

AUDIT REPORT

CITY OF WISHEK
Wishek, North Dakota

For the Years Ended December 31, 2015 and 2014

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WISHEK
Wishek, North Dakota

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CITY OF WISHEK
Wishek, North Dakota

CITY OFFICIALS

Leslie Otto	Mayor
Jay Kamletz	Council Member
Whittney Lipp	Council Member
Cody Mathues	Council Member
Harlen Vossler	Council Member
Larry Wald	Council Member
Mary Wald	Auditor

Rath & Mehner

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INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Wishek
Wishek, 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 Wishek, Wishek, North Dakota, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the city's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Basis of Accounting

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

Other Matters

Other Information

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

The management's discussion and analysis, budgeting comparison information and the schedules of fund activity arising from cash transactions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the management's discussion and analysis, budgeting comparison information and the schedules of fund activity arising from cash transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016 on our consideration of the city's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the city's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

June 24, 2016

CITY OF WISHEK

Management's Discussion and Analysis

December 31, 2015 and 2014

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

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

FINANCIAL HIGHLIGHTS

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

- * Total net position of the city decreased \$6,243 as a result of the current year's operations. Net position of the governmental activities decreased \$4,777 and net position of the business-type activities decreased \$1,466.
- * Governmental net position totaled \$1,693,952 and business-type net position totaled \$802,855.
- * Total revenues from all sources were \$742,450 for governmental activities and \$251,720 for business-type activities.
- * Total expenses were \$747,227 for governmental activities and \$253,186 for business-type activities.
- * The city's general fund had \$294,032 in total revenues and \$367,420 in total expenditures. There was a total of \$23,999 received from other financing sources. Overall, the general fund balance decreased by \$49,389 for the year ended December 31, 2015.

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

- * Total net position of the city increased \$197,306 as a result of the current year's operations. Net position of the governmental activities increased \$268,156 and net position of the business-type activities decreased \$70,850.
- * Governmental net position totaled \$1,698,729 and business-type net position totaled \$804,321.
- * Total revenues from all sources were \$483,297 for governmental activities and \$222,735 for business-type activities.
- * Total expenses were \$739,980 for governmental activities and \$293,586 for business-type activities.
- * The city's general fund had \$312,675 in total revenues and \$272,063 in total expenditures. There was a total of \$4,098 received from other financing sources. Overall, the general fund balance increased by \$44,710 for the year ended December 31, 2014.

USING THIS ANNUAL REPORT

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

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

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

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

REPORTING ON THE CITY AS A WHOLE

Statement of Net Position and Statement of Activities

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

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

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

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

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

REPORTING ON THE CITY'S MOST SIGNIFICANT FUNDS

Balance Sheet - Governmental Funds

The city uses separate funds to account for and manage money dedicated for particular purposes (e.g. taxes collected from special mill levies and funds received from grants and donations). The fund basis financial statements allow the city to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the city's major funds. Using the criteria established by GASB Statement No. 34, the city's general fund, ambulance fund, highway tax distribution fund, sales tax fund and street improvement 2013-1 fund are considered "major governmental funds". The city's water and sewer fund and garbage fund are considered "major enterprise funds".

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

As indicated in the financial highlights above, the city's net position decreased by \$6,243 and increased by \$197,306 for the years ended December 31, 2015 and 2014, respectively. Changes in net position may serve over time as a useful indicator of the city's financial position.

As of December 31, 2015, the city's net position of \$2,496,807 is segregated into three separate categories. Net investment in capital assets represents 42% 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 28% 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 30% of the city's net position and is available to meet the city's ongoing obligations.

Table I
 Net Position
 As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	890,740	550,165
Capital Assets (net of accumulated depreciation)	1,441,214	392,690
Total Assets	2,331,954	942,855
<u>Liabilities</u>		
Current Liabilities	128,597	8,000
Long-Term Liabilities	509,405	132,000
Total Liabilities	638,002	140,000
<u>Net Position</u>		
Net Investment in Capital Assets	803,212	252,690
Restricted	685,536	1,625
Unrestricted	205,204	548,540
Total Net Position	1,693,952	802,855

As of December 31, 2014, the city's net position of \$2,503,050 is segregated into three separate categories. Net investment in capital assets represents 41% 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 28% 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 31% of the city's net position and is available to meet the city's ongoing obligations.

Net Position
 As of December 31, 2014

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	951,963	532,310
Capital Assets (net of accumulated depreciation)	1,517,806	420,011
Total Assets	2,469,769	952,321
<u>Liabilities</u>		
Current Liabilities	133,038	8,000
Long-Term Liabilities	638,002	140,000
Total Liabilities	771,040	148,000
<u>Net Position</u>		
Net Investment in Capital Assets	746,766	272,011
Restricted	697,370	2,908
Unrestricted	254,593	529,402
Total Net Position	1,698,729	804,321

Net Position
As of December 31, 2013

	<u>Governmental</u>	<u>Business- Type</u>
<u>Assets</u>		
Current Assets	567,272	583,839
Capital Assets (net of accumulated depreciation)	1,063,301	447,332
Total Assets	1,630,573	1,031,171
<u>Liabilities</u>		
Current Liabilities	75,000	8,000
Long-Term Liabilities	125,000	148,000
Total Liabilities	200,000	156,000
<u>Net Position</u>		
Net Investment in Capital Assets	863,301	291,332
Restricted	357,389	3,329
Unrestricted	209,883	580,510
Total Net Position	1,430,573	875,171

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

Table II
Changes in Net Position
As of December 31, 2015

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	49,530	250,890
Operating Grants and Contributions	170,985	
<u>General Revenues:</u>		
Property Taxes	163,742	
Other Taxes	164,949	
Intergovernmental - Unrestricted	114,271	
Interest Earnings and Other Revenue	78,973	830
Total Revenues	742,450	251,720
Expenses		
General Government	136,461	
Public Safety	205,706	
Streets and Public Works	212,883	
Urban and Economic Development	82,100	
Culture and Recreation	66,335	
Other	29,293	
Interest on Long-Term Debt	14,448	
Water and Sewer		131,058
Garbage		120,094
Meter Deposits		2,033
Total Expenses	747,227	253,186
Net Change in Position	(4,777)	(1,466)

Property taxes constituted 16%, other taxes 17%, unrestricted intergovernmental 11%, operating grants and contributions 17%, and charges for services made up 30% of the total revenues of all activities of the city for the fiscal year ended December 31, 2015.

General government constituted 14%, public safety 21%, streets and public works 21%, and enterprise 25% 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>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	38,759	220,983
Operating Grants and Contributions	442,785	
<u>General Revenues:</u>		
Property Taxes	161,376	
Other Taxes	162,975	
Intergovernmental - Unrestricted	97,993	
Interest Earnings and Other Revenue	104,248	1,752
Total Revenues	<u>1,008,136</u>	<u>222,735</u>
Expenses		
General Government	131,232	
Public Safety	175,602	
Streets and Public Works	243,181	
Urban and Economic Development	74,129	
Culture and Recreation	59,811	
Other	44,067	
Bond Issuance Costs	5,500	
Interest on Long-Term Debt	6,458	
Water and Sewer		195,116
Garbage		96,948
Meter Deposits		1,521
Total Expenses	<u>739,980</u>	<u>293,586</u>
Net Change in Position	<u>268,156</u>	<u>(70,850)</u>
	=====	=====

Property taxes constituted 13%, other taxes 13%, unrestricted intergovernmental 8%, operating grants and contributions 36%, and charges for services made up 21% of the total revenues of all activities of the city for the fiscal year ended December 31, 2014.

General government constituted 13%, public safety 17%, streets and public works 24%, and enterprise 28% of total expenses for all activities during the fiscal year ended December 31, 2014.

Changes in Net Position
As of December 31, 2013

	<u>Governmental</u>	<u>Business- Type</u>
Revenues		
<u>Program Revenues:</u>		
Charges for Services	53,916	219,039
Operating Grants and Contributions	210,252	29,250
<u>General Revenues:</u>		
Property Taxes	131,742	
Other Taxes	139,590	
Intergovernmental - Unrestricted	92,259	
Interest Earnings and Other Revenue	75,618	1,899
Gain on Trade-In of Capital Assets	5,970	
Total Revenues	709,346	250,188
Expenses		
General Government	90,455	
Public Safety	179,753	
Streets and Public Works	222,426	
Urban and Economic Development	152,706	
Other	44,367	
Interest on Long-Term Debt	1,390	
Water and Sewer		132,589
Garbage		103,595
Meter Deposits		1,528
Total Expenses	691,097	237,712
Net Change in Position	18,249	12,476
	=====	=====

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

Table III

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

	<u>Total Cost Year Ended Dec. 31, 2015</u>	<u>Net Cost Year Ended Dec. 31, 2015</u>
General Government	136,461	87,331
Public Safety	205,706	205,706
Streets and Public Works	212,883	129,121
Urban and Economic Development	82,100	82,100
Culture and Recreation	66,335	66,335
Other	29,293	29,293
Interest on Long-Term Debt	14,448	(73,174)
Total Expenses	747,227	526,713
	=====	=====

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

	Total Cost Year Ended <u>Dec. 31, 2014</u>	Net Cost Year Ended <u>Dec. 31, 2014</u>
General Government	131,232	97,080
Public Safety	175,602	175,090
Streets and Public Works	243,181	150,705
Urban and Economic Development	74,129	74,129
Culture and Recreation	59,811	59,811
Other	44,067	44,067
Bond Issuance Costs	5,500	5,500
Interest on Long-Term Debt	6,458	(347,947)
Total Expenses	739,980	258,435

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 \$742,450 and expenditures of \$803,673 for the year ended December 31, 2015. For the year ended December 31, 2014, the city's governmental funds had total revenue of \$1,008,136 and expenditures of \$1,263,985. As of December 31, 2015, the unassigned fund balance of the city's general fund was \$205,204. As of December 31, 2014, the unassigned fund balance of the city general fund was \$254,593.

GENERAL FUND BUDGET HIGHLIGHTS

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

Actual revenue for the year ended December 31, 2015 was \$35,074 more than budgeted. This variance was due mainly to the city underestimating collections for state aid. Actual expenditures for the year ended December 31, 2015 were under budget by \$15,380.

Actual revenue for the year ended December 31, 2014 was \$74,072 more than budgeted. This variance was due mainly to the city underestimating collections for state aid and other miscellaneous purposes. Actual expenditures for the year ended December 31, 2014 were under budget by \$71,402. This variance was due mainly to the city overestimating appropriations for general government purposes.

CAPITAL ASSETS

As of December 31, 2015 and 2014, the city had \$2,142,904 and \$1,937,817, respectively, invested in capital assets. The following tables show the balances, for governmental activities, as of December 31, 2015, 2014 and 2013.

Table IV

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

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	1,001,698	326,607
Machinery and Vehicles	439,516	66,083
Total (net of depreciation)	<u>1,441,214</u> =====	<u>392,690</u> =====

This total represents a decrease of \$103,913 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>
Buildings and Infrastructure	1,069,030	342,229
Machinery and Vehicles	448,776	77,782
Total (net of depreciation)	<u>1,517,806</u> =====	<u>420,011</u> =====

This total represents an increase of \$427,184 in capital assets from January 1, 2014. The increase in capital assets was due to the city completing a street improvement project and purchasing a wheel loader.

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

	<u>Governmental</u>	<u>Business- Type</u>
Buildings and Infrastructure	692,013	357,851
Machinery and Vehicles	371,288	89,481
Total (net of depreciation)	<u>1,063,301</u> =====	<u>447,332</u> =====

For a detailed breakdown of the additions and deletions to capital assets, readers are referred to Note 4 to the audited financial statements which follow this analysis.

DEBT ADMINISTRATION

As of December 31, 2015, the city had \$778,002 in outstanding debt of which \$136,597 was due within one year. As of December 31, 2014, the city had \$919,040 in outstanding debt of which \$141,038 was due within one year. During fiscal years 2015 and 2014, the city issued two new long-term debt obligations.

Loan Payable, in the amount of \$96,040. The city entered into a loan agreement with Security State Bank to finance the purchase of a payloader. This loan will have a final payment on October 15, 2019.

Special Assessment Bonds Payable, in the amount of \$550,000. The city issued the Refunding Improvement Bonds, Series 2014 to fund a street project. These bonds will have a final payment on May 1, 2024.

For a detailed breakdown of the long-term debt, readers are referred to Note 5 to the audited financial statements which follow this analysis.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF WISHEK
Wishek, North Dakota

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

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Wishek Library	Wishek Airport Authority	Wishek Job Dev. Authority
ASSETS:						
Cash, Cash Equivalents and Investments	890,740.30	550,164.86	1,440,905.16	14,041.93	26,213.05	176,859.64
Capital Assets (net of accumulated depreciation):						
Buildings and Infrastructure	1,001,698.00	326,607.00	1,328,305.00		47,684.00	
Machinery and Vehicles	439,516.00	66,083.00	505,599.00			
Total Capital Assets	1,441,214.00	392,690.00	1,833,904.00		47,684.00	
Total Assets	2,331,954.30	942,854.86	3,274,809.16	14,041.93	73,897.05	176,859.64
LIABILITIES:						
Long-Term Liabilities:						
Due Within One Year:						
Loan Payable	18,597.14		18,597.14			
Special Assessments Bonds Payable	110,000.00		110,000.00			
Revenue Bonds Payable		8,000.00	8,000.00			
Due After One Year:						
Loan Payable	59,405.00		59,405.00			
Special Assessments Bonds Payable	450,000.00		450,000.00			
Revenue Bonds Payable		132,000.00	132,000.00			
Total Liabilities	638,002.14	140,000.00	778,002.14			
NET POSITION:						
Net Investment in Capital Assets	803,211.86	252,690.00	1,055,901.86		47,684.00	
Restricted for:						
Meter Deposits		1,625.00	1,625.00			
Debt Service	387,309.19		387,309.19			
Special Purposes	298,227.30		298,227.30			
Unrestricted	205,203.81	548,539.86	753,743.67	14,041.93	26,213.05	176,859.64
Total Net Position	1,693,952.16	802,854.86	2,496,807.02	14,041.93	73,897.05	176,859.64

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

CITY OF WISHEK
Wishek, North Dakota

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

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Wishek Library	Wishek Airport Authority	Wishek Job Dev. Authority
ASSETS:						
Cash, Cash Equivalents and Investments	951,962.84	532,309.82	1,484,272.66	14,076.12	18,846.63	151,513.59
Capital Assets (net of accumulated depreciation):						
Buildings and Infrastructure	1,069,030.00	342,229.00	1,411,259.00		51,090.00	
Machinery and Vehicles	448,776.00	77,782.00	526,558.00			
Total Capital Assets	1,517,806.00	420,011.00	1,937,817.00		51,090.00	
Total Assets	2,469,768.84	952,320.82	3,422,089.66	14,076.12	69,936.63	151,513.59
LIABILITIES:						
Long-Term Liabilities:						
Due Within One Year:						
Loan Payable	18,037.86		18,037.86			
Special Assessments Bonds Payable	115,000.00		115,000.00			
Revenue Bonds Payable		8,000.00	8,000.00			
Due After One Year:						
Loan Payable	78,002.14		78,002.14			
Special Assessment Bonds Payable	560,000.00		560,000.00			
Revenue Bonds Payable		140,000.00	140,000.00			
Total Liabilities	771,040.00	148,000.00	919,040.00		15,000.00	
NET POSITION:						
Net Investment in Capital Assets	746,766.00	272,011.00	1,018,777.00		51,090.00	
Restricted for:						
Meter Deposits		2,907.51	2,907.51			
Debt Service	425,250.54		425,250.54			
Special Purposes	272,119.30		272,119.30			
Unrestricted	254,593.00	529,402.31	783,995.31	14,076.12	3,846.63	151,513.59
Total Net Position	1,698,728.84	804,320.82	2,503,049.66	14,076.12	54,936.63	151,513.59

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

CITY OF WISHEK
Wishek, North Dakota

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

Net (Expense) Revenue and Changes in Net Position

Component Units

Primary Government

Program Revenues

Charges for Services and Contributions

Operating Grants and Contributions

Governmental Activities

Business-Type Activities

Total

Expenses

Wishek Library

Wishek Airport Authority

Wishek Job Dev. Authority

Functions/Programs

Primary Government:

Governmental Activities:

General Government (87,330.96)
Public Safety (205,706.27)
Streets and Public Works (129,120.58)
Urban and Economic Development (82,100.45)
Culture and Recreation (66,335.44)
Other (29,293.15)
Interest on Long-Term Debt 73,174.09

Total Governmental Activities (526,712.76)

Business-Type Activities:

Water and Sewer 136,105.37
Garbage 114,033.66
Meter Deposits 750.82

Total Business-Type Activities (2,295.84)

Total Primary Government

1,000,412.62

170,984.54

(526,712.76)

(2,295.84)

(529,008.60)

Component Units:

Library 7,771.34
Airport Authority 69,598.63
Job Development Authority 73,585.61

Total Component Units

150,955.58

136,615.77

(7,074.34)

(26,825.84)

(7,074.34)

(26,825.84)

19,560.37

19,560.37

<u>General Revenues:</u>					
Taxes:					
Property taxes; levied for general purposes	95,213.01	95,213.01			
Property taxes; levied for special purposes	68,529.05	68,529.05			
City sales taxes	159,210.13	159,210.13			
Lodging taxes	2,487.05	2,487.05			
Cigarette taxes	3,252.21	3,252.21			
Intergovernmental revenue not restricted to specific programs	114,271.42	114,271.42			
Earnings on investments and other revenue	78,973.21	79,803.09			
			1,713.40	9,999.00	459.14
Total General Revenues	521,936.08	522,765.96	7,040.15	45,786.26	5,785.68
Change in Net Position	(4,776.68)	(1,465.96)	(34.19)	18,960.42	25,346.05
Net Position - January 1	1,698,728.84	804,320.82	14,076.12	54,936.63	151,513.59
Net Position - December 31	1,693,952.16	802,854.86	14,041.93	73,897.05	176,859.64

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

CITY OF WISHEK
Wishek, North Dakota

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

Net (Expense) Revenue and Changes in Net Position

Component Units

Primary Government

Program Revenues

Charges for Services
Operating Grants and Contributions
Expenses

Governmental Activities
Business-Type Activities
Total

Wishek Library
Wishek Airport Authority
Wishek Job Dev. Authority

Functions/Programs

Primary Government:

Governmental Activities:

General Government

Public Safety

Streets and Public Works

Urban and Economic Development

Culture and Recreation

Other

Bond Issuance Costs

Interest on Long-Term Debt

Total Governmental Activities

Business-Type Activities:

Water and Sewer

Garbage

Meter Deposits

Total Business-Type Activities

Total Primary Government

Component Units:

Library

Airport Authority

Job Development Authority

Total Component Units

131,231.71	34,151.55	(97,080.16)	(97,080.16)		
175,602.38	512.00	(175,090.38)	(175,090.38)		
243,180.93	4,095.85	(150,704.52)	(150,704.52)		
74,129.20	88,380.56	(74,129.20)	(74,129.20)		
59,811.08		(59,811.08)	(59,811.08)		
44,067.38		(44,067.38)	(44,067.38)		
5,500.00		(5,500.00)	(5,500.00)		
6,457.50	354,404.83	347,947.33	347,947.33		
739,980.18	38,759.40	442,785.39	(258,435.39)		

195,116.49	116,656.53	(78,459.96)	(78,459.96)		
96,947.63	103,226.72	6,279.09	6,279.09		
1,521.40	1,100.00	(421.40)	(421.40)		

293,585.52	220,983.25	(72,602.27)	(72,602.27)		
------------	------------	-------------	-------------	--	--

1,033,565.70	259,742.65	442,785.39	(258,435.39)	(72,602.27)	(331,037.66)
--------------	------------	------------	--------------	-------------	--------------

5,797.61	1,018.70	(4,778.91)	(4,778.91)		
33,086.15	17,309.58	(15,776.57)	(15,776.57)		
98,324.21	97,785.27				(338.94)

137,207.97	116,113.55	(4,778.91)	(15,776.57)	(15,776.57)	(338.94)
------------	------------	------------	-------------	-------------	----------

General Revenues:

Taxes:

Property taxes; levied for general purposes
Property taxes; levied for special purposes
City sales taxes
Lodging taxes
Cigarette taxes
Intergovernmental revenue not restricted
to specific programs
Earnings on investments and other revenue

102,166.57
59,209.33
156,580.84
3,090.59
3,303.17
97,993.26
104,247.84

102,166.57
59,209.33
156,580.84
3,090.59
3,303.17
97,993.26
105,999.98

4,682.92

4,670.96

32,767.20

9,490.00

1,210.60

Total General Revenues

526,591.60

5,881.56

Change in Net Position

268,156.21

5,342.62

Net Position - January 1

1,430,572.63

146,170.97

Net Position - December 31

1,698,728.84

151,513.59

7,292.10
2,513.19
11,562.93
14,076.12
=====

42,257.20
26,480.63
28,456.00
54,936.63
=====

1,752.14
(70,850.13)
875,170.95
804,320.82
=====

528,343.74
197,306.08
2,305,743.58
2,503,049.66
=====

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

CITY OF WISHEK
Wishek, North Dakota

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

	Major Funds					Total Governmental Funds
	General	Ambulance	Highway Tax Dist.	Sales Tax	Street Imp. 2013-1	
<u>ASSETS:</u>						
Cash, Cash Equivalents and Investments	205,203.81	154,307.63	822.61	34,057.12	329,401.64	890,740.30
	=====	=====	=====	=====	=====	=====
<u>FUND BALANCES:</u>						
Restricted for:						
Public Safety		154,307.63				154,307.63
Streets and Public Works			822.61			822.61
Urban and Economic Development				34,057.12		34,057.12
Cemetery					329,401.64	329,401.64
Debt Service					57,907.55	57,907.55
Other Purposes					59,446.09	59,446.09
Unassigned	205,203.81					205,203.81
	=====	=====	=====	=====	=====	=====
Total Fund Balances	205,203.81	154,307.63	822.61	34,057.12	329,401.64	890,740.30
	=====	=====	=====	=====	=====	=====

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

CITY OF WISHEK
Wishek, North Dakota

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

	Major Funds					Total Governmental Funds
	General	Ambulance	Highway Tax Dist.	Sales Tax	Street Imp. 2013-1	
ASSETS:						
Cash, Cash Equivalents and Investments	254,593.00	83,661.67	38,074.64	33,992.33	349,215.06	951,962.84
FUND BALANCES:						
Restricted for:						
General Government					10,969.96	10,969.96
Public Safety		83,661.67				83,661.67
Streets and Public Works			38,074.64			38,074.64
Urban and Economic Development				33,992.33		33,992.33
Cemetery					9,469.31	9,469.31
Debt Service					35,103.97	35,103.97
Other Purposes				349,215.06		349,215.06
Unassigned	254,593.00				76,035.48	330,628.48
					60,847.42	60,847.42
					254,593.00	254,593.00
Total Fund Balances	254,593.00	83,661.67	38,074.64	33,992.33	349,215.06	951,962.84

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

CITY OF WISHEK
Wishek, 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		890,740.30
<p>Total net position reported for government activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.</p>		
Cost of Capital Assets	2,971,849.00	
Less Accumulated Depreciation	(1,530,635.00)	
Net Capital Assets		1,441,214.00
<p>Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2015 are:</p>		
Loan Payable	(78,002.14)	
Special Assessments Bonds Payable	(560,000.00)	
Total Long-Term Liabilities		(638,002.14)
Total Net Position of Governmental Activities		<hr style="border-top: 1px dashed black;"/> 1,693,952.16 =====

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

CITY OF WISHEK
Wishek, North Dakota

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

Total Fund Balances for Governmental Funds	951,962.84
--	------------

Total net position reported for government activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds.

Cost of Capital Assets	2,918,090.00	
Less Accumulated Depreciation	(1,400,284.00)	
		1,517,806.00

Long-term liabilities applicable to the city's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities -both current and long-term- are reported in the statement of net position. Balances at December 31, 2014 are:

Loan Payable	(96,040.00)	
Special Assessments Bonds Payable	(675,000.00)	
		(771,040.00)

Total Net Position of Governmental Activities	1,698,728.84
	1,698,728.84

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

CITY OF WISHEK
Wishek, 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	Ambulance	Highway Tax Dist.	Sales Tax	Street Imp. 2013-1	Other Governmental Funds	
Revenues:							
Taxes	95,213.01	49,269.67		159,210.13		21,746.43	325,439.24
Special Assessments	2,182.23				38,220.73	47,219.60	87,622.56
Licenses, Permits and Fees	17,861.21						17,861.21
Intergovernmental	124,916.10		75,969.51				200,885.61
Charges for Services	31,268.42		400.00				31,668.42
Miscellaneous	22,591.45	27,376.29			2,748.85	26,256.62	78,973.21
Total Revenues	294,032.42	76,645.96	76,369.51	159,210.13	40,969.58	95,222.65	742,450.25
Expenditures:							
Current:							
General Government	132,704.20					2,396.39	135,100.59
Public Safety	161,654.27	6,000.00					167,654.27
Streets and Public Works	24,302.93		92,533.21			6,574.42	123,410.56
Urban and Economic Development				79,605.06		2,495.39	82,100.45
Culture and Recreation				66,335.44			66,335.44
Other				13,204.84		14,621.31	27,826.15
Capital Outlay	48,759.00					5,000.00	53,759.00
Debt Service:							
Principal Retirement			18,037.86		50,000.00	65,000.00	133,037.86
Interest and Service Charges			3,050.47		10,783.00	615.00	14,448.47
Total Expenditures	367,420.40	6,000.00	113,621.54	159,145.34	60,783.00	96,702.51	803,672.79
Excess (Deficiency) of Revenues Over Expenditures	(73,387.98)	70,645.96	(37,252.03)	64.79	(19,813.42)	(1,479.86)	(61,222.54)

Other Financing Sources (Uses):							
Transfers In	23,998.79					23,998.79	
Transfers Out		(23,998.79)				(23,998.79)	
Total Other Financing Sources (Uses)		23,998.79	(23,998.79)				
Net Change in Fund Balances	(49,389.19)	70,645.96	(37,252.03)	64.79	(19,813.42)	(25,478.65)	(61,222.54)
Fund Balance - January 1	254,593.00	83,661.67	38,074.64	33,992.33	349,215.06	192,426.14	951,962.84
Fund Balance - December 31	205,203.81	154,307.63	822.61	34,057.12	329,401.64	166,947.49	890,740.30

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

CITY OF WISHEK
Wishek, North Dakota

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

	Major Funds						Total
	General	Ambulance	Highway Tax Dist.	Sales Tax	Street Imp. 2013-1	Other Governmental Funds	Governmental Funds
Revenues:							
Taxes	102,166.57	37,872.30		156,580.84	299,315.21	24,427.62	321,047.33
Special Assessments	1,335.22					53,754.40	354,404.83
Licenses, Permits and Fees	15,098.03						15,098.03
Intergovernmental	109,117.82		80,559.17				189,676.99
Charges for Services	19,053.52		4,095.85				23,149.37
Fines and Forfeitures	512.00						512.00
Miscellaneous	65,391.55	23,100.00				15,756.29	104,247.84
Total Revenues	312,674.71	60,972.30	84,655.02	156,580.84	299,315.21	93,938.31	1,008,136.39
Expenditures:							
Current:							
General Government	110,309.39					19,562.32	129,871.71
Public Safety	135,341.38	4,500.00					139,841.38
Streets and Public Works	26,411.76		97,268.51			4,303.66	127,983.93
Urban and Economic Development				71,774.45		2,354.75	74,129.20
Culture and Recreation				59,811.08			59,811.08
Other				11,963.37	16,890.15	13,746.86	42,600.38
Capital Outlay			136,040.00		472,250.00		608,290.00
Debt Service:							
Principal Retirement						75,000.00	75,000.00
Interest and Service Charges					5,460.00	997.50	6,457.50
Total Expenditures	272,062.53	4,500.00	233,308.51	143,548.90	494,600.15	115,965.09	1,263,985.18
Excess (Deficiency) of Revenues Over Expenditures	40,612.18	56,472.30	(148,653.49)	13,031.94	(195,284.94)	(22,026.78)	(255,848.79)

<u>Other Financing Sources (Uses):</u>					
Transfers In	4,098.09				4,098.09
Transfers Out			(4,098.09)		(4,098.09)
Proceeds from Loan		96,040.00			96,040.00
Issuance of Special Assess. Bonds				550,000.00	550,000.00
Bond Issuance Costs				(5,500.00)	(5,500.00)
<hr/>					
Total Other Financing Sources	4,098.09	96,040.00	544,500.00	(4,098.09)	640,540.00
(Uses)					
<hr/>					
Net Change in Fund Balances	44,710.27	56,472.30	(52,613.49)	13,031.94	349,215.06
				(26,124.87)	384,691.21
<hr/>					
Fund Balance - January 1	209,882.73	27,189.37	90,688.13	20,960.39	218,551.01
Fund Balance - December 31	254,593.00	83,661.67	38,074.64	33,992.33	192,426.14
					349,215.06
					951,962.84
=====					

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

CITY OF WISHEK
Wishek, 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 (61,222.54)

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	53,759.00	
Current Year Depreciation Expense	(130,351.00)	(76,592.00)

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

Debt Proceeds	0.00	
Repayment of Debt	133,037.86	133,037.86

Change in Net Position of Governmental Activities (4,776.68)
=====

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

CITY OF WISHEK
Wishek, North Dakota

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

Net Change in Fund Balances - Total Governmental Funds 384,691.21

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

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

Current Year Capital Outlay	608,290.00	
Current Year Depreciation Expense	(153,785.00)	454,505.00

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

Debt Proceeds	(646,040.00)	
Repayment of Debt	75,000.00	(571,040.00)

Change in Net Position of Governmental Activities		268,156.21
		=====

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

CITY OF WISHEK
Wishek, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Garbage	Other Enterprise Fund	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	408,833.47	139,706.39	1,625.00	550,164.86
Noncurrent Assets:				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	319,007.00	7,600.00		326,607.00
Machinery and Vehicles	7,133.00	58,950.00		66,083.00
Total Noncurrent Assets	326,140.00	66,550.00		392,690.00
 Total Assets	 734,973.47	 206,256.39	 1,625.00	 942,854.86
LIABILITIES				
Current Liabilities:				
Revenue Bonds Payable	8,000.00			8,000.00
Noncurrent Liabilities:				
Revenue Bonds Payable	132,000.00			132,000.00
Total Liabilities	140,000.00			140,000.00
NET POSITION				
Net Investment in Capital Assets	186,140.00	66,550.00		252,690.00
Restricted for:				
Meter Deposits			1,625.00	1,625.00
Unrestricted	408,833.47	139,706.39		548,539.86
Total Net Position	594,973.47	206,256.39	1,625.00	802,854.86

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

CITY OF WISHEK
Wishek, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Garbage	Other Enterprise Fund	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	393,911.68	135,490.63	2,907.51	532,309.82
Noncurrent Assets:				
Capital Assets (net of accumulated depr):				
Buildings and Infrastructure	334,429.00	7,800.00		342,229.00
Machinery and Vehicles	9,007.00	68,775.00		77,782.00
Total Noncurrent Assets	343,436.00	76,575.00		420,011.00
Total Assets	737,347.68	212,065.63	2,907.51	952,320.82
LIABILITIES				
Current Liabilities:				
Revenue Bonds Payable	8,000.00			8,000.00
Noncurrent Liabilities:				
Revenue Bonds Payable	140,000.00			140,000.00
Total Liabilities	148,000.00			148,000.00
NET POSITION				
Net Investment in Capital Assets	195,436.00	76,575.00		272,011.00
Restricted for:				
Meter Deposits			2,907.51	2,907.51
Unrestricted	393,911.68	135,490.63		529,402.31
Total Net Position	589,347.68	212,065.63	2,907.51	804,320.82

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

CITY OF WISHEK
Wishek, 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 and Sewer	Garbage	Other Enterprise Fund	
<u>Operating Revenues:</u>				
<u>Charges for Sales and Services:</u>				
Water and Sewer	133,295.22			133,295.22
Garbage Collection Charges		108,179.61		108,179.61
Garbage Surcharge		1,630.41		1,630.41
Meter Deposits			750.82	750.82
Miscellaneous Charges	2,810.15	4,223.64		7,033.79
Total Operating Revenues	136,105.37	114,033.66	750.82	250,889.85
<u>Operating Expenses:</u>				
Water and Sewer	109,322.48			109,322.48
Garbage		110,068.88		110,068.88
Meter Deposit Refunds			2,033.33	2,033.33
Depreciation	17,296.00	10,025.00		27,321.00
Total Operating Expenses	126,618.48	120,093.88	2,033.33	248,745.69
Operating Income (Loss)	9,486.89	(6,060.22)	(1,282.51)	2,144.16
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	578.90	250.98		829.88
Debt Service - Interest and Service Charges	(4,440.00)			(4,440.00)
Total Non-Operating Revenues (Expenses)	(3,861.10)	250.98		(3,610.12)
Change in Net Position	5,625.79	(5,809.24)	(1,282.51)	(1,465.96)
Net Position - January 1	589,347.68	212,065.63	2,907.51	804,320.82
Net Position - December 31	594,973.47	206,256.39	1,625.00	802,854.86

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

CITY OF WISHEK
Wishek, North Dakota

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

For the Year Ended December 31, 2014

	Major Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Garbage	Other Enterprise Fund	
<u>Operating Revenues:</u>				
Charges for Sales and Services:				
Water and Sewer	109,150.36			109,150.36
Garbage Collection Charges		98,077.93		98,077.93
Garbage Surcharge		1,648.79		1,648.79
Meter Deposits			1,100.00	1,100.00
Miscellaneous Charges	7,506.17	3,500.00		11,006.17
Total Operating Revenues	116,656.53	103,226.72	1,100.00	220,983.25
<u>Operating Expenses:</u>				
Water and Sewer	173,140.49			173,140.49
Garbage		86,922.63		86,922.63
Meter Deposit Refunds			1,521.40	1,521.40
Depreciation	17,296.00	10,025.00		27,321.00
Total Operating Expenses	190,436.49	96,947.63	1,521.40	288,905.52
Operating Income (Loss)	(73,779.96)	6,279.09	(421.40)	(67,922.27)
<u>Non-Operating Revenues (Expenses):</u>				
Interest Income	1,259.99	492.15		1,752.14
Debt Service - Interest and Service Charges	(4,680.00)			(4,680.00)
Total Non-Operating Revenues (Expenses)	(3,420.01)	492.15		(2,927.86)
Change in Net Position	(77,199.97)	6,771.24	(421.40)	(70,850.13)
Net Position - January 1	666,547.65	205,294.39	3,328.91	875,170.95
Net Position - December 31	589,347.68	212,065.63	2,907.51	804,320.82

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

CITY OF WISHEK
Wishek, 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 and Sewer	Garbage	Other Enterprise Fund	
<u>Cash flows from operating activities:</u>				
Receipts from customers	136,105.37	114,033.66	750.82	250,889.85
Payments to suppliers and employees	(109,322.48)	(110,068.88)	(2,033.33)	(221,424.69)
Net cash provided (used) by operating activities	26,782.89	3,964.78	(1,282.51)	29,465.16
<u>Cash flows from capital and related financing activities:</u>				
Principal payments	(8,000.00)			(8,000.00)
Interest payments	(4,440.00)			(4,440.00)
Net cash provided (used) by capital and related financing activities	(12,440.00)			(12,440.00)
<u>Cash flows from investing activities:</u>				
Interest income	578.90	250.98		829.88
Net increase (decrease) in cash and cash equivalents	14,921.79	4,215.76	(1,282.51)	17,855.04
Cash and cash equivalents, January 1	393,911.68	135,490.63	2,907.51	532,309.82
Cash and cash equivalents, December 31	408,833.47	139,706.39	1,625.00	550,164.86
Reconciliation of Operating Income to Net <u>Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	9,486.89	(6,060.22)	(1,282.51)	2,144.16
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	17,296.00	10,025.00		27,321.00
Net cash provided (used) by operating activities	26,782.89	3,964.78	(1,282.51)	29,465.16

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

CITY OF WISHEK
Wishek, North Dakota

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

	Major Enterprise Funds			Total Enterprise Funds
	Water and Sewer	Garbage	Other Enterprise Fund	
<u>Cash flows from operating activities:</u>				
Receipts from customers	116,656.53	103,226.72	1,100.00	220,983.25
Payments to suppliers and employees	(173,140.49)	(86,922.63)	(1,521.40)	(261,584.52)
Net cash provided (used) by operating activities	(56,483.96)	16,304.09	(421.40)	(40,601.27)
<u>Cash flows from capital and related financing activities:</u>				
Principal payments	(8,000.00)			(8,000.00)
Interest and service charges	(4,680.00)			(4,680.00)
Net cash provided (used) by capital and related financing activities	(12,680.00)			(12,680.00)
<u>Cash flows from investing activities:</u>				
Interest income	1,259.99	492.15		1,752.14
Net increase in cash and cash equivalents	(67,903.97)	16,796.24	(421.40)	(51,529.13)
Cash and cash equivalents, January 1	461,815.65	118,694.39	3,328.91	583,838.95
Cash and cash equivalents, December 31	393,911.68	135,490.63	2,907.51	532,309.82
=====				
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	(73,779.96)	6,279.09	(421.40)	(67,922.27)
<u>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</u>				
Depreciation expense	17,296.00	10,025.00		27,321.00
Net cash provided (used) by operating activities	(56,483.96)	16,304.09	(421.40)	(40,601.27)
=====				

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

CITY OF WISHEK
Wishek, North Dakota

Notes to the Financial Statements
December 31, 2015 and 2014

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Based on these criteria, 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 component units. These units are reported in separate columns to emphasize that they are legally separate from the city.

Wishek Library: The Wishek public library'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 library budget. The library has the authority to issue its own debt.

Wishek Airport Authority: The Wishek 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.

Wishek Job Development Authority: The Wishek job development authority's governing board is appointed by the city's governing board. The city's governing board has the authority to disapprove, amend, or approve the JDA budget. The JDA has the authority to issue its own debt.

The financial statement of the 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 Wishek and its component units. These statements include the financial activities of the overall government. 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.

Ambulance Fund. This fund accounts for a special levy and the rentals charged to the Wishek Hospital for the use of the city's ambulance.

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

Sales Tax. This fund accounts for the city's sales tax collections, which are used for urban and economic development and other city projects.

Street Improvement 2013-1. The city issued the Refunding Improvement Bonds, Series 2014 to provide funds for a street project. This fund is used to accumulate resources to repay the principal and interest on the bonds.

The city reports the following major enterprise funds:

Water and Sewer. This fund accounts for the activities of the city's water distribution system and sewage collection system. The city also makes the principal and interest payments for the State Revolving Fund Loan Payable from water and sewer collections.

Garbage. This fund accounts for the activities of the city's garbage collection system.

The city reports the following fund type:

Agency Funds. These funds account for assets held by the city in a custodial capacity as an agent on behalf of others. The city's agency funds are used to account for various deposits of other governments.

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

D. Cash, 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	20 to 75 years
Machinery and Vehicles	5 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 reporting framework (SRF) used by the city requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

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

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

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

At December 31, 2015 the city's carrying amount of deposits was \$1,440,905 and the bank balance was \$1,449,592. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$1,199,592 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2014 the city's carrying amount of deposits was \$1,484,273 and the bank balance was \$1,511,229. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$1,261,229 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

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

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

At December 31, 2015 the city held certificates of deposit in the amount of \$739,902, which are all considered deposits.

At December 31, 2014 the city held certificates of deposit in the amount of \$757,818, 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 CAPITAL ASSETS

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

		<u>2015</u>		
		Balance		Balance
		January 1	Increases	Decreases
		December 31		
Governmental Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	2,177,750			2,177,750
Machinery and Vehicles	740,340	53,759		794,099
Total	2,918,090	53,759		2,971,849
Less accumulated depreciation for:				
Buildings and Infrastructure	1,108,720	67,332		1,176,052
Machinery and Vehicles	291,564	63,019		354,583
Total	1,400,284	130,351		1,530,635
Governmental Activities Capital Assets, Net	1,517,806	(76,592)	-0-	1,441,214
=====				
		<u>2014</u>		
		Balance		Balance
		January 1	Increases	Decreases
		December 31		
Governmental Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	1,705,500	472,250		2,177,750
Machinery and Vehicles	621,300	136,040	17,000	740,340
Total	2,326,800	608,290	17,000	2,918,090
Less accumulated depreciation for:				
Buildings and Infrastructure	1,013,487	95,233		1,108,720
Machinery and Vehicles	250,012	58,552	17,000	291,564
Total	1,263,499	153,785	17,000	1,400,284
Governmental Activities Capital Assets, Net	1,063,301	454,505	-0-	1,517,806
=====				

2015

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	520,250			520,250
Machinery and Vehicles	230,074			230,074
Total	<u>750,324</u>			<u>750,324</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	178,021	15,622		193,643
Machinery and Vehicles	152,292	11,699		163,991
Total	<u>330,313</u>	<u>27,321</u>		<u>357,634</u>
Business-type Activities				
Capital Assets, Net	420,011	(27,321)	-0-	392,690
	=====	=====	=====	=====

2014

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Business-type Activities:				
<i>Capital assets</i>				
<i>being depreciated:</i>				
Buildings and Infrastructure	520,250			520,250
Machinery and Vehicles	230,074			230,074
Total	<u>750,324</u>			<u>750,324</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	162,399	15,622		178,021
Machinery and Vehicles	140,593	11,699		152,292
Total	<u>302,992</u>	<u>27,321</u>		<u>330,313</u>
Business-type Activities				
Capital Assets, Net	447,332	(27,321)	-0-	420,011
	=====	=====	=====	=====

	<u>2015</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Discretely Presented Component Units:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	85,150			85,150
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	34,060	3,406		37,466
Discretely Presented Component Units Capital Assets, Net	<u>51,090</u>	<u>(3,406)</u>	<u>-0-</u>	<u>47,684</u>

	<u>2014</u>			
	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>
Discretely Presented Component Units:				
<i>Capital assets being depreciated:</i>				
Buildings and Infrastructure	85,150			85,150
<i>Less accumulated depreciation for:</i>				
Buildings and Infrastructure	30,654	3,406		34,060
Discretely Presented Component Units Capital Assets, Net	<u>54,496</u>	<u>(3,406)</u>	<u>-0-</u>	<u>51,090</u>

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

	<u>2015</u>	<u>2014</u>
<u>Governmental Activities:</u>		
General Government	1,360	1,360
Public Safety	38,052	35,761
Streets and Public Works	89,472	115,197
Other	1,467	1,467
Total	<u>130,351</u>	<u>153,785</u>
<u>Business-type Activities:</u>		
Water and Sewer	17,296	17,296
Garbage	10,025	10,025
Total	<u>27,321</u>	<u>27,321</u>

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

	<u>2015</u>	<u>2014</u>
Discretely Presented Component Unit:		
Airport Authority	3,406	3,406
	=====	=====

Note 5 LONG-TERM DEBT

Changes in Long-Term Liabilities. During the years ended December 31, 2015 and 2014, the following changes occurred in liabilities reported in the long-term liabilities:

Governmental Activities

	<u>2015</u>			Balance	Due Within
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
	<u>January 1</u>				
Loan Payable	96,040		18,038	78,002	18,597
Special Assessment Bonds	675,000		115,000	560,000	110,000
Total	<u>771,040</u>	<u>-0-</u>	<u>133,038</u>	<u>638,002</u>	<u>128,597</u>
	=====	=====	=====	=====	=====

	<u>2014</u>			Balance	Due Within
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
	<u>January 1</u>				
Loan Payable		96,040		96,040	18,038
Special Assessment Bonds	200,000	550,000	75,000	675,000	115,000
Total	<u>200,000</u>	<u>646,040</u>	<u>75,000</u>	<u>771,040</u>	<u>133,038</u>
	=====	=====	=====	=====	=====

Business-type Activities

	<u>2015</u>			Balance	Due Within
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
	<u>January 1</u>				
Revenue Bonds	148,000	-0-	8,000	140,000	8,000
	=====	=====	=====	=====	=====

	<u>2014</u>			Balance	Due Within
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31</u>	<u>One Year</u>
	<u>January 1</u>				
Revenue Bonds	156,000	-0-	8,000	148,000	8,000
	=====	=====	=====	=====	=====

Outstanding debt at December 31, 2015 consists of the following:

Governmental Activities:

General Obligation Debt. General obligation debt is a direct obligation and pledges the full faith and credit of the government. General obligation debt outstanding at December 31, 2015, is as follows:

Loan Payable. The city has entered into a loan agreement to provide funds for the purchase of a payloader.

\$96,040.00 Loan Payable with Security State Bank, due in annual installments of \$21,088.33 through October 15, 2019; interest is at 3.15%. 78,002.14
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	18,597	2,491
2017	19,191	1,897
2018	19,804	1,284
2019	20,410	678
Total	<u>78,002</u> =====	<u>6,351</u> =====

Special Assessment Debt. The city has issued special assessment bonds to provide funds for the construction and/or improvement of streets. Special assessment bonds outstanding at December 31, 2015, are as follows:

\$270,000.00 Refunding Improvement Bonds, Series 2012, due in one last installment of \$60,000.00 on May 1, 2016; interest is at .7%. 60,000.00

\$550,000.00 Refunding Improvement Bonds, Series 2014, due in annual installments of \$50,000.00 to \$60,000.00 through May 1, 2024; interest is at .6% to 2.4%. 500,000.00

Total 560,000.00
=====

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

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	110,000	9,510
2017	55,000	8,696
2018	55,000	7,789
2019	55,000	6,881
2020	55,000	5,974
2021-2024	230,000	11,280
Total	<u>560,000</u> =====	<u>50,130</u> =====

Business-type Activities:

Revenue Bonds. The city has issued bonds whereby the city pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at December 31, 2015 are as follows:

\$185,547 Sanitary Sewer Improvement Bonds of 2010, due in annual installments of \$8,000 to \$12,000 through September 1, 2029; interest is at 2.5%.	140,000.00
	=====

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2016	8,000	3,500
2017	9,000	3,300
2018	9,000	3,075
2019	9,000	2,850
2020	9,000	2,526
2021-2025	51,000	9,500
2026-2029	45,000	2,825
Total	140,000	27,576
	=====	=====

Component Unit Debt

Changes in Long-Term Liabilities. During the years ended December 31, 2015 and 2014, the following changes occurred in liabilities reported in the long-term liabilities - Component Unit:

December 31, 2015:

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Loan Payable	15,000	-0-	15,000	-0-	-0-
	=====	=====	=====	=====	=====

December 31, 2014:

	<u>Balance</u> <u>January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Loan Payable	35,000	-0-	20,000	15,000	15,000
	=====	=====	=====	=====	=====

Note 6 TRANSFERS

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

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<u>December 31, 2015</u>		
General Operating	23,998.79	
Social Security		23,098.29
Advertising		900.50
To close funds.		
<u>December 31, 2014</u>		
General Operating	4,098.09	
Building Ren. and Repair		3,222.09
Cemetery		876.00
To reimburse expenditures.		

Note 7 DEFICIT FUND BALANCE

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

<u>General Fund</u>	<u>2015</u>	<u>2014</u>
Street Lights	(27,560.63)	(26,699.41)

The city plans to eliminate this deficit with future revenue collections and/or transfers from other funds.

Note 8 RISK MANAGEMENT

The City of Wishek 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 (NDRF), 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 NDRF for its general liability, automobile and public assets insurance coverage. The coverage by NDRF is limited to losses of \$2,000,000 per occurrence for general liability and automobile; and \$517,116 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 \$390,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

Note 9 PENSION PLAN

The city provides benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The city matches up to 4% of the employees salary, which was capped as of 1986. Employees may contribute any additional amount. City contributions to the plan were \$12,718.00 during 2015 and \$6,584.70 during 2014.

CITY OF WISHEK
Wishek, 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	111,358.00	111,358.00	95,213.01	(16,144.99)
Special Assessments			2,182.23	2,182.23
Licenses, Permits and Fees	7,000.00	7,000.00	17,861.21	10,861.21
Intergovernmental	92,000.00	92,000.00	124,916.10	32,916.10
Charges for Services	18,500.00	18,500.00	31,268.42	12,768.42
Miscellaneous	30,100.00	30,100.00	22,591.45	(7,508.55)
Total Revenues	258,958.00	258,958.00	294,032.42	35,074.42
<u>Expenditures:</u>				
Current:				
General Government	144,700.00	144,700.00	132,704.20	11,995.80
Public Safety	190,500.00	190,500.00	161,654.27	28,845.73
Streets and Public Works	37,200.00	37,200.00	24,302.93	12,897.07
Other	10,400.00	10,400.00		10,400.00
Capital Outlay			48,759.00	(48,759.00)
Total Expenditures	382,800.00	382,800.00	367,420.40	15,379.60
Excess (Deficiency) of Revenues Over Expenditures	(123,842.00)	(123,842.00)	(73,387.98)	50,454.02
<u>Other Financing Sources:</u>				
Transfers In			23,998.79	23,998.79
Net Change in Fund Balances	(123,842.00)	(123,842.00)	(49,389.19)	74,452.81
Fund Balance - January 1	254,593.00	254,593.00	254,593.00	
Fund Balance - December 31	130,751.00	130,751.00	205,203.81	74,452.81

CITY OF WISHEK
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	92,403.00	92,403.00	102,166.57	9,763.57
Special Assessments			1,335.22	1,335.22
Licenses, Permits and Fees	7,400.00	7,400.00	15,098.03	7,698.03
Intergovernmental	91,400.00	91,400.00	109,117.82	17,717.82
Charges for Services	18,500.00	18,500.00	19,053.52	553.52
Fines and Forfeitures	800.00	800.00	512.00	(288.00)
Miscellaneous	28,100.00	28,100.00	65,391.55	37,291.55
Total Revenues	238,603.00	238,603.00	312,674.71	74,071.71
<u>Expenditures:</u>				
Current:				
General Government	160,365.00	160,365.00	110,309.39	50,055.61
Public Safety	140,500.00	140,500.00	135,341.38	5,158.62
Streets and Public Works	32,200.00	32,200.00	26,411.76	5,788.24
Other	10,400.00	10,400.00		10,400.00
Total Expenditures	343,465.00	343,465.00	272,062.53	71,402.47
Excess (Deficiency) of Revenues Over Expenditures	(104,862.00)	(104,862.00)	40,612.18	145,474.18
<u>Other Financing Sources:</u>				
Transfers In			4,098.09	4,098.09
Net Change in Fund Balances	(104,862.00)	(104,862.00)	44,710.27	149,572.27
Fund Balance - January 1	209,882.73	209,882.73	209,882.73	
Fund Balance - December 31	105,020.73	105,020.73	254,593.00	149,572.27

CITY OF WISHEK
 Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	20,200.00	20,200.00	49,269.67	29,069.67
Miscellaneous	25,200.00	25,200.00	27,376.29	2,176.29
Total Revenues	45,400.00	45,400.00	76,645.96	31,245.96
<u>Expenditures:</u>				
Current:				
Public Safety	4,500.00	4,500.00	6,000.00	(1,500.00)
Net Change in Fund Balances	40,900.00	40,900.00	70,645.96	29,745.96
Fund Balance - January 1	83,661.67	83,661.67	83,661.67	
Fund Balance - December 31	124,561.67	124,561.67	154,307.63	29,745.96

CITY OF WISHEK
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	18,635.00	18,635.00	37,872.30	19,237.30
Miscellaneous	25,200.00	25,200.00	23,100.00	(2,100.00)
Total Revenues	43,835.00	43,835.00	60,972.30	17,137.30
<u>Expenditures:</u>				
<u>Current:</u>				
Public Safety	4,500.00	4,500.00	4,500.00	
Net Change in Fund Balances	39,335.00	39,335.00	56,472.30	17,137.30
Fund Balance - January 1	27,189.37	27,189.37	27,189.37	
Fund Balance - December 31	66,524.37	66,524.37	83,661.67	17,137.30

CITY OF WISHEK
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	104,000.00	104,000.00	75,969.51	(28,030.49)
Charges for Services	1,500.00	1,500.00	400.00	(1,100.00)
Total Revenues	105,500.00	105,500.00	76,369.51	(29,130.49)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	90,000.00	90,000.00	92,533.21	(2,533.21)
Debt Service:				
Principal			18,037.86	(18,037.86)
Interest and Service Charges			3,050.47	(3,050.47)
Total Expenditures	90,000.00	90,000.00	113,621.54	(23,621.54)
Net Change in Fund Balances	15,500.00	15,500.00	(37,252.03)	(52,752.03)
Fund Balance - January 1	38,074.64	38,074.64	38,074.64	
Fund Balance - December 31	53,574.64	53,574.64	822.61	(52,752.03)

CITY OF WISHEK
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Intergovernmental	103,000.00	103,000.00	80,559.17	(22,440.83)
Charges for Services	600.00	600.00	4,095.85	3,495.85
Total Revenues	103,600.00	103,600.00	84,655.02	(18,944.98)
<u>Expenditures:</u>				
Current:				
Streets and Public Works	100,000.00	100,000.00	97,268.51	2,731.49
Capital Outlay	60,000.00	60,000.00	136,040.00	(76,040.00)
Total Expenditures	160,000.00	160,000.00	233,308.51	(73,308.51)
Excess (Deficiency) of Revenues Over Expenditures	(56,400.00)	(56,400.00)	(148,653.49)	(92,253.49)
<u>Other Financing Sources:</u>				
Proceeds from Loan			96,040.00	96,040.00
Net Change in Fund Balances	(56,400.00)	(56,400.00)	(52,613.49)	3,786.51
Fund Balance - January 1	90,688.13	90,688.13	90,688.13	
Fund Balance - December 31	34,288.13	34,288.13	38,074.64	3,786.51

CITY OF WISHEK
Wishek, 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	135,000.00	135,000.00	159,210.13	24,210.13
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	80,000.00	80,000.00	79,605.06	394.94
Culture and Recreation	50,000.00	50,000.00	66,335.44	(16,335.44)
Other	5,000.00	5,000.00	13,204.84	(8,204.84)
Total Expenditures	135,000.00	135,000.00	159,145.34	(24,145.34)
Net Change in Fund Balances			64.79	64.79
Fund Balance - January 1	33,992.33	33,992.33	33,992.33	
Fund Balance - December 31	33,992.33	33,992.33	34,057.12	64.79

CITY OF WISHEK
Wishek, North Dakota

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Taxes	145,000.00	145,000.00	156,580.84	11,580.84
<u>Expenditures:</u>				
Current:				
Urban and Economic Development	70,000.00	70,000.00	71,774.45	(1,774.45)
Culture and Recreation	60,000.00	60,000.00	59,811.08	188.92
Other	15,000.00	15,000.00	11,963.37	3,036.63
Total Expenditures	145,000.00	145,000.00	143,548.90	1,451.10
Net Change in Fund Balances			13,031.94	13,031.94
Fund Balance - January 1	20,960.39	20,960.39	20,960.39	
Fund Balance - December 31	20,960.39	20,960.39	33,992.33	13,031.94

CITY OF WISHEK
Wishek, North Dakota

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

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

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

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

Note 2 LEGAL COMPLIANCE

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

Excess of Actual Expenditures Over Budget

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

	2015	2014
<u>Special Revenue Funds</u>		
Ambulance	1,500.00	
Highway Tax Distribution	23,621.54	73,308.51
Sales Tax	24,145.34	
Armory	1,188.00	594.00
Advertising	1,296.39	
Cemetery	5,161.66	
* Wishek Sign	208.65	
 <u>Debt Service Fund</u>		
Street Imp. Dist. 2004-1		427.36
Street Imp. Dist. 2013-1	1,183.00	

* A budget was not prepared for this fund.

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

CITY OF WISHEK
Wishek, 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
Major Governmental Funds						
<u>General Fund</u>						
General Operating	281,292.41	270,590.71	23,998.79		343,117.47	232,764.44
Street Lights	(26,699.41)	23,441.71			24,302.93	(27,560.63)
Total General Fund	254,593.00	294,032.42	23,998.79		367,420.40	205,203.81
Ambulance	83,661.67	76,645.96			6,000.00	154,307.63
Highway Tax Distribution	38,074.64	76,369.51			113,621.54	822.61
Sales Tax	33,992.33	159,210.13			159,145.34	34,057.12
Street Improvement 2013-1	349,215.06	40,969.58			60,783.00	329,401.64
Total Major Governmental Funds	759,536.70	647,227.60	23,998.79		706,970.28	723,792.81
<u>Non-Major Governmental Funds</u>						
Special Assessment Deficiency	14.18					14.18
Social Security	8,120.99	14,977.30		23,098.29		
Armory		14,251.00			14,251.00	
Lodging Tax	9,469.31	2,487.05			2,495.39	9,460.97
Advertising	2,848.97	447.92		900.50	2,396.39	
Special Projects Reserve	48,423.46	1,482.96			6,574.42	43,332.00
Building Renovation and Repair	9,308.05	3,895.55				13,203.60
Civic Center	140.89	0.71				141.60
Cemetery	35,103.97	10,190.57			5,161.66	40,132.88
Wishek Sign	2,975.02	2.52			208.65	2,768.89
Street Improvement 2004-1	76,021.30	47,487.07			65,615.00	57,893.37
Total Non-Major Governmental Funds	192,426.14	95,222.65		23,998.79	96,702.51	166,947.49
Total Governmental Funds	951,962.84	742,450.25	23,998.79	23,998.79	803,672.79	890,740.30
<u>Major Enterprise Funds</u>						
Water and Sewer	393,911.68	136,684.27			121,762.48	408,833.47
Garbage	135,490.63	114,284.64			110,068.88	139,706.39
Total Major Enterprise Funds	529,402.31	250,968.91			231,831.36	548,539.86
<u>Non-Major Enterprise Fund</u>						
Meter Deposit	2,907.51	750.82			2,033.33	1,625.00
Total Enterprise Funds	532,309.82	251,719.73			233,864.69	550,164.86

(continued)

CITY OF WISHEK
Wishek, North Dakota

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

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
<u>Agency Funds</u>						
Library		5,326.75			5,326.75	
Airport Authority		5,757.44			5,757.44	
Job Development Authority		5,326.54			5,326.54	
Total Agency Funds		16,410.73			16,410.73	
Total Primary Government	1,484,272.66	1,010,580.71	23,998.79	23,998.79	1,053,948.21	1,440,905.16
<u>Discretely Presented</u>						
<u>Component Units</u>						
Library	14,076.12	7,737.15			7,771.34	14,041.93
Airport Authority	18,846.63	88,559.05			81,192.63	26,213.05
Job Development Authority	151,513.59	98,931.66			73,585.61	176,859.64
Total Discretely Presented						
Component Units	184,436.34	195,227.86			162,549.58	217,114.62
Total Reporting Entity	1,668,709.00	1,205,808.57	23,998.79	23,998.79	1,216,497.79	1,658,019.78

CITY OF WISHEK
Wishek, North Dakota

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

	Balance 1-1-14	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-14
Major Governmental Funds						
<u>General Fund</u>						
General Operating	229,223.90	293,621.19	4,098.09		245,650.77	281,292.41
Street Lights	(19,341.17)	19,053.52			26,411.76	(26,699.41)
Total General Fund	209,882.73	312,674.71	4,098.09		272,062.53	254,593.00
Ambulance	27,189.37	60,972.30			4,500.00	83,661.67
Highway Tax Distribution	90,688.13	84,655.02			137,268.51	38,074.64
Sales Tax	20,960.39	156,580.84			143,548.90	33,992.33
Street Improvement 2013-1		843,815.21			494,600.15	349,215.06
Total Major Governmental Funds	348,720.62	1,458,698.08	4,098.09		1,051,980.09	759,536.70
<u>Non-Major Governmental Funds</u>						
Special Assessment Deficiency	14.18					14.18
Social Security	10,184.56	16,533.23			18,596.80	8,120.99
Armory		13,657.00			13,657.00	
Lodging Tax	8,733.47	3,090.59			2,354.75	9,469.31
Advertising	2,695.14	1,119.35			965.52	2,848.97
Special Projects Reserve	51,395.84	1,331.28			4,303.66	48,423.46
Building Renovation and Repair Civic Center	8,690.31	3,839.83		3,222.09		9,308.05
Cemetery	139.03	1.86				140.89
Cemetery	35,475.12	504.85		876.00		35,103.97
Wishek Sign	2,470.00	505.02				2,975.02
Street Improvement 2004-1	98,753.36	53,355.30			76,087.36	76,021.30
Total Non-Major Governmental Funds	218,551.01	93,938.31		4,098.09	115,965.09	192,426.14
Total Governmental Funds	567,271.63	1,552,636.39	4,098.09	4,098.09	1,167,945.18	951,962.84
<u>Major Enterprise Funds</u>						
Water and Sewer	461,815.65	117,916.52			185,820.49	393,911.68
Garbage	118,694.39	103,718.87			86,922.63	135,490.63
Total Major Enterprise Funds	580,510.04	221,635.39			272,743.12	529,402.31
<u>Non-Major Enterprise Fund</u>						
Meter Deposit	3,328.91	1,100.00			1,521.40	2,907.51
Total Enterprise Funds	583,838.95	222,735.39			274,264.52	532,309.82

(continued)

CITY OF WISHEK
Wishek, North Dakota

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

	Balance 1-1-14	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-14
<u>Agency Funds</u>						
Library		4,682.92			4,682.92	
Airport Authority		5,274.60			5,274.60	
Job Development Authority		4,670.96			4,670.96	
Total Agency Funds		14,628.48			14,628.48	
Total Primary Government	1,151,110.58	1,790,000.26	4,098.09	4,098.09	1,456,838.18	1,484,272.66
<u>Discretely Presented</u>						
<u>Component Units</u>						
Library	11,562.93	8,310.80			5,797.61	14,076.12
Airport Authority	8,960.00	59,566.78			49,680.15	18,846.63
Job Development Authority	146,170.97	103,666.83			98,324.21	151,513.59
Total Discretely Presented Component Units	166,693.90	171,544.41			153,801.97	184,436.34
Total Reporting Entity	1,317,804.48	1,961,544.67	4,098.09	4,098.09	1,610,640.15	1,668,709.00

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

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Wishek
Wishek, 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 Wishek, Wishek, North Dakota, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the city's basic financial statements, and have issued our report thereon dated June 24, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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



Rath and Mehrer, P.C.

Bismarck, North Dakota

June 24, 2016

CITY OF WISHEK
Wishek, North Dakota

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

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities	Unmodified-Modified Cash Basis
Business-Type Activities	Unmodified-Modified Cash Basis
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, 2015 and 2014 are prepared by the city's external auditors.

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

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

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

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

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Governing Board
City of Wishek
Wishek, North Dakota

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

* * * * *


REVIEW OF PLEDGE OF SECURITIES

Per our review of the governing board's minutes, we did not note a review of the pledge of securities. NDCC #21-04-11 requires the governing board to review the pledge of securities at least every six months to determine if security pledges are adequate or are needed to protect city deposits. We recommend the board review the pledge of securities semi-annually and such action should be noted in the minutes.

* * * * *

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

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



Rath and Mehrer, P.C.

June 24, 2016