

# **AUDIT REPORT**

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

For the Years Ended December 31, 2016 and 2015

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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For the Years Ended December 31, 2016 and 2015

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CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

CITY OFFICIALS

Richard Britton	Commission President
David Freborg	Commissioner
Jeramie Love	Commissioner
Paul Weinberger	Commissioner
Diane Zenker	Commissioner
Darwin Saari	Auditor

# 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

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
City of Turtle Lake  
Turtle Lake, North Dakota

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Turtle Lake, Turtle Lake, North Dakota, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Turtle Lake, Turtle Lake, North Dakota, as of December 31, 2016 and 2015, and the respective changes in modified cash basis financial position; and where applicable, cash flows thereof for the years 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 audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis, budgeting comparison information and 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 11, 2017 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.

*Rath and Mehrer*

Rath and Mehrer, P.C.

Bismarck, North Dakota

August 11, 2017

CITY OF TURTLE LAKE

Management's Discussion and Analysis

December 31, 2016 and 2015

The Management's Discussion and Analysis (MD&A) of the City of Turtle Lake's financial performance provides an overall review of the city's financial activities for the fiscal years ended December 31, 2016 and 2015. 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 prior years is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

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

- \* Total net position of the city increased \$94,191 as a result of the current year's operations. Net position of the governmental activities increased \$31,346 and net position of the business-type activities increased \$62,845.
- \* Governmental net position totaled \$1,733,355 and business-type net position totaled \$1,368,387.
- \* Total revenues from all sources were \$364,762 for governmental activities and \$249,568 for business-type activities.
- \* Total expenses were \$333,415 for governmental activities and \$186,725 for business-type activities.
- \* The city's general fund had \$205,377 in total revenues and \$195,018 in total expenditures. Overall, the general fund balance increased by \$10,359 for the year ended December 31, 2016.

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

- \* Total net position of the city increased \$179,484 as a result of the current year's operations. Net position of the governmental activities increased \$119,761 and net position of the business-type activities increased \$59,723.
- \* Governmental net position totaled \$1,702,009 and business-type net position totaled \$1,305,543.
- \* Total revenues from all sources were \$421,598 for governmental activities and \$251,198 for business-type activities.
- \* Total expenses were \$301,837 for governmental activities and \$191,475 for business-type activities.
- \* The city's general fund had \$250,721 in total revenues and \$180,977 in total expenditures. Overall, the general fund balance increased by \$69,743 for the year ended December 31, 2015.

## 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 and enterprise 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, 2016 and 2015?"

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

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

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

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

#### **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 distribution fund, sales tax fund and capital improvement fund are considered "major governmental funds". The city's water fund and sewer fund are considered "major enterprise funds".

The city's other fund, which is used to account for the financial transactions of the cemetery fund, is summarized under the heading "Other Governmental Funds".

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

Table I provides a summary of the city's net position as of December 31, 2016 and 2015. 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 \$94,191 and \$179,484 for the years ended December 31, 2016 and 2015, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2016, the city's net position of \$3,101,743 is segregated into three separate categories. Net investment in capital assets represents 27% 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 16% 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 57% of the city's net position and is available to meet the city's ongoing obligations.



Table I

Net Position  
As of December 31, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,302,173	967,767
Capital Assets (net of accumulated depreciation)	431,182	400,620
Total Assets	<u>1,733,355</u>	<u>1,368,387</u>
<u>Net Position</u>		
Net Investment in Capital Assets	431,182	400,620
Restricted	486,244	
Unrestricted	815,929	967,767
Total Net Position	<u>1,733,355</u> =====	<u>1,368,387</u> =====

As of December 31, 2015, the city's net position of \$3,007,552 is segregated into three separate categories. Net investment in capital assets represents 30% of the city's total net position. It should be noted that these assets are not available for future spending. The restricted component of net position represents 14% of the city's net position and represents resources that are subject to external restrictions on how they must be spent. The remaining unrestricted component of net position represents 56% of the city's net position and is available to meet the city's ongoing obligations.

Net Position  
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	1,223,914	876,903
Capital Assets (net of accumulated depreciation)	478,095	428,640
Total Assets	<u>1,702,009</u>	<u>1,305,543</u>
<u>Net Position</u>		
Net Investment in Capital Assets	478,095	428,640
Restricted	421,184	
Unrestricted	802,730	876,903
Total Net Position	<u>1,702,009</u> =====	<u>1,305,543</u> =====

Net Position  
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
<b>Assets</b>		
Current Assets	1,057,241	788,136
Capital Assets (net of accumulated depreciation)	525,007	457,684
<b>Total Assets</b>	<u>1,582,248</u>	<u>1,245,820</u>
<b>Net Position</b>		
Net Investment in Capital Assets	525,007	457,684
Restricted	330,075	
Unrestricted	727,166	788,136
<b>Total Net Position</b>	<u>1,582,248</u> =====	<u>1,245,820</u> =====

Table II shows the changes in net position for the fiscal years ended December 31, 2016 and 2015. 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, 2016

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	6,364	247,481
Operating Grants and Contributions	73,938	
<u>General Revenues:</u>		
Property Taxes	31,539	
Other Taxes	170,439	
Intergovernmental - Unrestricted	37,850	
Interest Earnings and Other Revenue	44,631	2,088
<b>Total Revenues</b>	<u>364,762</u>	<u>249,570</u>
<b>Expenses</b>		
General Government	156,205	
Public Safety	40,670	
Streets and Public Works	85,047	
Culture and Recreation	955	
Other	50,539	
Water		172,806
Sewer		13,919
<b>Total Expenses</b>	<u>333,415</u>	<u>186,725</u>
<b>Net Change in Position</b>	<u>31,346</u> =====	<u>62,845</u> =====

Property taxes constituted 5%, other taxes 28%, unrestricted intergovernmental 6%, grants and contributions 12%, and charges for services made up 41% of the total revenues of all activities of the city for the fiscal year ended December 31, 2016.

General government constituted 30%, public safety 8%, streets and public works 16%, and enterprise 36% 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>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	5,985	250,664
Operating Grants and Contributions	86,389	
<u>General Revenues:</u>		
Property Taxes	28,719	
Other Taxes	206,138	
Intergovernmental - Unrestricted	56,015	
Interest Earnings and Other Revenue	38,351	533
Total Revenues	421,598	251,198
<b>Expenses</b>		
General Government	145,849	
Public Safety	36,947	
Streets and Public Works	66,562	
Culture and Recreation	993	
Other	51,486	
Water		183,096
Sewer		8,380
Total Expenses	301,837	191,475
Net Change in Position	119,761	59,723

Property taxes constituted 4%, other taxes 31%, unrestricted intergovernmental 8%, grants and contributions 13%, and charges for services made up 38% of the total revenues of all activities of the city for the fiscal year ended December 31, 2015.

General government constituted 30%, public safety 7%, streets and public works 13%, and enterprise 39% of total expenses for all activities during the fiscal year ended December 31, 2015.

Changes in Net Position  
As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
<b>Revenues</b>		
<u>Program Revenues:</u>		
Charges for Services	7,949	239,234
Operating Grants and Contributions	82,471	
<u>General Revenues:</u>		
Property Taxes	35,938	
Other Taxes	227,778	
Intergovernmental - Unrestricted	54,238	
Interest Earnings and Other Revenue	35,105	1,198
Total Revenues	443,479	240,432
<b>Expenses</b>		
General Government	145,344	
Public Safety	30,732	
Streets and Public Works	65,828	
Culture and Recreation	1,076	
Other	37,451	
Water		167,022
Sewer		7,907
Total Expenses	280,430	174,929
Net Change in Position	163,049	65,503

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, 2016

	Total Cost Year Ended <u>Dec. 31, 2016</u>	Net Cost Year Ended <u>Dec. 31, 2016</u>
General Government	156,205	148,441
Public Safety	40,670	40,070
Streets and Public Works	85,047	36,850
Culture and Recreation	955	955
Other	50,539	26,797
<b>Total Expenses</b>	<u>333,415</u> =====	<u>253,113</u> =====

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

	Total Cost Year Ended <u>Dec. 31, 2015</u>	Net Cost Year Ended <u>Dec. 31, 2015</u>
General Government	145,849	133,300
Public Safety	36,947	36,511
Streets and Public Works	66,562	12,085
Culture and Recreation	993	993
Other	51,486	26,574
<b>Total Expenses</b>	<u>301,837</u> =====	<u>209,463</u> =====

**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 \$364,762 and expenditures of \$286,502 for the year ended December 31, 2016. For the year ended December 31, 2015, the city's governmental funds had total revenue of \$421,598 and expenditures of \$254,925. As of December 31, 2016, the unassigned fund balance of the city's general fund was \$817,191 and total unassigned fund balances for all the city's governmental funds was \$815,929. As of December 31, 2015, the unassigned fund balance of the city's general fund was \$804,332 and total unassigned fund balances for all the city's governmental funds was \$802,730.

**GENERAL FUND BUDGET HIGHLIGHTS**

During the course of fiscal years 2016 and 2015, the city did not amend the general fund budgets.

Actual revenue for the year ended December 31, 2016 was \$10,918 less than budgeted. Actual expenditures for the year ended December 31, 2016 were under budget by \$310,038. This variance was mainly due to the city overestimating appropriations for streets and public works.

Actual revenue for the year ended December 31, 2015 was \$4,901 less than budgeted. Actual expenditures for the year ended December 31, 2015 were under budget by \$423,169. This variance was due to the city overestimating general government and streets and public works appropriations.

**CAPITAL ASSETS**

As of December 31, 2016 and 2015, the city had \$831,802 and \$906,735, respectively, invested in capital assets. The following tables show the balances, for governmental and business-type activities, as of December 31, 2016, 2015 and 2014.

Table IV

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

	<u>Governmental</u>	<u>Business- Type</u>
Land	12,500	41,700
Buildings and Infrastructure	324,206	246,577
Machinery and Vehicles	94,476	112,343
Total (net of depreciation)	<u>431,182</u> =====	<u>400,620</u> =====

This total represents a decrease of \$74,933 in capital assets from January 1, 2016.

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

	<u>Governmental</u>	<u>Business- Type</u>
Land	12,500	41,700
Buildings and Infrastructure	354,873	261,940
Machinery and Vehicles	110,722	125,000
Total (net of depreciation)	<u>478,095</u> =====	<u>428,640</u> =====

This total represents a decrease of \$75,956 in capital assets from January 1, 2015.

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

	<u>Governmental</u>	<u>Business- Type</u>
Land	12,500	41,700
Buildings and Infrastructure	385,540	277,302
Machinery and Vehicles	126,967	138,682
Total (net of depreciation)	525,007	457,684

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 6 to the audited financial statements which follow this analysis.

**DEBT ADMINISTRATION**

As of December 31, 2016 and 2015, the city had no outstanding debt.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Turtle Lake Airport Authority	Turtle Lake Library
<b>ASSETS:</b>					
Cash, Cash Equivalents and Investments	1,299,673.19	967,767.37	2,267,440.56	2,232.45	9,888.84
Advance to Turtle Lake Airport Authority	2,500.00		2,500.00		
Capital Assets (net of accumulated depreciation):					
Land	12,500.00	41,700.00	54,200.00		
Buildings and Infrastructure	324,206.00	246,577.00	570,783.00		
Machinery and Vehicles	94,476.00	112,343.00	206,819.00	32,200.00	
<b>Total Capital Assets</b>	<b>431,182.00</b>	<b>400,620.00</b>	<b>831,802.00</b>	<b>32,200.00</b>	
<b>Total Assets</b>	<b>1,733,355.19</b>	<b>1,368,387.37</b>	<b>3,101,742.56</b>	<b>34,432.45</b>	<b>9,888.84</b>
<b>LIABILITIES:</b>					
Advance from City of Turtle Lake				2,500.00	
<b>NET POSITION:</b>					
Net Investment in Capital Assets	431,182.00	400,620.00	831,802.00	32,200.00	
Restricted for:					
Special Purposes	486,244.29		486,244.29		
Unrestricted	815,928.90	967,767.37	1,783,696.27	(267.55)	9,888.84
<b>Total Net Position</b>	<b>1,733,355.19</b>	<b>1,368,387.37</b>	<b>3,101,742.56</b>	<b>31,932.45</b>	<b>9,888.84</b>

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Turtle Lake Airport Authority	Turtle Lake Library
<b>ASSETS:</b>					
Cash, Cash Equivalents and Investments	1,218,913.92	876,902.81	2,095,816.73	2,477.16	5,712.95
Advance to Turtle Lake Airport Authority	5,000.00		5,000.00		
Capital Assets (net of accumulated depreciation):					
Land	12,500.00	41,700.00	54,200.00		
Buildings and Infrastructure	354,873.00	261,940.00	616,813.00		
Machinery and Vehicles	110,722.00	125,000.00	235,722.00	36,800.00	
<b>Total Capital Assets</b>	<b>478,095.00</b>	<b>428,640.00</b>	<b>906,735.00</b>	<b>36,800.00</b>	
<b>Total Assets</b>	<b>1,702,008.92</b>	<b>1,305,542.81</b>	<b>3,007,551.73</b>	<b>39,277.16</b>	<b>5,712.95</b>
<b>LIABILITIES:</b>					
Advance from City of Turtle Lake				5,000.00	
<b>NET POSITION:</b>					
Net Investment in Capital Assets	478,095.00	428,640.00	906,735.00	36,800.00	
Restricted for:					
Special Purposes	421,184.31		421,184.31		
Unrestricted	802,729.61	876,902.81	1,679,632.42	(2,522.84)	5,712.95
<b>Total Net Position</b>	<b>1,702,008.92</b>	<b>1,305,542.81</b>	<b>3,007,551.73</b>	<b>34,277.16</b>	<b>5,712.95</b>

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



CITY OF TURTLE LAKE  
Turtle Lake, 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			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Turtle Lake Airport Authority	Turtle Lake Library
<u>Functions/Programs</u>								
<u>Primary Government:</u>								
<u>Governmental Activities:</u>								
General Government	156,204.68	5,763.70	2,000.00	(148,440.98)		(148,440.98)		
Public Safety	40,669.85	600.00		(40,069.85)		(40,069.85)		
Streets and Public Works	85,046.69		48,196.86	(36,849.83)		(36,849.83)		
Culture and Recreation	955.33			(955.33)		(955.33)		
Other	50,538.79		23,741.31	(26,797.48)		(26,797.48)		
Total Governmental Activities	333,415.34	6,363.70	73,938.17	(253,113.47)		(253,113.47)		
<u>Business-Type Activities:</u>								
Water	172,805.79	224,780.44			51,974.65	51,974.65		
Sewer	13,919.38	22,701.00			8,781.62	8,781.62		
Total Business-Type Activities	186,725.17	247,481.44			60,756.27	60,756.27		
Total Primary Government	520,140.51	253,845.14	73,938.17	(253,113.47)	60,756.27	(192,357.20)		
Component Units:							(6,782.52)	(5,772.39)
Airport Authority	20,269.02		13,486.50					
Library	10,785.97	321.53	4,692.05					
Total Component Units	31,054.99	321.53	18,178.55				(6,782.52)	(5,772.39)

<u>General Revenues:</u>				
<u>Taxes:</u>				
Property taxes; levied for general purposes	29,326.24	29,326.24		4,598.02
Property taxes; levied for special purposes	2,213.08	2,213.08		
Sales taxes	79,733.43	79,733.43		
Cigarette taxes	1,758.47	1,758.47		162.07
Homestead credit taxes	1,033.84	1,033.84		
Oil and gas production taxes	10,990.77	10,990.77		
Coal severance taxes	58,443.04	58,443.04		
Coal conversion taxes	18,479.73	18,479.73		
Intergovernmental revenue not restricted to specific programs	37,849.65	37,849.65		581.00
Earnings on investments and other revenue	44,631.49	2,088.29	2,088.29	166.90
Total General Revenues	284,459.74	2,088.29	286,548.03	4,437.81
Change in Net Position	31,346.27	62,844.56	94,190.83	(2,344.71)
Net Position - January 1	1,702,008.92	1,305,542.81	3,007,551.73	34,277.16
Net Position - December 31	1,733,355.19	1,368,387.37	3,101,742.56	31,932.45
				9,888.84

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

Net (Expense) Revenue and Changes in Net Position

	Program Revenues				Primary Government		Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Turtle Lake Airport Authority	Turtle Lake Library
<u>Functions/Programs</u>								
<u>Primary Government:</u>								
<u>Governmental Activities:</u>								
General Government	145,848.80	5,549.20	7,000.00	(133,299.60)		(133,299.60)		
Public Safety	36,947.02	436.00		(36,511.02)		(36,511.02)		
Streets and Public Works	66,562.25		54,476.91	(12,085.34)		(12,085.34)		
Culture and Recreation	993.36			(993.36)		(993.36)		
Other	51,485.95		24,912.22	(26,573.73)		(26,573.73)		
Total Governmental Activities	301,837.38	5,985.20	86,389.13	(209,463.05)		(209,463.05)		
<u>Business-Type Activities:</u>								
Water	183,095.50	228,097.36			45,001.86	45,001.86		
Sewer	8,379.58	22,567.13			14,187.55	14,187.55		
Total Business-Type Activities	191,475.08	250,664.49			59,189.41	59,189.41		
<u>Total Primary Government</u>	493,312.46	256,649.69	86,389.13	(209,463.05)	59,189.41	(150,273.64)		
<u>Component Units:</u>								
Airport Authority	39,791.41		30,459.85				(9,331.56)	(8,166.86)
Library	12,097.01	330.16	3,599.99					
Total Component Units	51,888.42	330.16	34,059.84				(9,331.56)	(8,166.86)

General Revenues:

Taxes:

Property taxes; levied for general purposes	27,468.30	27,468.30		
Property taxes; levied for special purposes	1,250.88	1,250.88		
Sales taxes	90,110.28	90,110.28		
Cigarette taxes	1,885.76	1,885.76		
Homestead credit taxes	923.98	923.98		
Oil and gas production taxes	19,888.75	19,888.75		
Coal severance taxes	66,617.73	66,617.73		
Coal conversion taxes	26,711.98	26,711.98		
Intergovernmental revenue not restricted to specific programs	56,015.35	56,015.35		
Earnings on investments and other revenue	38,350.99	38,884.14	533.15	4,282.99
				2,550.44
Total General Revenues	329,224.00	329,757.15	533.15	6,420.44
Change in Net Position	119,760.95	179,483.51	59,722.56	(2,911.12)
Net Position - January 1	1,582,247.97	1,245,820.25	2,828,068.22	37,188.28
Net Position - December 31	1,702,008.92	1,305,542.81	3,007,551.73	34,277.16
				5,712.95

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

Major Funds

	General	Highway Distribution	Sales Tax	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash, Cash Equivalents and Investments	815,928.90	164,197.91		282,654.15	36,892.23	1,299,673.19
Interfund Receivable	1,262.37					1,262.37
Advance to Turtle Lake Airport Authority	2,500.00					2,500.00
<b>Total Assets</b>	<b>819,691.27</b>	<b>164,197.91</b>	<b>-0-</b>	<b>282,654.15</b>	<b>36,892.23</b>	<b>1,303,435.56</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Interfund Payable					1,262.37	1,262.37
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Advance to Airport Authority	2,500.00					2,500.00
<b>Restricted for:</b>						
Streets and Public Works		164,197.91				164,197.91
Capital Improvements				282,654.15		282,654.15
Debt Service					36,892.23	36,892.23
Unassigned	817,191.27				(1,262.37)	815,928.90
<b>Total Fund Balances</b>	<b>819,691.27</b>	<b>164,197.91</b>	<b>-0-</b>	<b>282,654.15</b>	<b>35,629.86</b>	<b>1,302,173.19</b>
<b>Total Liabilities and Fund Balances</b>	<b>819,691.27</b>	<b>164,197.91</b>	<b>-0-</b>	<b>282,654.15</b>	<b>36,892.23</b>	<b>1,303,435.56</b>

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

Major Funds

	General	Highway Distribution	Sales Tax	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash, Cash Equivalents and Investments	802,729.61	156,946.74	3,299.24	242,787.41	13,150.92	1,218,913.92
Interfund Receivable	1,602.59					1,602.59
Advance to Turtle Lake Airport Authority	5,000.00					5,000.00
<b>Total Assets</b>	<b>809,332.20</b>	<b>156,946.74</b>	<b>3,299.24</b>	<b>242,787.41</b>	<b>13,150.92</b>	<b>1,225,516.51</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Interfund Payable					1,602.59	1,602.59
<b>FUND BALANCES:</b>						
<b>Nonspendable:</b>						
Advance to Airport Authority	5,000.00					5,000.00
<b>Restricted for:</b>						
Streets and Public Works		156,946.74				156,946.74
Capital Improvements				242,787.41		242,787.41
Debt Service					13,150.92	13,150.92
Other Special Purposes			3,299.24			3,299.24
Unassigned	804,332.20				(1,602.59)	802,729.61
<b>Total Fund Balances</b>	<b>809,332.20</b>	<b>156,946.74</b>	<b>3,299.24</b>	<b>242,787.41</b>	<b>11,548.33</b>	<b>1,223,913.92</b>
<b>Total Liabilities and Fund Balances</b>	<b>809,332.20</b>	<b>156,946.74</b>	<b>3,299.24</b>	<b>242,787.41</b>	<b>13,150.92</b>	<b>1,225,516.51</b>

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

CITY OF TURTLE LAKE  
Turtle Lake, 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		1,302,173.19
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	1,154,359.00	
Less Accumulated Depreciation	(723,177.00)	
Net Capital Assets	<u>431,182.00</u>	
Total Net Position of Governmental Activities		<u>1,733,355.19</u> =====

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

Total Fund Balances for Governmental Funds		1,223,913.92
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	1,154,359.00	
Less Accumulated Depreciation	(676,264.00)	
Net Capital Assets	<hr/>	478,095.00
Total Net Position of Governmental Activities		<hr/> <u>1,702,008.92</u> =====

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



CITY OF TURTLE LAKE  
Turtle Lake, 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				Other Governmental Funds	Total Governmental Funds
	General	Highway Distribution	Sales Tax	Capital Improvement		
<b>Revenues:</b>						
Taxes	29,326.24		39,866.69	39,866.74	2,213.08	111,272.75
Special Assessments					23,741.31	23,741.31
Licenses, Permits and Fees	5,763.70					5,763.70
Intergovernmental	130,555.50	48,196.86				178,752.36
Fines and Forfeits	600.00					600.00
Miscellaneous	39,131.49				5,500.00	44,631.49
<b>Total Revenues</b>	<b>205,376.93</b>	<b>48,196.86</b>	<b>39,866.69</b>	<b>39,866.74</b>	<b>31,454.39</b>	<b>364,761.61</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	154,105.68					154,105.68
Public Safety	40,669.85					40,669.85
Streets and Public Works		40,945.69				40,945.69
Culture and Recreation	242.33					242.33
Other			43,165.93		7,372.86	50,538.79
<b>Total Expenditures</b>	<b>195,017.86</b>	<b>40,945.69</b>	<b>43,165.93</b>		<b>7,372.86</b>	<b>286,502.34</b>
<b>Net Change in Fund Balances</b>	<b>10,359.07</b>	<b>7,251.17</b>	<b>(3,299.24)</b>	<b>39,866.74</b>	<b>24,081.53</b>	<b>78,259.27</b>
<b>Fund Balance - January 1</b>	<b>809,332.20</b>	<b>156,946.74</b>	<b>3,299.24</b>	<b>242,787.41</b>	<b>11,548.33</b>	<b>1,223,913.92</b>
<b>Fund Balance - December 31</b>	<b>819,691.27</b>	<b>164,197.91</b>	<b>-0-</b>	<b>282,654.15</b>	<b>35,629.86</b>	<b>1,302,173.19</b>

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Major Funds					Total Governmental Funds
	General	Highway Distribution	Sales Tax	Capital Improvement	Other Governmental Funds	
<b>Revenues:</b>						
Taxes	27,468.30		45,055.11	45,055.17	1,250.88	118,829.46
Special Assessments					24,912.22	24,912.22
Licenses, Permits and Fees	5,549.20					5,549.20
Intergovernmental	179,043.55	54,476.91				233,520.46
Fines and Forfeits	436.00					436.00
Miscellaneous	38,223.49	127.50				38,350.99
<b>Total Revenues</b>	<b>250,720.54</b>	<b>54,604.41</b>	<b>45,055.11</b>	<b>45,055.17</b>	<b>26,163.10</b>	<b>421,598.33</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General Government	143,749.80					143,749.80
Public Safety	36,947.02					36,947.02
Streets and Public Works		22,462.25				22,462.25
Culture and Recreation	280.36					280.36
Other			49,294.28		2,191.67	51,485.95
<b>Total Expenditures</b>	<b>180,977.18</b>	<b>22,462.25</b>	<b>49,294.28</b>		<b>2,191.67</b>	<b>254,925.38</b>
<b>Net Change in Fund Balances</b>	<b>69,743.36</b>	<b>32,142.16</b>	<b>(4,239.17)</b>	<b>45,055.17</b>	<b>23,971.43</b>	<b>166,672.95</b>
<b>Fund Balance - January 1</b>	<b>739,588.84</b>	<b>124,804.58</b>	<b>7,538.41</b>	<b>197,732.24</b>	<b>(12,423.10)</b>	<b>1,057,240.97</b>
<b>Fund Balance - December 31</b>	<b>809,332.20</b>	<b>156,946.74</b>	<b>3,299.24</b>	<b>242,787.41</b>	<b>11,548.33</b>	<b>1,223,913.92</b>

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds 78,259.27

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.

	0.00	
Current Year Capital Outlay	(46,913.00)	(46,913.00)
Current Year Depreciation Expense	<u>                    </u>	<u>                    </u>
Change in Net Position of Governmental Activities		<u>31,346.27</u> =====

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds 166,672.95

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	(46,912.00)	(46,912.00)
	<hr/>	<hr/>
Change in Net Position of Governmental Activities		119,760.95
		=====

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<b><u>ASSETS</u></b>			
<b><u>Current Assets:</u></b>			
Cash and Cash Equivalents	708,699.45	259,067.92	967,767.37
<b><u>Noncurrent Assets:</u></b>			
Capital Assets (net of accumulated depr):			
Land		41,700.00	41,700.00
Buildings and Infrastructure	235,675.00	10,902.00	246,577.00
Machinery and Vehicles	112,343.00		112,343.00
Total Noncurrent Assets	348,018.00	52,602.00	400,620.00
Total Assets	1,056,717.45	311,669.92	1,368,387.37
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	348,018.00	52,602.00	400,620.00
Unrestricted	708,699.45	259,067.92	967,767.37
Total Net Position	1,056,717.45	311,669.92	1,368,387.37

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Major Enterprise Funds		
	Water Operating	Sewer Operating	Total Enterprise Funds
<b><u>ASSETS</u></b>			
<b><u>Current Assets:</u></b>			
Cash and Cash Equivalents	629,341.51	247,561.30	876,902.81
<b><u>Noncurrent Assets:</u></b>			
Capital Assets (net of accumulated depr):			
Land		41,700.00	41,700.00
Buildings and Infrastructure	248,313.00	13,627.00	261,940.00
Machinery and Vehicles	125,000.00		125,000.00
<b>Total Noncurrent Assets</b>	<b>373,313.00</b>	<b>55,327.00</b>	<b>428,640.00</b>
<b>Total Assets</b>	<b>1,002,654.51</b>	<b>302,888.30</b>	<b>1,305,542.81</b>
<b><u>NET POSITION</u></b>			
Net Investment in Capital Assets	373,313.00	55,327.00	428,640.00
Unrestricted	629,341.51	247,561.30	876,902.81
<b>Total Net Position</b>	<b>1,002,654.51</b>	<b>302,888.30</b>	<b>1,305,542.81</b>

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2016

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<u>Operating Revenues:</u>			
Charges for Sales and Services:			
Water Sales	143,275.83		143,275.83
Sewer Charges		22,701.00	22,701.00
Garbage Collections	81,504.61		81,504.61
<b>Total Operating Revenues</b>	<b>224,780.44</b>	<b>22,701.00</b>	<b>247,481.44</b>
<u>Operating Expenses:</u>			
Salaries and Benefits	36,025.67	11,184.38	47,210.05
Water Analysis	2,077.23		2,077.23
Utilities	1,770.29		1,770.29
Gas and Oil	4,215.53		4,215.53
McLean-Sheridan Rural Water	72,031.45		72,031.45
Landfill Fees	22,192.92		22,192.92
Waste Expense	1,560.00		1,560.00
Water Meters and Repairs	3,564.98		3,564.98
Office Supplies and Equipment	1,909.12		1,909.12
Travel Expense	297.44		297.44
Miscellaneous	1,866.16	10.00	1,876.16
Depreciation	25,295.00	2,725.00	28,020.00
<b>Total Operating Expenses</b>	<b>172,805.79</b>	<b>13,919.38</b>	<b>186,725.17</b>
<b>Operating Income (Loss)</b>	<b>51,974.65</b>	<b>8,781.62</b>	<b>60,756.27</b>
<u>Non-Operating Revenues:</u>			
Interest Income	61.33		61.33
Miscellaneous Receipts	2,026.96		2,026.96
<b>Total Non-Operating Revenues</b>	<b>2,088.29</b>		<b>2,088.29</b>
<b>Change in Net Position</b>	<b>54,062.94</b>	<b>8,781.62</b>	<b>62,844.56</b>
<b>Net Position - January 1</b>	<b>1,002,654.51</b>	<b>302,888.30</b>	<b>1,305,542.81</b>
<b>Net Position - December 31</b>	<b>1,056,717.45</b>	<b>311,669.92</b>	<b>1,368,387.37</b>

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<u>Operating Revenues:</u>			
Charges for Sales and Services:			
Water Sales	148,592.28		148,592.28
Sewer Charges		22,567.13	22,567.13
Garbage Collections	79,505.08		79,505.08
<b>Total Operating Revenues</b>	<b>228,097.36</b>	<b>22,567.13</b>	<b>250,664.49</b>
<u>Operating Expenses:</u>			
Salaries and Benefits	43,033.72	4,630.58	47,664.30
Water Analysis	176.00		176.00
Utilities	2,088.15		2,088.15
Gas and Oil	5,152.91		5,152.91
McLean-Sheridan Rural Water	78,155.99		78,155.99
Landfill Fees	17,081.56		17,081.56
Waste Expense	6,544.68		6,544.68
Water Meters and Repairs	807.40		807.40
Office Supplies and Equipment	3,185.81		3,185.81
Travel Expense	481.15		481.15
Miscellaneous	1,093.13		1,093.13
Depreciation	25,295.00	3,749.00	29,044.00
<b>Total Operating Expenses</b>	<b>183,095.50</b>	<b>8,379.58</b>	<b>191,475.08</b>
<b>Operating Income (Loss)</b>	<b>45,001.86</b>	<b>14,187.55</b>	<b>59,189.41</b>
<u>Non-Operating Revenues:</u>			
Interest Income	79.50		79.50
Miscellaneous Receipts	453.65		453.65
<b>Total Non-Operating Revenues</b>	<b>533.15</b>		<b>533.15</b>
<b>Change in Net Position</b>	<b>45,535.01</b>	<b>14,187.55</b>	<b>59,722.56</b>
<b>Net Position - January 1</b>	<b>957,119.50</b>	<b>288,700.75</b>	<b>1,245,820.25</b>
<b>Net Position - December 31</b>	<b>1,002,654.51</b>	<b>302,888.30</b>	<b>1,305,542.81</b>

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



CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<u>Cash flows from operating activities:</u>			
Receipts from customers	224,780.44	22,701.00	247,481.44
Payments to employees	(36,025.67)	(11,184.38)	(47,210.05)
Payments to suppliers	(111,485.12)	(10.00)	(111,495.12)
 Net cash provided (used) by operating activities	 77,269.65	 11,506.62	 88,776.27
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	2,026.96		2,026.96
<u>Cash flows from investing activities:</u>			
Interest income	61.33		61.33
 Net increase in cash and cash equivalents	 79,357.94	 11,506.62	 90,864.56
Cash and cash equivalents, January 1	629,341.51	247,561.30	876,902.81
Cash and cash equivalents, December 31	708,699.45	259,067.92	967,767.37
=====			
 <u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating income	51,974.65	8,781.62	60,756.27
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	25,295.00	2,725.00	28,020.00
 Net cash provided (used) by operating activities	 77,269.65	 11,506.62	 88,776.27
=====			

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Major Enterprise Funds		Total Enterprise Funds
	Water Operating	Sewer Operating	
<u>Cash flows from operating activities:</u>			
Receipts from customers	228,097.36	22,567.13	250,664.49
Payments to employees	(43,033.72)	(4,630.58)	(47,664.30)
Payments to suppliers	(114,766.78)		(114,766.78)
Net cash provided (used) by operating activities	70,296.86	17,936.55	88,233.41
<u>Cash flows from noncapital financing activities:</u>			
Miscellaneous receipts	453.65		453.65
<u>Cash flows from investing activities:</u>			
Interest income	79.50		79.50
Net increase in cash and cash equivalents	70,830.01	17,936.55	88,766.56
Cash and cash equivalents, January 1	558,511.50	229,624.75	788,136.25
Cash and cash equivalents, December 31	629,341.51	247,561.30	876,902.81
=====			
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>			
Operating income	45,001.86	14,187.55	59,189.41
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>			
Depreciation expense	25,295.00	3,749.00	29,044.00
Net cash provided (used) by operating activities	70,296.86	17,936.55	88,233.41
=====			

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

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

Notes to the Financial Statements  
December 31, 2016 and 2015

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Based on these criteria, the component units discussed below are included within the city's reporting entity because of the significance of their operational or financial relationship with the city.

Discretely Presented Component Units: The component units' columns in the basic financial statements include the financial data of the city's two component units. These units are reported in separate columns to emphasize that they are legally separate from the city.

Turtle Lake Airport Authority: The Turtle Lake Airport Authority's governing board is appointed by the city's governing board. The city's governing body has the authority to disapprove, amend, or approve the airport authority budget. The airport authority has the authority to issue its own debt.

Turtle Lake Library: The Turtle Lake Library's governing board is appointed by the city's governing board. The city's governing body has the authority to city's governing body has the authority to disapprove, amend, or approve the library budget. The library has the authority to issue its own debt.

The financial statements of each of the two discretely presented component units are presented in the basic financial statements.

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

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

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

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

The city reports the following major governmental funds:

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

*Highway Distribution.* This fund accounts for the state highway distribution tax used for street repairs and maintenance.

*Sales Tax.* This fund accounts for sales tax collections to be used for the purchase of, construction or maintenance of capital improvements at Community Memorial Hospital.

*Capital Improvement.* This fund accounts for sales tax collections to be used for capital improvements, repairs and capital expenditures of the city.

The city reports the following major enterprise funds:

*Water Operating.* This fund accounts for the activities of the city's water distribution and garbage collection systems.

*Sewer Operating.* This fund accounts for the activities of the city's sewage collection system.

The city reports the following fund type:

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

### C. Measurement Focus and Basis of Accounting

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

#### Measurement Focus

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

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

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

#### Basis of Accounting

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

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

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

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

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

Investments consist of certificates of deposit stated at cost.

#### E. Capital Assets

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

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

Buildings and Infrastructure	25 to 75 years
Machinery and Vehicles	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, 2016 the city's carrying amount of deposits was \$2,267,441 and the bank balance was \$2,332,786. Of the bank balance, \$276,335 was covered by Federal Depository Insurance. The remaining balance of \$2,056,451 was collateralized with securities held by the pledging financial institution's agent in the government's name.



At December 31, 2015 the city's carrying amount of deposits was \$2,095,817 and the bank balance was \$2,114,656. Of the bank balance, \$289,229 was covered by Federal Depository Insurance. The remaining balance of \$1,825,427 was collateralized with securities held by the pledging financial institution's agent in the government's name.

#### Credit Risk

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

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

At December 31, 2016 the city held certificates of deposit in the amount of \$2,080,179, which are all considered deposits.

At December 31, 2015 the city held certificates of deposit in the amount of \$1,995,000, which are all considered deposits.

#### Concentration of Credit Risk

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

#### Note 3 PROPERTY TAXES

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

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

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

Note 4 INTERFUND RECEIVABLE/PAYABLE

Interfund receivable/payable is created by a negative cash balance in the cemetery fund. The amount shown as interfund payable represents the amount of negative cash in the fund. Interfund receivable/payable for the years ended December 31, 2016 and 2015 is as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
<u>December 31, 2016</u>		
General Fund	1,262.37	
Cemetery		1,262.37
<u>December 31, 2015</u>		
General Fund	1,602.59	
Cemetery		1,602.59

Note 5 ADVANCE TO TURTLE LAKE AIRPORT AUTHORITY

During 2014, the city loaned the airport funds to complete the purchase of a tractor. The airport will repay this loan as funds become available.

Note 6 CAPITAL ASSETS

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

	<u>2016</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	12,500			12,500
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	827,200			827,200
Machinery and Vehicles	314,659			314,659
<b>Total</b>	<u>1,141,859</u>			<u>1,141,859</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	472,327	30,667		502,994
Machinery and Vehicles	203,937	16,246		220,183
<b>Total</b>	<u>676,264</u>	<u>46,913</u>		<u>723,177</u>
<b>Total capital assets being depreciated, net</b>	<u>465,595</u>	<u>(46,913)</u>		<u>418,682</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>478,095</u>	<u>(46,913)</u>	<u>-0-</u>	<u>431,182</u>

	<u>2015</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	12,500			12,500
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	827,200			827,200
Machinery and Vehicles	314,659			314,659
<b>Total</b>	<u>1,141,859</u>			<u>1,141,859</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	441,660	30,667		472,327
Machinery and Vehicles	187,692	16,245		203,937
<b>Total</b>	<u>629,352</u>	<u>46,912</u>		<u>676,264</u>
<b>Total capital assets being depreciated, net</b>	<u>512,507</u>	<u>(46,912)</u>		<u>465,595</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>525,007</u>	<u>(46,912)</u>	<u>-0-</u>	<u>478,095</u>

	<u>2016</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	41,700			41,700
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	700,400			700,400
Machinery and Vehicles	250,040			250,040
<b>Total</b>	<u>950,440</u>			<u>950,440</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	438,460	15,363		453,823
Machinery and Vehicles	125,040	12,657		137,697
<b>Total</b>	<u>563,500</u>	<u>28,020</u>		<u>591,520</u>
<b>Total capital assets being depreciated, net</b>	<u>386,940</u>	<u>(28,020)</u>		<u>358,920</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>428,640</u>	<u>(28,020)</u>	<u>-0-</u>	<u>400,620</u>

2015

	Balance January 1	Increases	Decreases	Balance December 31
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	41,700			41,700
<hr/>				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	700,400			700,400
Machinery and Vehicles	250,040			250,040
<hr/>				
Total	950,440			950,440
<hr/>				
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	423,098	15,362		438,460
Machinery and Vehicles	111,358	13,682		125,040
<hr/>				
Total	534,456	29,044		563,500
<hr/>				
Total capital assets being depreciated, net	415,984	(29,044)		386,940
<hr/>				
<b>Business-type Activities</b>				
Capital Assets, Net	457,684	(29,044)	-0-	428,640
	=====	=====	=====	=====

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

	2016	2015
<b><u>Governmental Activities:</u></b>		
General Government	2,099	2,099
Streets and Public Works	44,101	44,100
Culture and Recreation	713	713
<hr/>		
Total	46,913	46,912
	=====	=====
 <b><u>Business-type Activities:</u></b>		
Water	25,295	25,295
Sewer	2,725	3,749
<hr/>		
Total	28,020	29,044
	=====	=====

Discretely Presented Component Unit

Turtle Lake Airport Authority

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

	<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>				
Machinery & Vehicles	46,000			46,000
<hr/>				
<i>Less accumulated</i>				
<i>depreciation for:</i>				
Machinery & Vehicles	9,200	4,600		13,800
<hr/>				
Governmental Activities				
Capital Assets, Net	36,800	(4,600)	-0-	32,200
	=====	=====	=====	=====

	<u>2015</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>				
Machinery & Vehicles	46,000			46,000
<hr/>				
<i>Less accumulated</i>				
<i>depreciation for:</i>				
Machinery & Vehicles	4,600	4,600		9,200
<hr/>				
Governmental Activities				
Capital Assets, Net	41,400	(4,600)	-0-	36,800
	=====	=====	=====	=====

Depreciation expense was charged to the airport authority as follows for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Airport Authority	4,600	4,600
	=====	=====

Note 7 ADVANCE FROM CITY OF TURTLE LAKE

During 2014, the airport obtained funds from the city to complete the purchase of a tractor. The airport will repay this loan as funds become available.

Note 8 DEFICIT FUND BALANCES

The following funds had a deficit balance for the years ending December 31:

	<u>2016</u>	<u>2015</u>
<u>Special Revenue Fund</u>		
Cemetery	(1,262.37)	(1,602.59)

The airport authority reports a deficit unrestricted component of net position of \$267.55 and \$2,522.84 as of December 31, 2016 and 2015, respectively. This deficit is due to the advance from the City of Turtle Lake and will be eliminated with future revenue collections and as the advance is repaid.

Note 9 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The city pays an annual premium to NDIRF for its general liability, automobile and public assets insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence for general liability and automobile; and \$330,625 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 \$634,000 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 TURTLE LAKE  
Turtle Lake, 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	31,909.98	31,909.98	29,326.24	(2,583.74)
Licenses, Permits and Fees	4,375.00	4,375.00	5,763.70	1,388.70
Intergovernmental	150,300.00	150,300.00	130,555.50	(19,744.50)
Fines and Forfeits	300.00	300.00	600.00	300.00
Miscellaneous	29,410.00	29,410.00	39,131.49	9,721.49
<b>Total Revenues</b>	<b>216,294.98</b>	<b>216,294.98</b>	<b>205,376.93</b>	<b>(10,918.05)</b>
<u>Expenditures:</u>				
Current:				
General Government	217,436.00	217,436.00	154,105.68	63,330.32
Public Safety	46,620.00	46,620.00	40,669.85	5,950.15
Streets and Public Works	225,000.00	225,000.00		225,000.00
Culture and Recreation	500.00	500.00	242.33	257.67
Other	15,500.00	15,500.00		15,500.00
<b>Total Expenditures</b>	<b>505,056.00</b>	<b>505,056.00</b>	<b>195,017.86</b>	<b>310,038.14</b>
<b>Net Change in Fund Balances</b>	<b>(288,761.02)</b>	<b>(288,761.02)</b>	<b>10,359.07</b>	<b>299,120.09</b>
<b>Fund Balance - January 1</b>	<b>809,332.20</b>	<b>809,332.20</b>	<b>809,332.20</b>	
<b>Fund Balance - December 31</b>	<b>520,571.18</b>	<b>520,571.18</b>	<b>819,691.27</b>	<b>299,120.09</b>

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	29,160.87	29,160.87	27,468.30	(1,692.57)
Licenses, Permits and Fees	5,325.00	5,325.00	5,549.20	224.20
Intergovernmental	188,600.00	188,600.00	179,043.55	(9,556.45)
Fines and Forfeits	1,000.00	1,000.00	436.00	(564.00)
Miscellaneous	31,535.32	31,535.32	38,223.49	6,688.17
<b>Total Revenues</b>	<b>255,621.19</b>	<b>255,621.19</b>	<b>250,720.54</b>	<b>(4,900.65)</b>
<u>Expenditures:</u>				
Current:				
General Government	326,430.00	326,430.00	143,749.80	182,680.20
Public Safety	36,715.73	36,715.73	36,947.02	(231.29)
Streets and Public Works	225,000.00	225,000.00		225,000.00
Culture and Recreation	500.00	500.00	280.36	219.64
Other	15,500.00	15,500.00		15,500.00
<b>Total Expenditures</b>	<b>604,145.73</b>	<b>604,145.73</b>	<b>180,977.18</b>	<b>423,168.55</b>
<b>Net Change in Fund Balances</b>	<b>(348,524.54)</b>	<b>(348,524.54)</b>	<b>69,743.36</b>	<b>418,267.90</b>
<b>Fund Balance - January 1</b>	<b>739,588.84</b>	<b>739,588.84</b>	<b>739,588.84</b>	
<b>Fund Balance - December 31</b>	<b>391,064.30</b>	<b>391,064.30</b>	<b>809,332.20</b>	<b>418,267.90</b>



CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	54,000.00	54,000.00	48,196.86	(5,803.14)
Miscellaneous	200.00	200.00		(200.00)
<b>Total Revenues</b>	<b>54,200.00</b>	<b>54,200.00</b>	<b>48,196.86</b>	<b>(6,003.14)</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	78,600.00	78,600.00	40,945.69	37,654.31
<b>Net Change in Fund Balances</b>	<b>(24,400.00)</b>	<b>(24,400.00)</b>	<b>7,251.17</b>	<b>31,651.17</b>
Fund Balance - January 1	156,946.74	156,946.74	156,946.74	
<b>Fund Balance - December 31</b>	<b>132,546.74</b>	<b>132,546.74</b>	<b>164,197.91</b>	<b>31,651.17</b>

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	54,000.00	54,000.00	54,476.91	476.91
Miscellaneous	200.00	200.00	127.50	(72.50)
<b>Total Revenues</b>	<b>54,200.00</b>	<b>54,200.00</b>	<b>54,604.41</b>	<b>404.41</b>
<u>Expenditures:</u>				
Current:				
Streets and Public Works	63,600.00	63,600.00	22,462.25	41,137.75
<b>Net Change in Fund Balances</b>	<b>(9,400.00)</b>	<b>(9,400.00)</b>	<b>32,142.16</b>	<b>41,542.16</b>
<b>Fund Balance - January 1</b>	<b>124,804.58</b>	<b>124,804.58</b>	<b>124,804.58</b>	
<b>Fund Balance - December 31</b>	<b>115,404.58</b>	<b>115,404.58</b>	<b>156,946.74</b>	<b>41,542.16</b>

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	35,000.00	35,000.00	39,866.69	4,866.69
<u>Expenditures:</u>				
Current:				
Other	35,000.00	35,000.00	43,165.93	(8,165.93)
Net Change in Fund Balances			(3,299.24)	(3,299.24)
Fund Balance - January 1	3,299.24	3,299.24	3,299.24	
Fund Balance - December 31	3,299.24	3,299.24	-0-	(3,299.24)

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	39,000.00	39,000.00	45,055.11	6,055.11
<u>Expenditures:</u>				
Current:				
Other	39,000.00	39,000.00	49,294.28	(10,294.28)
Net Change in Fund Balances			(4,239.17)	(4,239.17)
Fund Balance - January 1	7,538.41	7,538.41	7,538.41	
Fund Balance - December 31	7,538.41	7,538.41	3,299.24	(4,239.17)

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	35,000.00	35,000.00	39,866.74	4,866.74
<u>Expenditures:</u>				
Current:				
Other			-0-	
Net Change in Fund Balances	35,000.00	35,000.00	39,866.74	4,866.74
Fund Balance - January 1	242,787.41	242,787.41	242,787.41	
Fund Balance - December 31	277,787.41	277,787.41	282,654.15	4,866.74

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	38,000.00	38,000.00	45,055.17	7,055.17
<u>Expenditures:</u>				
Current:				
Other			-0-	
Net Change in Fund Balances	38,000.00	38,000.00	45,055.17	7,055.17
Fund Balance - January 1	197,732.24	197,732.24	197,732.24	
Fund Balance - December 31	235,732.24	235,732.24	242,787.41	7,055.17

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

Notes to the Budgetary Comparison Schedules  
December 31, 2016 and 2015

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, 2016 and 2015.

Excess of Actual Expenditures Over Budget

Expenditures exceeded budget in the following funds for the years ending December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
<u>Special Revenue Funds</u>		
Sales Tax	8,165.93	10,294.28
Cemetery	4,570.36	

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

CITY OF TURTLE LAKE  
Turtle Lake, 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
<b>Major Governmental Funds</b>						
General Fund	804,332.20	207,876.93			195,017.86	817,191.27
Highway Distribution	156,946.74	48,196.86			40,945.69	164,197.91
Sales Tax	3,299.24	39,866.69			43,165.93	
Capital Improvement	242,787.41	39,866.74				282,654.15
<b>Total Major Governmental Funds</b>	<b>1,207,365.59</b>	<b>335,807.22</b>			<b>279,129.48</b>	<b>1,264,043.33</b>
<b>Non-Major Governmental Funds</b>						
Cemetery	(1,602.59)	7,713.08			7,372.86	(1,262.37)
SID 2008-1	13,150.92	23,741.31				36,892.23
<b>Total Nonmajor Governmental Funds</b>	<b>11,548.33</b>	<b>31,454.39</b>			<b>7,372.86</b>	<b>35,629.86</b>
<b>Total Governmental Funds</b>	<b>1,218,913.92</b>	<b>367,261.61</b>			<b>286,502.34</b>	<b>1,299,673.19</b>
<b>Major Enterprise Funds</b>						
Water Operating	629,341.51	226,868.73			147,510.79	708,699.45
Sewer Operating	247,561.30	22,701.00			11,194.38	259,067.92
<b>Total Major Enterprise Funds</b>	<b>876,902.81</b>	<b>249,569.73</b>			<b>158,705.17</b>	<b>967,767.37</b>
<b>Agency Fund</b>						
Turtle Lake Park District		7,209.48			7,209.48	
<b>Total Primary Government</b>	<b>2,095,816.73</b>	<b>624,040.82</b>			<b>452,416.99</b>	<b>2,267,440.56</b>
<b>Discretely Presented</b>						
<b>Component Units:</b>						
Turtle Lake Airport Authority	2,477.16	17,924.31			18,169.02	2,232.45
Turtle Lake Library	5,712.95	14,961.86			10,785.97	9,888.84
<b>Total Discretely Presented Component Units</b>	<b>8,190.11</b>	<b>32,886.17</b>			<b>28,954.99</b>	<b>12,121.29</b>
<b>Total Reporting Entity</b>	<b>2,104,006.84</b>	<b>656,926.99</b>			<b>481,371.98</b>	<b>2,279,561.85</b>



CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

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

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
<u>Major Governmental Funds</u>						
General Fund	734,588.84	250,720.54			180,977.18	804,332.20
Highway Distribution	124,804.58	54,604.41			22,462.25	156,946.74
Sales Tax	7,538.41	45,055.11			49,294.28	3,299.24
Capital Improvement	197,732.24	45,055.17				242,787.41
<b>Total Major Governmental Funds</b>	<b>1,064,664.07</b>	<b>395,435.23</b>			<b>252,733.71</b>	<b>1,207,365.59</b>
<u>Non-Major Governmental Funds</u>						
Cemetery	(661.80)	1,250.88			2,191.67	(1,602.59)
SID 2008-1	(11,761.30)	24,912.22				13,150.92
<b>Total Nonmajor Governmental Funds</b>	<b>(12,423.10)</b>	<b>26,163.10</b>			<b>2,191.67</b>	<b>11,548.33</b>
<b>Total Governmental Funds</b>	<b>1,052,240.97</b>	<b>421,598.33</b>			<b>254,925.38</b>	<b>1,218,913.92</b>
<u>Major Enterprise Funds</u>						
Water Operating	558,511.50	228,630.51			157,800.50	629,341.51
Sewer Operating	229,624.75	22,567.13			4,630.58	247,561.30
<b>Total Major Enterprise Funds</b>	<b>788,136.25</b>	<b>251,197.64</b>			<b>162,431.08</b>	<b>876,902.81</b>
<u>Agency Fund</u>						
Turtle Lake Park District		10,669.62			10,669.62	
<b>Total Primary Government</b>	<b>1,840,377.22</b>	<b>683,465.59</b>			<b>428,026.08</b>	<b>2,095,816.73</b>
<u>Discretely Presented</u>						
<u>Component Units:</u>						
Turtle Lake Airport Authority	788.28	36,880.29			35,191.41	2,477.16
Turtle Lake Library	6,713.28	11,096.68			12,097.01	5,712.95
<b>Total Discretely Presented Component Units</b>	<b>7,501.56</b>	<b>47,976.97</b>			<b>47,288.42</b>	<b>8,190.11</b>
<b>Total Reporting Entity</b>	<b>1,847,878.78</b>	<b>731,442.56</b>			<b>475,314.50</b>	<b>2,104,006.84</b>

# 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 Turtle Lake  
Turtle Lake, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Turtle Lake, Turtle Lake, North Dakota, as of and for the years ended December 31, 2016 and 2015, 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 11, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### Compliance and Other Matters

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

### City's Response to Findings

The city's response to the findings identified in our audits are described in the accompanying *Schedule of Findings and Responses*. The city's response was not subjected to the auditing procedures applied in the audit 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 11, 2017

CITY OF TURTLE LAKE  
Turtle Lake, North Dakota

Schedule of Findings and Responses  
For the Years Ended December 31, 2016 and 2015

**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
Discretely Presented Component Units	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, 2016 and 2015 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.