change in Fund Balances	(2,088.18)	(42,054.84)	(4,331.03)	(48,474.05)
Fund Balance - January 1	67,848.77	30,958.84	16,446.63	115,254.24
Fund Balance - December 31	65,760.59	(11,096.00)	12,115.60	66,780.19

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

CITY OF SAWYER
Sawyer, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds 47,063.69

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

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

Current Year Capital Outlay	0.00	
Current Year Depreciation Expense	(12,951.00)	(12,951.00)

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

Debt Proceeds	0.00	
Repayment of Debt	20,141.96	20,141.96

Change in Net Position of Governmental Activities		54,254.65

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

CITY OF SAWYER
Sawyer, North Dakota

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016

Net Change in Fund Balances - Total Governmental Funds (48,474.05)

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	44,900.00	
Current Year Depreciation Expense	(12,951.00)	31,949.00

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

Debt Proceeds	(30,000.00)	
Repayment of Debt	16,598.14	(13,401.86)

Change in Net Position of Governmental Activities (29,926.91)
=====

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Fund
December 31, 2017

	Water, Sewer & Sanitation Fund
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	259,787.57
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depr):	
Buildings and Infrastructure	1,052,935.00
Total Assets	1,312,722.57
=====	
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Loans Payable	21,795.59
Revenue Bonds Payable	15,000.00
Total Current Liabilities	36,795.59
<u>Noncurrent Liabilities:</u>	
Loans Payable	174,242.08
Revenue Bonds Payable	220,000.00
Total Noncurrent Liabilities	394,242.08
Total Liabilities	431,037.67
<u>NET POSITION</u>	
Net Investment in Capital Assets	621,897.33
Restricted for Debt Service	77,417.54
Unrestricted	182,370.03
Total Net Position	881,684.90
=====	

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Net Position - Modified Cash Basis
Proprietary Fund
December 31, 2016

	Water, Sewer & Sanitation Fund
<u>ASSETS</u>	
<u>Current Assets:</u>	
Cash and Cash Equivalents	264,359.92
<u>Noncurrent Assets:</u>	
Capital Assets (net of accumulated depr):	
Construction in Progress	131,869.00
Buildings and Infrastructure	839,990.00
Total Noncurrent Assets	971,859.00
Total Assets	1,236,218.92
 <u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Loans Payable	13,318.09
Revenue Bonds Payable	15,000.00
Total Current Liabilities	28,318.09
<u>Noncurrent Liabilities:</u>	
Loans Payable	71,037.67
Revenue Bonds Payable	235,000.00
Total Noncurrent Liabilities	306,037.67
Total Liabilities	334,355.76
 <u>NET POSITION</u>	
Net Investment in Capital Assets	637,503.24
Restricted for Debt Service	74,088.46
Unrestricted	190,271.46
Total Net Position	901,863.16

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Fund

For the Year Ended December 31, 2017

	Water, Sewer & Sanitation Fund
<u>Operating Revenues:</u>	
Charges for Sales and Services:	
Water Collections	38,387.24
Water Surcharge	25,829.08
Sewer Collections	17,591.76
Sanitation Charges	27,863.01
Maintenance Fee	8,590.93
Meter Fee	7,828.18
Late Fees	1,023.50
Other Fees	1,261.87
	128,375.57
<u>Operating Expenses:</u>	
Salaries and Benefits	18,629.58
Utilities	3,880.04
Testing, Chemicals and Supplies	11,963.24
Training	2,334.93
Repair & Maintenance	27,385.38
Sanitation	25,347.00
Water Purchase	7,928.25
Miscellaneous	126.00
Depreciation	45,335.00
	142,929.42
Operating (Loss)	(14,553.85)
<u>Non-Operating Revenues (Expenses):</u>	
Other Revenues	2,763.74
Debt Service - Interest and Service Charges	(8,388.15)
	(5,624.41)
Change in Net Position	(20,178.26)
	901,863.16
Net Position - January 1	901,863.16
	881,684.90
Net Position - December 31	881,684.90

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis
Proprietary Fund

For the Year Ended December 31, 2016

	Water, Sewer & Sanitation Fund
<u>Operating Revenues:</u>	
<u>Charges for Sales and Services:</u>	
Water Collections	28,447.14
Water Surcharge	25,651.70
Sewer Collections	17,402.78
Sanitation Charges	27,567.16
Maintenance Fee	8,527.09
Meter Fee	6,835.14
Late Fees	417.88
Other Fees	698.00
Total Operating Revenues	115,546.89
<u>Operating Expenses:</u>	
Salaries and Benefits	21,541.82
Utilities	3,155.13
Testing, Chemicals and Supplies	26,705.27
Training	2,867.48
Repair & Maintenance	889.66
Sanitation	28,964.00
Miscellaneous	314.47
Depreciation	37,956.00
Total Operating Expenses	122,393.83
Operating (Loss)	(6,846.94)
<u>Non-Operating Revenues (Expenses):</u>	
Interest Income	16.05
Other Revenues	2,375.62
Debt Service - Interest and Service Charges	(9,106.46)
Total Non-Operating Revenues (Expenses)	(6,714.79)
Change in Net Position	(13,561.73)
Net Position - January 1	915,424.89
Net Position - December 31	901,863.16

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2017

	Water, Sewer & Sanitation Fund
<u>Cash flows from operating activities:</u>	
Receipts from customers	128,375.57
Payments to suppliers	(78,964.84)
Payments to employees	(18,629.58)
	30,781.15
<u>Cash flows from noncapital financing activities:</u>	
Miscellaneous receipts	2,763.74
	2,763.74
<u>Cash flows from capital and related financing activities:</u>	
Proceeds from loan	125,000.00
Water upgrade project	(126,411.00)
Principal payments	(28,318.09)
Interest expense and service charges	(8,388.15)
	(38,117.24)
Net cash provided (used) by capital and related financing activities	(38,117.24)
	(4,572.35)
Net decrease in cash and cash equivalents	(4,572.35)
	264,359.92
Cash and cash equivalents, January 1	264,359.92
	259,787.57
Cash and cash equivalents, December 31	259,787.57
	259,787.57
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating (loss)	(14,553.85)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>	
Depreciation expense	45,335.00
Net cash provided (used) by operating activities	30,781.15

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

CITY OF SAWYER
Sawyer, North Dakota

Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2016

	Water, Sewer & Sanitation Fund
<u>Cash flows from operating activities:</u>	
Receipts from customers	115,546.89
Payments to suppliers	(62,896.01)
Payments to employees	(21,541.82)
	31,109.06
<u>Net cash provided (used) by operating activities</u>	31,109.06
<u>Cash flows from noncapital financing activities:</u>	
Miscellaneous receipts	2,375.62
	2,375.62
<u>Cash flows from capital and related financing activities:</u>	
Water upgrade project	(131,869.00)
Principal payments	(28,381.43)
Interest expense and service charges	(9,106.46)
	(169,356.89)
<u>Net cash provided (used) by capital and related financing activities</u>	(169,356.89)
<u>Cash flows from investing activities:</u>	
Interest income	16.05
	16.05
<u>Net decrease in cash and cash equivalents</u>	(135,856.16)
Cash and cash equivalents, January 1	400,216.08
Cash and cash equivalents, December 31	264,359.92
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Operating (loss)	(6,846.94)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>	
Depreciation expense	37,956.00
<u>Net cash provided (used) by operating activities</u>	31,109.06

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

CITY OF SAWYER
Sawyer, North Dakota

Notes to the Financial Statements
December 31, 2017 and 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sawyer 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 Sawyer 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 Sawyer. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the city. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The city reports the following major governmental funds:

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

Highway. This fund accounts for the accumulation of the highway distribution tax to be used for street repairs and maintenance.

FEMA. This fund accounts for state and federal grants received by the city for costs related to the 2011 flood disaster.

The city reports the following major enterprise fund:

Water, Sewer and Sanitation Fund. This fund accounts for the activities of the city's water distribution system, sewage collection system and garbage collection system.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net 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 and business-like 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 and Cash Equivalents

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.

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	20 to 75 years
Machinery and Vehicles	10 to 20 years

F. Compensated Absences

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

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

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

H. Fund Equity

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

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

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

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

Committed - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the city 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 purpose framework (SPF) used by the city requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2017 the city's carrying amount of deposits was \$373,631 and the bank balance was \$373,958. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$123,958 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2016 the city's carrying amount of deposits was \$331,140 and the bank balance was \$332,071. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$82,071 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.

Concentration of Credit Risk

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

Note 3 PROPERTY TAXES

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

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

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

Note 4 INTERFUND RECEIVABLE/PAYABLE

The interfund receivable/payable is created by negative cash in the highway fund. The amount shown as an interfund payable represents the amount of negative cash in this fund. The interfund receivable/payable for the years ended December 31, 2017 and 2016 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2017</u>		
General	42,080.23	
Highway		42,080.23
<u>December 31, 2016</u>		
General	11,096.00	
Highway		11,096.00

Note 5 CAPITAL ASSETS

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

	<u>2017</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	145,000			145,000
Machinery and Vehicles	112,778			112,778
Total	<u>257,778</u>			<u>257,778</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	111,400	4,800		116,200
Machinery and Vehicles	40,095	8,151		48,246
Total	<u>151,495</u>	<u>12,951</u>		<u>164,446</u>
Governmental Activities Capital Assets, Net	<u>106,283</u>	<u>(12,951)</u>	<u>-0-</u>	<u>93,332</u>
	=====	=====	=====	=====

	<u>2016</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Governmental Activities:				
<i>Capital assets</i> <i>being depreciated:</i>				
Buildings and Infrastructure	145,000			145,000
Machinery and Vehicles	67,878	44,900		112,778
Total	<u>212,878</u>	<u>44,900</u>		<u>257,778</u>
<i>Less accumulated</i> <i>depreciation for:</i>				
Buildings and Infrastructure	106,600	4,800		111,400
Machinery and Vehicles	31,944	8,151		40,095
Total	<u>138,544</u>	<u>12,951</u>		<u>151,495</u>
Governmental Activities Capital Assets, Net	<u>74,334</u>	<u>31,949</u>	<u>-0-</u>	<u>106,283</u>

	<u>2017</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets not</i> <i>being depreciated:</i>				
Construction in Progress	131,869	126,411	258,280	
<i>Capital assets</i> <i>being depreciated:</i>				
Buildings and Infrastructure	1,147,150	258,280		1,405,430
<i>Less accumulated</i> <i>depreciation for:</i>				
Buildings and Infrastructure	307,160	45,335		352,495
Total capital assets being depreciated, net	<u>839,990</u>	<u>212,945</u>		<u>1,052,935</u>
Business-type Activities Capital Assets, Net	<u>971,859</u>	<u>339,356</u>	<u>258,280</u>	<u>1,052,935</u>

	<u>2016</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Construction in Progress		131,869		131,869
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	1,147,150			1,147,150
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	269,204	37,956		307,160
Total capital assets being depreciated, net	877,946	(37,956)		839,990
Business-type Activities Capital Assets, Net	877,946	93,913	-0-	971,859

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

	<u>2017</u>	<u>2016</u>
<u>Governmental Activities:</u>		
General Government	800	800
Streets and Public Works	12,151	12,151
Total	<u>12,951</u>	<u>12,951</u>
<u>Business-type Activities:</u>		
Water, Sewer & Sanitation Fund	45,335	37,956

Note 6 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2017 and 2016, the following changes occurred in liabilities reported in the long-term liabilities of the city:

Governmental Activities:

	<u>2017</u>				
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable	42,519	-0-	20,142	22,377	5,893
<u>2016</u>					
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable	29,117	30,000	16,598	42,519	20,142

Business-type Activities (Proprietary Funds):

	<u>2017</u>				
	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
Loans Payable	84,356	125,000	13,318	196,038	21,796
Revenue Bonds	250,000		15,000	235,000	15,000
Total	334,356	125,000	28,318	431,038	36,796

	<u>2016</u>				
	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
Loans Payable	97,737		13,381	84,356	13,318
Revenue Bonds	265,000		15,000	250,000	15,000
Total	362,737	-0-	28,381	334,356	28,318

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

Governmental Activities:

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

Notes Payable. The city has entered into an agreement with U.S. Bank to finance the purchase of a Harper mower. Notes payable at December 31, 2017 are as follows:

\$30,000.00 Note Payable due in monthly payments of \$533.74 through August 7, 2021; interest is at 2.6%.	22,376.95
	=====

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
<u>December 31</u>		
2018	5,893.04	511.84
2019	6,048.08	356.80
2020	6,207.19	197.69
2021	4,228.64	41.28
Total	22,376.95	1,107.61

Business-type Activities:

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

Loans Payable. The city has entered into loan agreements for the construction of a new lift station and the costs related to connecting to Rural Water. Loans payable at December 31, 2017 are as follows:

\$100,000.00 Rural Development Community Capital Loan due in annual payments of \$10,558.21, including interest, through July 17, 2024; interest is at 1%.	71,037.67
\$125,000.00 Rural Development Community Capital Loan due in annual payments of \$13,197.76, including interest, through June 16, 2027; interest is at 1%.	125,000.00
Total Loans Payable	<u>196,037.67</u> =====

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2018	21,795.59	1,960.38
2019	22,013.55	1,742.42
2020	22,233.68	1,522.29
2021	22,456.02	1,299.95
2022	22,680.58	1,075.39
2023-2027	84,858.25	2,246.97
Total	<u>196,037.67</u> =====	<u>9,847.40</u> =====

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

\$296,708.00 Water Revenue Bonds of 2011, due in annual installments of \$15,000.00 to \$20,000.00 through September 1, 2031; interest is at 2.5%.	235,000.00 =====
--	---------------------

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2018	15,000.00	5,875.00
2019	15,000.00	5,500.00
2020	15,000.00	5,125.00
2021	15,000.00	4,750.00
2022	15,000.00	4,375.00
2023-2027	80,000.00	16,250.00
2028-2031	80,000.00	5,000.00
Total	<u>235,000.00</u> =====	<u>46,875.00</u> =====

Note 7 DEFICIT FUND BALANCE

The Highway Fund had a deficit balance of \$42,080.23 and \$11,096.00 for the years ended December 31, 2017 and 2016, respectively. The city plans to eliminate this deficit with future revenue collections and/or transfers from other funds.

Note 8 RISK MANAGEMENT

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDRIF for its general liability, automobile and public assets insurance coverage. The coverage by NDRIF is limited to losses of \$2,000,000 per occurrence for general liability, \$1,000,000 per occurrence for automobile; and \$129,800 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 \$130,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

CITY OF SAWYER
Sawyer, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	61,986.75	61,986.75	53,662.29	(8,324.46)
Licenses, Permits and Fees	2,320.00	2,320.00	1,980.00	(340.00)
Intergovernmental	30,900.00	30,900.00	97,954.04	67,054.04
Charges for Services	500.00	500.00	5,461.00	4,961.00
Miscellaneous	100.00	100.00	657.57	557.57
Total Revenues	95,806.75	95,806.75	159,714.90	63,908.15
<u>Expenditures:</u>				
Current:				
General Government	76,655.00	76,655.00	66,825.01	9,829.99
Public Safety	1,700.00	1,700.00	2,453.04	(753.04)
Street and Public Works			1,495.92	(1,495.92)
Culture and Recreation	2,500.00	2,500.00	16,744.46	(14,244.46)
Other			844.98	(844.98)
Total Expenditures	80,855.00	80,855.00	88,363.41	(7,508.41)
Net Change in Fund Balances	14,951.75	14,951.75	71,351.49	56,399.74
Fund Balance - January 1	65,760.59	65,760.59	65,760.59	
Fund Balance - December 31	80,712.34	80,712.34	137,112.08	56,399.74

CITY OF SAWYER
Sawyer, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	50,180.00	50,180.00	46,963.63	(3,216.37)
Licenses, Permits and Fees	1,220.00	1,220.00	2,460.00	1,240.00
Intergovernmental	30,200.00	30,200.00	29,629.20	(570.80)
Miscellaneous	600.00	600.00	2,633.43	2,033.43
Total Revenues	82,200.00	82,200.00	81,686.26	(513.74)
<u>Expenditures:</u>				
Current:				
General Government	79,000.00	79,000.00	72,968.87	6,031.13
Public Safety	1,700.00	1,700.00	1,700.00	
Streets and Public Works			2,405.00	(2,405.00)
Culture and Recreation	1,000.00	1,000.00	6,291.70	(5,291.70)
Other	500.00	500.00	408.87	91.13
Total Expenditures	82,200.00	82,200.00	83,774.44	(1,574.44)
Net Change in Fund Balances			(2,088.18)	(2,088.18)
Fund Balance - January 1	67,848.77	67,848.77	67,848.77	
Fund Balance - December 31	67,848.77	67,848.77	65,760.59	(2,088.18)

CITY OF SAWYER
Sawyer, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	22,500.00	22,500.00	26,795.61	4,295.61
Miscellaneous	15.00	15.00	33.70	18.70
Total Revenues	22,515.00	22,515.00	26,829.31	4,314.31
<u>Expenditures:</u>				
Current:				
Streets and Public Works	31,727.00	31,727.00	36,802.96	(5,075.96)
Capital Outlay	8,000.00	8,000.00		8,000.00
Debt Service:				
Principal	20,851.00	20,851.00	20,141.96	709.04
Interest and Service Charges	869.00	869.00	868.62	0.38
Total Expenditures	61,447.00	61,447.00	57,813.54	3,633.46
Net Change in Fund Balances	(38,932.00)	(38,932.00)	(30,984.23)	7,947.77
Fund Balance - January 1	(11,096.00)	(11,096.00)	(11,096.00)	
Fund Balance - December 31	(50,028.00)	(50,028.00)	(42,080.23)	7,947.77

CITY OF SAWYER
Sawyer, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	30,000.00	30,000.00	26,059.61	(3,940.39)
Charges for Services			2,478.00	2,478.00
Miscellaneous	45.00	45.00	9.66	(35.34)
Total Revenues	30,045.00	30,045.00	28,547.27	(1,497.73)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	40,500.00	40,500.00	38,019.02	2,480.98
Capital Outlay			44,900.00	(44,900.00)
Debt Service:				
Principal	16,500.00	16,500.00	16,598.14	(98.14)
Interest and Service Charges			1,084.95	(1,084.95)
Total Expenditures	57,000.00	57,000.00	100,602.11	(43,602.11)
Excess (Deficiency) of Revenues Over Expenditures	(26,955.00)	(26,955.00)	(72,054.84)	(45,099.84)
<u>Other Financing Sources:</u>				
Proceeds from Loan			30,000.00	30,000.00
Net Change in Fund Balances	(26,955.00)	(26,955.00)	(42,054.84)	(15,099.84)
Fund Balance - January 1	30,958.84	30,958.84	30,958.84	
Fund Balance - December 31	4,003.84	4,003.84	(11,096.00)	(15,099.84)

CITY OF SAWYER
Sawyer, North Dakota

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

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

The governing board did not amend the budgets during the years ended December 31, 2017 and 2016.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31:

	<u>2017</u>	<u>2016</u>
General Fund	7,508.41	1,574.44
<u>Special Revenue Funds</u>		
Highway		43,602.11
* FEMA	32,351.00	
* Social Security	5,700.36	4,798.30

* A budget was not prepared for this fund.

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

CITY OF SAWYER
Sawyer, North Dakota

Schedule of Fund Activity
Arising from Cash Transactions
For the Year Ended December 31, 2017

	Balance 1-1-17	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-17
<u>Major Governmental Funds</u>						
General Fund	65,760.59	159,714.90			88,363.41	137,112.08
Highway	(11,096.00)	26,829.31			57,813.54	(42,080.23)
FEMA		44,536.48			32,351.00	12,185.48
Total Major Governmental Funds	54,664.59	231,080.69			178,527.95	107,217.33
<u>Non-Major Governmental Fund</u>						
Social Security	12,115.60	211.31			5,700.36	6,626.55
Total Governmental Funds	66,780.19	231,292.00			184,228.31	113,843.88
<u>Major Enterprise Fund</u>						
Water, Sewer & Sanitation:						
Operating	190,271.46	230,310.23			238,211.66	182,370.03
Line Looping	74,088.46	25,829.08			22,500.00	77,417.54
Total Major Enterprise Fund	264,359.92	256,139.31			260,711.66	259,787.57
Total All Funds	331,140.11	487,431.31			444,939.97	373,631.45

CITY OF SAWYER
Sawyer, North Dakota

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

	Balance 1-1-16	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-16
<u>Major Governmental Funds</u>						
General Fund	67,848.77	81,686.26			83,774.44	65,760.59
Highway	30,958.84	58,547.27			100,602.11	(11,096.00)
Total Major Governmental Funds	98,807.61	140,233.53			184,376.55	54,664.59
<u>Non-Major Governmental Fund</u>						
Social Security	16,446.63	467.27			4,798.30	12,115.60
Total Governmental Funds	115,254.24	140,700.80			189,174.85	66,780.19
<u>Major Enterprise Fund</u>						
Water, Sewer & Sanitation:						
Operating	328,829.32	92,286.86			230,844.72	190,271.46
Line Looping	71,386.76	25,651.70			22,950.00	74,088.46
Total Major Enterprise Fund	400,216.08	117,938.56			253,794.72	264,359.92
Total All Funds	515,470.32	258,639.36			442,969.57	331,140.11

Rath & Mehrer, P.C.

Certified Public Accountants

Jayson Rath, CPA
Ken Mehrer, CPA
Bryce Fischer, CPA

425 North Fifth Street
Bismarck, ND 58501
Phone 701-258-4560
Fax 701-258-4983

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 Sawyer
Sawyer, 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 Sawyer, Sawyer, North Dakota, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated August 10, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our 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

Rath and Mehrer, P.C.

Bismarck, North Dakota

August 10, 2018

CITY OF SAWYER
Sawyer, North Dakota

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

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

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

Internal control over financial reporting:

* Material weakness(es) identified? Yes X No

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

Noncompliance Material to financial
statements noted? Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. Segregation of Duties

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

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

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

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

Client Response: No response is considered necessary.

2. Financial Statement Preparation

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

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

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

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

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