

FINANCIAL STATEMENTS

CITY OF LANGDON
Langdon, North Dakota

For the Year Ended
DECEMBER 31, 2017

Prepared By

MORTENSON & RYGH
Certified Public Accountants
PO Box 287
Park River, North Dakota 58270

CITY OF LANGDON
 Langdon, North Dakota
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CITY OF LANGDON
Langdon, North Dakota
LIST OF OFFICIALS
Years Ended December 31, 2017

Charles Downs
Marty Tetrault
Lawrence Henry
Jim Rademacher
Cody Schlittenhard

RoxAnne Hoffarth

Quentin Wenzel

Mayor
Council Member
Council Member
Council Member
Council Member

City Auditor

City Attorney

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Langdon, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Langdon, North Dakota, as of and for the year ended December 31, 2017, 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. 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 financial statements.

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LANGDON

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STEPHEN

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P.O. BOX 45
Stephen, MN 56757
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Basis of Accounting

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Langdon, North Dakota's basic financial statements. The schedule of fund activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of fund activity and the schedule of expenditures of federal awards 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 the auditing standards generally accepted in the United States of America. In our opinion, the schedule of fund activity and schedule of expenditures of federal awards 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 September 25, 2018, on our consideration of the City of Langdon, North Dakota'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 of Langdon's internal control over financial reporting and compliance.



Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

September 25, 2018

BASIC FINANCIAL STATEMENTS

CITY OF LANGDON
Langdon, North Dakota
Statement of Net Position – Modified Cash Basis
December 31, 2017

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Airport
	Activities	Activities		
ASSETS:				
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 3,362,182	\$ 4,836,862	\$ 8,199,044	\$ 74,405
Total Current Assets	3,362,182	4,836,862	8,199,044	74,405
CAPITAL ASSETS:				
Capital Assets net of Accumulated Depreciation	2,277,609	5,369,443	7,647,052	675,771
Total Capital Assets	2,277,609	5,369,443	7,647,052	675,771
OTHER ASSETS:				
Loans Receivable	284,041	-	284,041	-
CDs Reserved for Debt Service	119,257	-	119,257	-
Interfund Balances	198,099	(198,099)	-	-
Total Other Assets	601,397	(198,099)	403,298	-
Total Assets	<u>\$ 6,241,187</u>	<u>\$ 10,008,207</u>	<u>\$ 16,249,395</u>	<u>\$ 750,176</u>
LIABILITIES AND NET POSITION:				
CURRENT LIABILITIES				
Current Maturity on Long Term Debt	\$ 192,126	\$ 60,961	\$ 253,087	\$ -
Total Current Liabilities	192,126	60,961	253,087	-
NON CURRENT LIABILITIES				
Loans	484,555	-	484,555	-
Bonds Payable	930,000	7,592,000	8,522,000	-
Less Amounts Due Within One Year	(192,126)	(60,961)	(253,087)	-
Total Non Current Liabilities	1,222,429	7,531,039	8,753,468	-
Total Liabilities	1,414,555	7,592,000	9,006,555	-
NET POSITION				
Net Investment in Capital Assets	1,793,054	1,126,395	2,919,449	675,771
Restricted for:				
Debt Service	262,881	189,569	452,450	-
Economic Development	468,595	-	468,595	-
Capital Projects	226,524	631,343	857,867	-
Infrastructure	339,563	-	339,563	-
Special Purpose	888,446	-	888,446	-
Landfill Post Closure Costs	-	21,911	21,911	-
Unrestricted	847,570	446,989	1,294,559	74,405
Total Net Position	<u>4,826,632</u>	<u>2,416,207</u>	<u>7,242,840</u>	<u>750,176</u>
Total Liabilities & Net Position	<u>\$ 6,241,187</u>	<u>\$ 10,008,207</u>	<u>\$ 16,249,395</u>	<u>\$ 750,176</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LANGDON
Langdon, North Dakota
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2017

Functions/Programs:	Disbursements	Program Revenues			Net (Disbursements) Receipts and Change in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities		Airport
						Total		
Government Activities:								
General Government	\$ 437,116	\$ 27,126	\$ -	\$ -	\$ (409,990)	\$ -	\$ (409,990)	
Public Safety	220,678	-	-	-	(220,678)	-	(220,678)	
Public Service	640,234	54,366	163,415	-	(422,452)	-	(422,452)	
Economic Development	98,372	-	-	-	(98,372)	-	(98,372)	
Interest Expense	58,920	-	-	-	(58,920)	-	(58,920)	
Total Government Activities	1,455,319	81,492	163,415	-	(1,210,412)	-	(1,210,412)	
Business Type Activities:								
Water Fund	747,759	898,184	-	-	-	150,425	150,425	
Garbage Fund	690,277	516,533	-	-	-	(173,744)	(173,744)	
Total Business Type Activities	1,438,036	1,414,717	-	-	-	(23,319)	(23,319)	
Total Primary Government	\$ 2,893,355	\$ 1,496,209	\$ 163,415	\$ -	\$ (1,210,412)	\$ (23,319)	\$ (1,233,731)	
Component Unit								
Airport	\$ 831,189	\$ 7,938	\$ -	\$ 726,668				\$ (96,583)
General Receipts:								
Taxes:								
Property taxes levied for general purpose					\$ 435,237	\$ -	\$ 435,237	\$ 48,678
Property taxes levied for debt service					111,490	-	111,490	-
Property taxes levied for special purpose					173,634	-	173,634	-
Sales Tax					474,935	-	474,935	-
Special Assessments					14,180	-	14,180	-
Other Taxes					42,186	-	42,186	-
Federal & State Aid not restricted to special purposes					123,004	-	123,004	-
Earnings on Investments					53,468	5,355	58,822	152
Sale of Capital Assets					20,300	-	20,300	-
Other Receipts					44,272	-	44,272	4,492
Total General Receipts					\$ 1,492,706	\$ 5,355	\$ 1,498,061	\$ 53,322
Transfers (Net)					178,803	(178,803)	-	-
Change in Net Position					461,097	(196,767)	264,331	(43,261)
Net Position - January 1					4,389,236	2,612,974	7,002,211	769,736
Restatements					(23,700)	-	(23,700)	23,700
Net Position - January 1 as Restated					4,365,536	2,612,974	6,978,511	793,436
Net Position - December 31					\$ 4,826,632	\$ 2,416,207	\$ 7,242,840	\$ 750,176

CITY OF LANGDON
Langdon, North Dakota
Balance Sheet - Governmental Fund Types – Modified Cash Basis
December 31, 2017

ASSETS:	General Fund	Sales Tax Tax	Street Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
CURRENT ASSETS						
Cash & Cash Equivalents	\$ 695,317	\$ 983,522	\$ 406,566	\$ 769,400	\$ 507,377	\$ 3,362,182
Total Current Assets	695,317	983,522	406,566	769,400	507,377	3,362,182
OTHER ASSETS & DEBITS						
Loans	-	284,041	-	-	-	284,041
CDs Reserved for Debt Service	-	-	-	119,257	-	119,257
Internal Balances	198,099	(45,000)	-	45,000	-	198,099
Total Other Assets & Debits	198,099	239,041	-	164,257	-	601,397
Total Assets	\$ 893,416	\$ 1,222,563	\$ 406,566	\$ 933,657	\$ 507,377	\$ 3,963,578
LIABILITIES AND FUND BALANCE:						
CURRENT LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	-	-	-	-	-	-
FUND BALANCE						
Non-Spendable	-	284,041	-	-	-	284,041
Restricted for:						
Debt Service	-	262,881	-	-	-	262,881
Economic Development	-	184,553	-	-	-	184,553
Capital Projects	-	151,524	-	-	75,000	226,524
Infrastructure	-	339,563	-	-	-	339,563
Other Special Purpose	49,503	-	406,566	-	432,377	888,446
Assigned	-	-	-	933,657	-	933,657
Unassigned	843,913	-	-	-	-	843,913
Total Fund Balance	893,416	1,222,563	406,566	933,657	507,377	3,963,578
Total Liabilities & Fund Balance	\$ 893,416	\$ 1,222,563	\$ 406,566	\$ 933,657	\$ 507,377	\$ 3,963,578

CITY OF LANGDON
Langdon, North Dakota
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position
Modified Cash Basis
Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balance - Governmental Funds	\$	3,963,578
Bonds Payable not recognized at fund level		(930,000)
Other Debt Payable not recognized at fund level		(484,555)
Capital Assets net of Accumulated Depreciation are not recognized at the fund level		2,277,609
Total Net Position - Governmental Activities	<u>\$</u>	<u>4,826,632</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LANGDON
Langdon, North Dakota
Statement of Receipts, Disbursements and Changes in Fund Balance – Modified Cash Basis
Governmental Funds
December 31, 2017

	General Fund	Sales Tax Fund	Street Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts:						
Property Tax	\$ 435,237	\$ -	\$ 146,393	\$ 111,490	\$ 27,241	\$ 720,361
Sales Tax	-	472,135	-	-	2,801	474,935
Special Assessments	-	-	-	-	14,180	14,180
Other Taxes	-	-	36,783	-	5,403	42,186
License, Permits & Fees	6,883	-	-	-	-	6,883
Charges for Services	27,126	-	10,659	-	43,707	81,492
Intergovernmental Sources	123,004	-	163,415	-	-	286,419
Earnings on Investments	22,607	4,701	1,956	4,533	19,669	53,468
Miscellaneous	22,589	-	4,089	-	31,010	57,689
Total Revenues	637,446	476,836	363,295	116,024	144,012	1,737,614
Disbursements:						
General Government	407,922	-	-	-	11,193	419,115
Public Safety	148,238	-	-	-	52,003	200,241
Public Service	5,555	-	403,228	-	126,153	534,936
Economic Development	-	98,372	-	-	-	98,372
Capital Outlay	-	24,000	69,500	-	-	93,500
Debt Service:						
Interest Expense	-	-	-	33,945	24,975	58,920
Principal	-	-	-	510,000	95,025	605,025
Total Disbursements	561,715	122,372	472,728	543,945	309,348	2,010,108
Excess Receipts over (under) Disbursements	75,732	354,464	(109,433)	(427,921)	(165,336)	(272,494)
Debt Proceeds	-	-	-	-	75,000	75,000
Interfund Transfers In	250,046	-	80,000	398,450	236,283	964,780
Interfund Transfers (Out)	(160,989)	(554,733)	-	(70,255)	-	(785,977)
Net Change in Fund Balance	164,789	(200,269)	(29,433)	(99,726)	145,947	(18,692)
Fund Balance - January 1	728,627	1,422,832	435,998	1,033,383	361,430	3,982,270
Fund Balance - December 31	\$ 893,416	\$ 1,222,563	\$ 406,566	\$ 933,657	\$ 507,377	\$ 3,963,578

The notes to the financial statements are an integral part of this statement.

CITY OF LANGDON
Langdon, North Dakota
**Reconciliation of Statement of Receipts, Disbursements and Changes in
Fund Balance Governmental Funds to Statement of Activities – Modified Cash Basis**
For the Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in Fund Balance - Governmental Funds \$ (18,692)

Governmental funds report capital outlays as expenses. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital capital outlays exceeded depreciation in the current period.

Capital Outlays	93,500
Depreciation	(143,737)

Governmental funds report proceeds from issuance of debt as a revenue. However, in the statement of activities debt proceeds are not recognized as they are recognized as an increase in debt on the statement of net assets. This is the amount of debt issued in the current year. (75,000)

Governmental funds report debt principle payments as an expense. However in the statement of activities debt principle is not expensed nor is the receipt of borrowed funds treated as income. This is the amount of debt principle paid during the year. 605,025

Change in Net Position of Governmental Activities	\$ 461,097
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CITY OF LANGDON
Langdon, North Dakota
Statement of Net Position – Enterprise Funds – Modified Cash Basis
December 31, 2017

	Water Fund	Garbage Fund	Total Enterprise Funds
ASSETS:			
CURRENT ASSETS			
Cash & Cash Equivalents	\$ 4,795,108	\$ 41,755	\$ 4,836,862
Internal Balances	-	(198,099)	(198,099)
Total Current Assets	4,795,108	(156,344)	4,638,764
NONCURRENT ASSETS			
Capital Assets net of Accumulated Depreciation	5,022,867	346,577	5,369,443
Total Noncurrent Assets	5,022,867	346,577	5,369,443
Total Assets	<u>\$ 9,817,974</u>	<u>\$ 190,233</u>	<u>\$ 10,008,207</u>
LIABILITIES AND NET POSITION:			
CURRENT LIABILITIES			
Current Portion of Long Term Debt	\$ 60,961	\$ -	\$ 60,961
Total Current Liabilities	60,961	-	60,961
NON CURRENT LIABILITIES			
Bonds Payable	7,592,000	-	7,592,000
Less Current Portion	(60,961)	-	(60,961)
Total Non Current Liabilities	7,531,039	-	7,531,039
Total Liabilities	7,592,000	-	7,592,000
NET POSITION:			
Invested in Capital Assets, net of related debt	977,917	148,478	1,126,395
Restricted for:			
Debt Service	189,569	-	189,569
Equipment & Projects	631,343	-	631,343
Landfill Post Closure Costs	-	21,911	21,911
Unrestricted Net Assets	427,145	19,844	446,989
Total Net Position	2,225,974	190,233	2,416,207
Total Liabilities & Net Position	<u>\$ 9,817,974</u>	<u>\$ 190,233</u>	<u>\$ 10,008,207</u>

The notes to the financial statements are an integral part of this statement.

CITY OF LANGDON
Langdon, North Dakota
Statement of Receipts, Disbursements and Changes in Net Position – Enterprise Funds
Modified Cash Basis
Year Ended December 31, 2017

	Water Fund	Garbage Fund	Total Enterprise Funds
Operating Receipts:			
Utility Sales	\$ 894,758	\$ 413,410	\$ 1,308,168
Other Charges for Services	3,426	103,122	106,549
Total Operating Receipts	\$ 898,184	\$ 516,533	\$ 1,414,717
Operating Disbursements:			
Salaries & Benefits	184,988	177,196	362,184
Operating Expenses	277,839	482,085	759,924
Depreciation	257,072	30,996	288,067
Total Operating Disbursements	\$ 719,899	\$ 690,277	\$ 1,410,176
Operating Income (Loss)	\$ 178,285	\$ (173,744)	\$ 4,541
Nonoperating Receipts (Disbursements):			
Investment Earnings	5,225	130	5,355
Bond Issuance Costs	(27,860)	-	(27,860)
Total Nonoperating Receipts (Disbursements)	\$ (22,635)	\$ 130	\$ (22,505)
Income (Loss) Before Transfers	\$ 155,650	\$ (173,615)	\$ (17,964)
Interfund Transfers In	989	-	989
Interfund Transfers (Out)	(179,791)	-	(179,791)
Change in Net Position	\$ (23,152)	\$ (173,615)	\$ (196,767)
Net Position January 1	2,249,127	363,848	2,612,974
Net Position December 31	\$ 2,225,974	\$ 190,233	\$ 2,416,207

The notes to the financial statements are an integral part of this statement.

CITY OF LANGDON
Langdon, North Dakota
Statement of Cash Flows – Enterprise Funds – Modified Cash Basis
Year Ended December 31, 2017

	Water Fund	Garbage Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from Customers	\$ 898,184	\$ 516,533	\$ 1,414,717
Payments to Employees	(184,988)	(177,196)	(362,184)
Payments to Suppliers	(277,839)	(482,085)	(759,924)
Total Cash Flows from Operating Act.	435,357	(142,749)	292,608
Cash Flows from Noncapital			
Financing Activities			
Transfers In	989	-	989
Transfers (Out)	(179,791)	-	(179,791)
(Inc.)/Decrease in Due from Other Funds	-	198,099	198,099
Total Cash Flows from Noncapital			
Financial Activities	(178,803)	198,099	19,296
Cash Flows from Capital and Related			
Financing Activities			
Bond Issuance Costs	(27,860)	-	(27,860)
Inc./Decrease in Bonds Payable	2,786,000	-	2,786,000
Total Cash Flows from Capital and			
Related Financing Activities	2,758,140	-	2,758,140
Cash Flows From Investing Activities			
Earnings on Investments	5,225	130	5,355
Decrease in CDs for Debt Service	56,584	-	56,584
Purchases of Capital Assets	(3,254,506)	(15,220)	(3,269,726)
Total Cash Flows From Investing Act.	(3,192,697)	(15,091)	(3,207,788)
Net Increase (Decrease) in Cash & Cash Equivalents	\$ (178,003)	\$ 40,260	\$ (137,744)
Cash and Cash Equivalents - January 1	4,973,112	1,495	4,974,607
Cash and Cash Equivalents - Dec. 31	\$ 4,795,108	\$ 41,755	\$ 4,836,863
Reconciliation of Operating Income to Net			
Cash Provided by Operating Activities			
Operating Income	\$ 178,285	\$ (173,744)	\$ 4,541
Adjustments to Reconcile Operating Income			
to Net Cash Provided by Operating Activities			
Depreciation Expense	257,072	30,996	288,067
Total Adjustments	\$ 257,072	\$ 30,996	\$ 288,067
Net Cash Provided/(Used) by			
Operating Activities	\$ 435,357	\$ (142,749)	\$ 292,608

The notes to the financial statements are an integral part of this statement.

CITY OF LANGDON
Langdon, North Dakota
Notes to the Financial Statements
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Langdon, North Dakota, was incorporated under the laws of the State of North Dakota and operates under a home rule form of government. The accounting policy of the City of Langdon, North Dakota, is to maintain the accounting records on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

For financial reporting purposes, the City of Langdon's primary government includes all funds, account groups, elected officials, departments, boards, commissions, and authorities that make up the city's legal entity. The City's reporting entity also is comprised of its component units, legally separate organizations for which the City's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14 "The Financial Reporting Entity". The criteria includes appointing a voting majority of an organization's governing board 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 upon the application of these criteria, the component units discussed below are included within the City's reporting entity because of the significance of the operational or financial relationships with the City.

BLENDDED COMPONENT UNITS – None

DISCRETELY PRESENTED COMPONENT UNITS –

Langdon Airport Authority – The Langdon Airport Authority manages the local airport facility. The authority's board is appointed by the City Commission. The authority is fiscally dependent upon the city because the City Commission levies taxes.

The City's basic financial statements include all of City operations. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from City of Langdon.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to entities or individuals who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues, as are internally dedicated resources.

The fund financial statements provide information about the City's funds. Separate financial statements for each fund category, governmental, proprietary, and fiduciary funds, are presented. Major individual governmental and major individual proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide and proprietary financial statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The basis recognizes assets, liabilities, net position, revenues, and expenditures when they result from cash transactions with a provision for depreciation in the government-wide statements, and proprietary financial statements. However, the business-like funds do recognize accounts receivable and associated revenues, and short term liabilities for payroll withholding. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Governmental funds are reported using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting. Only cash and cash equivalents, long term notes receivable, and inter-fund balances are generally included on their balance sheets; however, the governmental funds do recognize liabilities for payroll withholding. 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.

If the City utilized the basis of accounting recognized as generally accepted, the government-wide financials would be presented on the accrual basis of accounting. The fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for business-like fund types would use the accrual basis of accounting. As a result of the use of this modified cash basis of accounting, certain asset 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.

The City reports the following major governmental funds:

Governmental funds

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

Sales Tax Fund – This fund accounts for sales tax imposed on purchases in the City. Resources are to be spent on infrastructure and economic development.

Street Fund – This fund accounts for resources set aside for street repair and maintenance.

Debt Service Fund – This fund is used to accumulate resources dedicated to debt service and to retire corresponding debt issues as the interest and principal come due.

Proprietary funds:

Enterprise Funds – This account group provides basic utility service to the City residents. The fund group operates utility systems and borrows money for capital improvements through revenue bonds. Enterprise funds use the modified cash basis of accounting as defined below.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing or delivering goods in connection with the proprietary fund’s principal ongoing operations. The principal operating receipts of the City’s proprietary funds are charges to customers for goods and services. Operating disbursements for proprietary funds include the cost of sales and services, salaries, administrative expenses, and depreciation on capital assets. All other receipts or disbursements not meeting this definition are reported as non-operating.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources, as they are needed.

D. Cash and Investments

Cash includes amounts in demand deposits, money market accounts and certificates of deposit with maturity of three months or less. The investments consist of certificates of deposit, with a maturity date in excess of 90 days, stated at cost.

For purposes of the statement of cash flow, the enterprise funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

E. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical 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. Buildings & improvements, furniture & equipment, distribution systems and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Infrastructure	30-70
Vehicles and Machinery	3-10
Furniture and Equipment	3-15

F. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

G. Fund Balances and Net Position

Government-wide Financial Statements

Prior to GASB 63, amounts were reported as equity on the statement of net assets in three primary categories: invested in capital assets net of related debt, restricted, and unrestricted. Subsequent to GASB 63, the statement of net assets was changed to the statement of net position, and net assets equity was changed to net position. Net position is shown in three primary categories:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Restrictions of net position shown in the statement of net positions are due to constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net positions – All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statement

Beginning with fiscal year 2011, the City implemented GASB Statement 54, Fund Balance Reporting in Governmental Fund Types Definitions. The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the City is bound to honor them. The City first determines and reports non-spendable balances, then restricted, then committed, and so forth. The City’s governmental fund balances have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

Non-spendable fund balance – This category includes fund balance amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted fund balance – This category includes net fund resources that are subject to external constraints that have been placed on the use of resources either (a) imposed by creditors, grantors, contributors, or laws regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This category includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority, the City Council. The commitment can only be removed through the same action. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This category includes Governmental Fund balance that the town intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the City’s administration comprised of the City administrative council.

Unassigned fund balance – This category included the residual balances in the governmental fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

H. Interfund Transactions

Quasi-external transactions are accounted for as receipts or disbursements. Transactions that constitute reimbursements to a fund for receipts/disbursements initially made from it that are properly applicable to another fund, are recorded as disbursements in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

I. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The City’s governing board did not amend the budget during 2017.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with North Dakota statutes, the City maintains deposits in financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with a pledge of securities equal to 110% of the uninsured balance.

State statutes authorize the City to invest in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress,
- b) 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,
- c) Certificates of Deposit fully insured by the federal deposit insurance corporation or pledge of governmental securities,
- d) Obligations of the state.

The City's deposits at balance sheet date were entirely covered by federal depository insurance or pledge of governmental securities. Securities pledged were held by the District's agent in the District's name (Category II assets).

Custodial Credit Risk – This is the risk that deposits would be lost in the event of a bank failure. Deposits that exceed federal agency insurance limits are collateralized as stated above in accordance with state law. The City requires depository banks to furnish the City with periodic assurance of collateral coverage of district deposits.

B. Investments

Concentration of credit risk – The risk of loss due to the magnitude of investments in a single issuer. The City only invests in Certificates of Deposit wherein the issuer collateralizes the certificate with governmental securities.

Interest rate risk – The risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City only invests in Certificates of Deposit which are always purchased and redeemable at face value.

At year ended December 31, 2017, the City's carrying amount of deposits and CDs totaled \$8,392,606 and the bank balances totaled \$8,511,568. Of the bank balances, \$802,344 was covered by Federal Depository Insurance. The remaining bank balances totaling \$7,709,225 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 PENSION PLAN

The City of Langdon provides a Fortis/simplified employee pension (SEP) plan for the benefit of its employees. The plan is administered by Ameriprise Financial.

Description of Plan

Current terms of the plan provide that the City will contribute, as determined by the Governing Board, 6% of gross salaries for all full-time employees. There is no employee match requirement as it is the City's policy to be the sole contributor to the plan. Employees are immediately 100% vested. The plan is a defined contribution plan, and the district is only liable for current contributions.

The City of Langdon's contributions to the SEP for the fiscal years ending December 31, 2017, 2016, and 2015 were \$28,871, \$24,828, and \$28,860, respectively, which were the required contributions for those years.

NOTE 5 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 6 LONG-TERM LIABILITIES

During the year ended December 31, 2017, the following charges occurred in long-term liabilities:

	Balance 01/01/17	Paid	Borrowed	Balance 12/31/17
Governmental Activities:				
Sales Tax Revenue Refunding Bonds, Series 2012	\$ 440,000	(440,000)	-	\$ -
Refunding Improvement Bonds, Series 2012	1,000,000	(70,000)	-	930,000
Other Debt	504,580	(95,025)	75,000	484,555
Total Governmental Activities	\$ 1,944,580	\$ (605,025)	\$ 75,000	\$ 1,414,555
Business-Type Activities				
Loan Anticipation Revenue Bonds 2016	4,806,000	-	-	4,806,000
Water, Sewer, & Storm Sewer Improvement Bonds	-	-	2,786,000	2,786,000
Total Business-Type Activities	\$ 4,806,000	\$ -	\$ 2,786,000	\$ 7,592,000

Governmental Activities:

Special Assessment Bonds

\$1,295,000 Refunding Improvement Bonds, Series 2012

This issue refunded the \$1,630,000 USDA Rural Development loan. Principal payments are due annually and range from \$75,000 to \$55,000 through 2032; interest at .5% to 4%. The net present value savings is approximately \$139,067.

Total Special Assessment Bonds \$930,000

Revenue Bonds

\$795,000 Sales Tax Revenue Refunding Bonds, Series 2012

This issue refunded the \$825,000 Sales Tax Revenue Bonds, Series 2011. Principal payments are due annually and range from \$75,000 to 95,000 through 2021; interest at 1.0% to 2.1%

Total Revenue Bonds \$0

Other Debt

Farmers & Merchants Bank Loan

The city borrowed funds for the construction & remodel of the fire department shop. Interest rate at 3.5%

Balance on December 31, 2017 \$409,555

Rural Development Finance Corporation

The city borrowed funds to remodel the city hall building. Annual principal and interest payments of \$15,453 are due until maturity in 2022. Interest rate is 1%.

Balance on December 31, 2017 75,000

Total Other Debt \$484,555

Business-Type Activities:

Revenue Bonds

\$4,806,000 Loan Anticipation Temporary Revenue Bonds, Series 2016

Loan anticipation bond is from Starion Bond Services for temporary funding of ongoing water projects. Full principal and interest of 1.5% will be due May 1, 2018, at which time the City will receive a \$4,806,000 loan from the United States Department of Agriculture. See Note 16, subsequent event for estimated amortizations.

Balance on December 31, 2017 \$4,806,000

\$2,786,000 Water and Sewer Improvement Bonds, Series 2017

The city borrowed from USDA for water and sewer improvements. Principal and interest payments will begin in 2018, and payments are due annually until maturity in 2047. Interest rate is 2.75%.

Balance on December 31, 2017

\$2,786,000

Total Revenue Bonds

\$7,592,000

The annual debt service requirements for all long-term debt outstanding as of December 31, 2017 are as follows:

Governmental Activities				
Year Ending December 31	Special Assessment Bonds		Other Debt	
	Principal	Interest	Principal	Interest
2018	\$ 70,000	\$ 24,550	\$ 122,126	\$ 13,327
2019	65,000	23,675	126,094	9,359
2020	65,000	22,700	130,199	5,254
2021	65,000	21,725	90,835	1,237
2022	65,000	20,425	15,300	153
2023-2027	305,000	79,225	-	-
2028-2032	295,000	31,850	-	-
Total	\$ 930,000	\$ 224,150	\$ 484,555	\$ 29,329

Business-Type Activities		
Year Ending December 31	Revenue Bonds	
	Principal	Interest
2018	\$ 60,961	\$ 76,640
2019	148,907	153,060
2020	152,032	149,935
2021	155,227	146,740
2022	158,494	143,473
2023-2027	844,112	665,723
2028-2032	937,605	572,230
2033-2037	1,042,235	467,600
2038-2042	1,159,416	405,226
2043-2047	1,290,749	190,966
2048-2052	711,136	99,138
2053-2057	770,824	39,938
2058-2062	160,303	-
Total	\$ 7,592,000	\$ 3,110,670

NOTE 8 RISK MANAGEMENT

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

In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state Andover 2,000 political subdivisions. The City of Langdon pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile insurance and to \$537,690 for inland marine coverage.

The City of Langdon also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City of Langdon 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 two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the City of Langdon with blanket fidelity bond coverage in the amount of \$439,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City of Langdon has workers compensation with North Dakota Workforce Safety and Insurance. The city provides health insurance through Blue Cross/Blue Shield of North Dakota.

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

NOTE 9 COMPENSATED ABSENCES

Each continuous full-time employee is granted vacation benefits from 40 hours to 176 hours per year based on years of service. An employee must complete the first twelve months of continuous service prior to taking vacation. The maximum number of vacation hours that can be carried over at year-end is the total sum of hours earned that year to be used the following year. If an employee, through no fault of his/her own, cannot take vacation prior to December 31st, the department head and regulating Commissioner may approve a carry-over in excess of the maximum allowable carry-over pursuant to a written request. Additionally, each full-time employee is entitled to sick leave earned at the rate of one working day per month (96 hours per year) and up to 120 days (960 hours) of sick leave is the maximum accumulation. Upon termination, employees are not paid for any sick leave accumulated, but are paid for all vacation earned up to the date of separation.

The city does not report vested or accumulated leave for governmental funds or proprietary funds because the modified cash basis is used.

NOTE 10

CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2017:

Governmental Activities	01/01/2017				12/31/2017
	Balance	Restatement	Additions	Disposals	Balance
Land	\$ 70,300	\$ (20,000)	\$ -	\$ -	\$ 50,300
Construction in Progress	-	-	-	-	-
Buildings	2,764,980	(37,000)	24,000	-	2,751,980
Furniture & Equipment	672,841	-	-	-	672,841
Vehicles & Machinery	1,075,665	-	69,500	(34,500)	1,110,665
Total	\$ 4,583,786	\$ (57,000)	\$ 93,500	\$ (34,500)	\$ 4,585,786
Less: Accumulated Depreciation					
Buildings	\$(1,258,808)	\$ 33,300	\$ (50,740)	\$ -	\$ (1,276,248)
Furniture & Equipment	(176,770)	-	(41,562)	-	(218,331)
Vehicles & Machinery	(796,662)	-	(51,435)	34,500	(813,597)
Total	\$(2,232,240)	\$ 33,300	\$ (143,737)	\$ 34,500	\$ (2,308,176)
Capital Assets, Net	\$ 2,351,546	\$ (23,700)	\$ (50,237)	\$ -	\$ 2,277,609
Business-Type Activities	01/01/2017				12/31/2017
	Balance	Adjustment	Additions	Disposals	Balance
Land	\$ 80,020	\$ -	\$ -	\$ -	\$ 80,020
Construction in Progress	799,084	-	3,245,866	-	4,044,950
Buildings	2,445,125	-	-	-	2,445,125
Furniture & Equipment	4,395,326	-	23,861	-	4,419,187
Vehicles & Machinery	539,735	-	-	-	539,735
Total	\$ 8,259,289	\$ -	\$ 3,269,726	\$ -	\$ 11,529,016
Less: Accumulated Depreciation					
Buildings	\$(1,758,325)	\$ -	\$ (48,103)	\$ -	\$ (1,806,427)
Furniture & Equipment	(3,669,208)	-	(218,561)	-	(3,887,769)
Vehicles & Machinery	(443,973)	-	(21,404)	-	(465,376)
Total	\$(5,871,505)	\$ -	\$ (288,067)	\$ -	\$ (6,159,572)
Capital Assets, Net	\$ 2,387,784	\$ -	\$ 2,981,659	\$ -	\$ 5,369,443
Total Capital Assets	\$ 4,739,330	\$ (23,700)	\$ 2,931,423	\$ -	\$ 7,647,052

Langdon Airport Authority	01/01/2017				12/31/2017	
	Balance	Restatement	Additions	Disposals	Balance	
Land	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000	
Buildings	-	37,000	-	-	37,000	
Equipment	48,173	-	-	-	48,173	
Improvements	726,392	-	-	-	726,392	
Total	\$ 774,564	\$ 57,000	\$ -	\$ -	\$ 831,564	
Less: Accumulated Depreciation						
Buildings	\$ -	\$ (33,300)	\$ (1,850)	\$ -	\$ (35,150)	
Equipment	(14,088)	-	(3,649)	-	(17,738)	
Improvements	(78,692)	-	(24,213)	-	(102,905)	
Total	\$ (92,781)	\$ (33,300)	\$ (29,712)	\$ -	\$ (155,793)	
Capital Assets, Net	\$ 681,783	\$ 23,700	\$ (29,712)	\$ -	\$ 675,771	

Fixed assets have been restated for both governmental and airport assets. Land of \$20,000, buildings of \$37,000, and accumulated depreciation of buildings of \$33,300 were previously reported as governmental assets, but have been restated to be properly reflected as airport assets. See restatement footnote.

During 2017, depreciation expense was charged to the functions/programs of the City as follows:

	Government	Business
General Government	\$ 18,001	\$ -
Public Safety	20,437	-
Public Service	105,298	-
Water	-	257,072
Garbage	-	30,996
Total Depreciation Expense	\$ 143,737	\$ 288,067

NOTE 11 TRANSFERS

The operating transfers were as follows:

For the Year Ended: Fund	December 31, 2017	
	In	Out
General	\$ 250,046	\$ 240,989
Street Fund	158,789	-
Street Maintenance Fund	-	78,789
Vanguard Assessment Fund	80,000	-
Activity Center Fund	68,283	2,000
Activity Center Equipment Fund	2,000	-
Capital Improvement City Sales Tax	-	368,450
Economic Development City Sales Tax	-	15,000
Tax Relief City Sales Tax	-	61,283
Langdon Community Development Sales Tax	-	110,000
Phase IV SRF Bond Fund 2002	989	172,322
Phase IV SRF Bond Reserve Fund	-	7,470
Main Street Project Payoff Reserve	45,000	-
15th Ave Bond Sinking Fund	353,450	70,255
Water Fund	-	5,000
Water Equipment Reserve	5,000	-
Garbage Fund	133,598	-
Sanitation Reserve	-	133,598
Fire Department Fund	163,000	-
Fire Truck Reserve	5,000	-
	<u>\$ 1,265,156</u>	<u>\$ 1,265,156</u>

Transfers were made for cash management, fixed asset management needs, debt reserve requirements and debt service requirements.

NOTE 12 INTERFUND RECEIVABLES/PAYABLES

The City had the following interfund balances on December 31, 2017.

Fund	DUE FROM	DUE TO
General	\$ 198,099	\$ -
Capital Improvement City Sales Tax	-	15,000
Economic Development City Sales Tax	-	15,000
Tax Relief City Sales Tax	-	15,000
Main Street Project Payoff Reserve	45,000	-
Garbage Fund	-	21,505
Concrete Crushing	-	176,594
	<u>\$ 243,099</u>	<u>\$ 243,099</u>

The garbage and concrete crushing fund borrowed cash from the general fund for operating expenses. The amounts are expected to be paid back from future revenues.

A transfer of cash was made subsequent to year end to pay the amount owed to the sales tax fund from the main street project payoff reserve.

NOTE 13 ECONOMIC DEVELOPMENT LOANS

The city provides loans and grants to businesses for either startup costs or expansion costs. The Economic Development Corporation (EDC) receives application from various businesses. The EDC screens the applications then brings the applications to the governing board that either approves or denies the application. The city sets up a payment schedule with interest for the loans to be repaid. No allowance has been established for estimated uncollectible loans.

The following summarizes loan activity for the year ended December 31, 2017:

	<u>Balance</u> <u>1/1/2017</u>		<u>Loans</u> <u>Issued</u>		<u>Payment</u> <u>Received</u>		<u>Balance</u> <u>12/31/2017</u>
Economic Development Loans	\$ 310,965	\$	29,995	\$	(49,665)	\$	284,041

NOTE 14 CONSTRUCTION IN PROCESS

Water Supply Improvement and New Pump House

During 2016, the City began the first phase of a water project estimated to cost \$12,191,044. The project will to hook up the City of Langdon to the Devils Lake Water Treatment Plant and pipe water to the City of Langdon. The project also encompasses water system improvements within the City of Langdon.

Funding for the project will be as follows:

USDA Rural Development loan	\$4,806,000
USDA Rural Development grant	145,820
North Dakota State Water Commission grant	<u>7,239,224</u>
Total	\$12,191,044

As of December 31, 2017, the City has received loan proceeds of \$4,806,000 and construction in process relating to the project is \$3,461,136.

Water, Sewer, Storm Improvements

During 2017, the City began the first phase of a water, sewer, and storm improvement project estimated to cost \$5,000,000. The project improves water systems within the City of Langdon.

Funding for the project will be as follows:

USDA Rural Development loan	\$2,786,000
USDA Rural Development grant	<u>2,214,000</u>
Total	\$5,000,000

As of December 31, 2017, the City has received loan proceeds of \$2,876,000 and construction in process relating to the project is \$583,813.

NOTE 15 PRIOR PERIOD ADJUSTMENT

The fund balance in the general fund has been restated and reduced by \$23,700 to reflect airport land and a building that should have been reported as component unit assets instead of governmental assets. Accordingly, the fund balance in the airport component unit has been restated and increased by \$23,700 to reflect these assets.

NOTE 16 SUBSEQUENT EVENT

In May 2018, the City refinanced the \$4,806,000 Loan Anticipation Temporary Revenue Bonds in Note 6 with a \$4,806,000 loan from the United States Department of Agriculture (USDA) Rural Development (RD). The loan has a 1.625 percent interest rate, payable in annual payments of \$164,366 over 40 years. Future principal and interest payments are as follows:

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2019	86,269	78,098
2020	87,670	76,696
2021	89,095	75,271
2022	90,543	73,823
2023	92,014	72,352
2024-2028	482,991	338,839
2029-2033	523,530	298,300
2034-2038	567,472	254,358
2039-2043	615,102	206,728
2044-2044	666,730	155,100
2049-2053	722,692	99,138
2054-2058	781,892	39,938
Total	\$ 4,806,000	\$ 1,768,640

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual - General Fund
December 31, 2017

	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 444,318	\$ 435,237	\$ (9,081)
Licenses & Permits	7,380	6,883	(497)
Intergovernmental Sources	136,000	123,004	(12,996)
Earnings on Investments	3,800	22,607	18,807
Other Sources	33,450	49,716	16,266
Total Receipts	624,948	637,446	12,498
Disbursements:			
General Government	366,213	407,922	(41,709)
Public Safety	182,127	148,238	33,889
Public Service	5,000	5,555	(555)
Total Disbursements	553,340	561,715	(8,375)
Excess Receipts over (under) Disbursements	71,608	75,732	4,124
Interfund Transfers In (Out)	(160,000)	89,058	249,058
Excess Receipts over (under) Disbursements after Interfund Transfers	\$ (88,392)	\$ 164,789	\$ 253,181
Fund Balance - January 1	728,627	728,627	
Fund Balance - December 31	\$ 640,235	\$ 893,416	

The notes to the financial statements are an integral part of this statement.

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Sales Tax Fund
December 31, 2017

	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 358,000	\$ 472,135	\$ 114,135
Licenses & Permits	-	-	-
Intergovernmental Sources	-	-	-
Earnings on Investments	5,500	4,701	(799)
Other Sources	-	-	-
Total Receipts	363,500	476,836	113,336
Disbursements:			
Economic Development	161,000	98,372	62,628
Capital Outlay	-	24,000	(24,000)
Total Disbursements	161,000	122,372	38,628
Excess Receipts over (under) Disbursements	202,500	354,464	151,964
Interfund Transfers In (Out)	(192,850)	(554,733)	(361,883)
Excess Receipts over (under) Disbursements after Interfund Transfers	9,650	(200,269)	(209,919)
Fund Balance - January 1	1,422,832	1,422,832	
Fund Balance - December 31	\$ 1,432,482	\$ 1,222,563	

The notes to the financial statements are an integral part of this statement.

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Street Fund
December 31, 2017

	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 152,688	\$ 183,176	\$ 30,488
Charges for Services	9,700	10,659	959
Intergovernmental Sources	162,000	163,415	1,415
Earnings on Investments	650	1,956	1,306
Other Sources	500	4,089	3,589
Total Revenues	325,538	363,295	37,757
Disbursements:			
Public Service	391,867	403,228	(11,361)
Capital Outlay	5,000	69,500	(64,500)
Total Disbursements	396,867	472,728	(75,861)
Excess Receipts over (under) Disbursements	(71,329)	(109,433)	(38,104)
Interfund Transfers In (Out)	80,000	80,000	-
Excess Receipts over (under) Disbursements after Interfund Transfers	8,671	(29,433)	(38,104)
Fund Balance - January 1	435,998	435,998	
Fund Balance - December 31	\$ 444,669	\$ 406,566	

The notes to the financial statements are an integral part of this statement.

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Debt Service
December 31, 2017

	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 120,000	\$ 111,490	\$ (8,510)
Earnings on Investments	700	4,533	3,833
Total Revenues	120,700	116,024	(4,676)
Disbursements:			
Debt Service	195,185	543,945	(348,760)
Total Disbursements	195,185	543,945	(348,760)
Excess Receipts over (under) Disbursements	(74,485)	(427,921)	(353,436)
Interfund Transfers In (Out)	145,000	328,195	183,195
Excess Receipts over (under) Disbursements after Interfund Transfers	70,515	(99,726)	(170,241)
Fund Balance - January 1	1,033,383	1,033,383	
Fund Balance - December 31	\$ 1,103,898	\$ 933,657	

The notes to the financial statements are an integral part of this statement.

CITY OF LANGDON
Langdon, North Dakota
Notes to the Required Supplementary Information
December 31, 2017

The City follows these procedures in establishing the budgetary data reflected in the financial statement:

- a) The final budget must be adopted on or before October 7, and must be filed with the County Auditor by October 10. The budget may be amended during the year, except no amendment changing the taxes levied can be made after October 10.
- b) The City Council approves total budget appropriations only. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.)
- c) The budget amounts shown in the financial statements are the final authorized amounts.

The City does not prepare budgets for special assessment debt service funds. Assessments are certified to the county for collection. The City also has some non-major special revenue funds that do not have a tax levy and very minimal expenditures that are not budgeted. Management therefore does not prepare budget to actual comparisons for either the debt service or non-major special revenue fund groups.

The city auditor prepares a preliminary budget for the general and some of the special revenue funds on the cash basis of accounting. Because not all special revenue funds are budgeted, a budget to actual comparison of non-major special revenue funds is not done. The preliminary budget includes proposed expenditures and the means of financing them. The governing body reviews the preliminary budget, may make revisions and approve it on or before September 10. On or before October 10, a public hearing is held for taxpayers to discuss any budgeted items.

The governing body reviews the preliminary budget at the hearing, and may make revisions that do not increase the total budget and prepares the final budget. The governing board adopts an ordinance approving the tax levy requested in the final budget. The final budget is sent to the county auditor by October 10. No expenditure shall be made or liability incurred in excess of the appropriation, except for transfers as authorized by North Dakota Century Code Section 40-40-21. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10. At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance, except for a special appropriation that does not lapse until the work is completed.

Budgets are prepared on the cash basis of accounting which does not differ significantly from the modified cash method used for financial reporting.

The City of Langdon overspent their budget in the following funds for the 2017 year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$553,340	\$561,715	\$(8,375)
Street Fund	396,867	472,728	(75,861)
Debt Service Fund	195,185	543,945	(348,760)

State Law requires the city to amend its budget if at any point during the year they need to incur expenditures in excess of the budget for that fund. The city did not perform that required action. No remedial action is expected to be taken. The city does intend to amend budgets in future years as needed to comply with state statutes.

SUPPLEMENTARY INFORMATION

CITY OF LANGDON
Langdon, North Dakota
Schedule of Fund Activity
December 31, 2017

Governmental Funds	Balance 01/01/17	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12/31/17
Major Funds							
General	\$ 728,627	\$ 637,446	\$ 250,046	\$ -	\$ (160,989)	\$ (561,715)	\$ 893,416
Sales Tax Fund	1,422,832	476,836	-	-	(554,733)	(122,372)	1,222,563
Street Fund	435,998	363,295	80,000	-	-	(472,728)	406,566
Debt Service Fund	1,033,383	116,024	398,450	-	(70,255)	(543,945)	933,657
Total Major Funds	\$ 3,620,840	\$ 1,593,602	\$ 728,496	\$ -	\$ (785,977)	\$ (1,700,760)	\$ 3,456,201
Non-major Funds							
Social Security	\$ 2,166	\$ 1,088	\$ -	\$ -	\$ -	\$ (2,199)	\$ 1,056
Special Assessments	17,798	14,180	-	-	-	(8,733)	23,245
Advertising Fund	(1,233)	1,233	-	-	-	-	-
Unemployment Reserve	3,604	-	-	-	-	-	3,604
Activity Center	(5,677)	75,546	70,283	-	(2,000)	(125,699)	12,454
Forestry Fund	16,573	104	-	-	-	(210)	16,467
City Hall Improvement	-	-	-	75,000	-	-	75,000
Emergency Snow Removal	20,978	3,366	-	-	-	-	24,344
Fire Department	233,933	45,727	168,000	-	-	(172,003)	275,657
125th Celebration Fund	73,288	2,767	-	-	-	(505)	75,550
Total Non-major Funds	\$ 361,430	\$ 144,012	\$ 238,283	\$ 75,000	\$ (2,000)	\$ (309,348)	\$ 507,377
Total Governmental Funds	\$ 3,982,270	\$ 1,737,614	\$ 966,780	\$ 75,000	\$ (787,977)	\$ (2,010,108)	\$ 3,963,578
Enterprise Funds							
Major Funds							
Water Fund	\$ 2,249,127	\$ 903,410	\$ 989	\$ -	\$ (179,791)	\$ (747,759)	\$ 2,225,974
Garbage Fund	363,848	516,662	-	-	-	(690,277)	190,233
Total Major Funds	\$ 2,612,974	\$ 1,420,072	\$ 989	\$ -	\$ (179,791)	\$ (1,438,036)	\$ 2,416,207
Total Enterprise Funds	\$ 2,612,974	\$ 1,420,072	\$ 989	\$ -	\$ (179,791)	\$ (1,438,036)	\$ 2,416,207
Component Units							
Airport	\$ 793,436	\$ 787,928	\$ -	\$ -	\$ -	\$ (831,189)	\$ 750,176
Total Component Units	\$ 793,436	\$ 787,928	\$ -	\$ -	\$ -	\$ (831,189)	\$ 750,176
Total Reporting Entity	\$ 7,388,681	\$ 3,945,613	\$ 967,769	\$ 75,000	\$ (967,769)	\$ (4,279,332)	\$ 7,129,961

The notes to the financial statements are an integral part of this statement.



Accounting For Success

INDEPENDENT AUDITOR’S 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*

To the City Commission
City of Langdon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Langdon, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Langdon, North Dakota’s basic financial statements and have issued our report thereon dated September 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Langdon, North Dakota’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 City of Langdon, North Dakota’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Langdon, North Dakota’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2017-1, described in the accompanying schedule of findings and questioned costs to be a material weakness.

<p>CAVALIER</p> <p>206 Dakota Street West P.O. BOX 33 Cavalier, ND 58220 (701) 265-8644</p>	<p>PARK RIVER</p> <p>1203 Park Street East P.O. BOX 287 Park River, ND 58270 (701) 284-7616</p>	<p>LANGDON</p> <p>817 3rd Street FM Mall Langdon, ND 58249 (701) 256-3559</p>	<p>STEPHEN</p> <p>413 5th Street P.O. BOX 45 Stephen, MN 56757 (218) 478-2880</p>
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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. We consider deficiency 2017-2, described in the accompanying schedule of findings and questioned costs, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Langdon, North Dakota's financial statements are free from 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 audit, 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 of Langdon, North Dakota's Response to Findings

City of Langdon, North Dakota's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Langdon, North Dakota's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

September 25, 2018



Accounting For Success

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Commission
City of Langdon, North Dakota

Report on Compliance for Each Major Federal Program

We have audited the City of Langdon, North Dakota’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Langdon’s major federal programs for the year ended December 31, 2017. The City of Langdon’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Langdon’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with the modified cash basis of accounting; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 1 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Langdon’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Langdon’s compliance.

CAVALIER 206 Dakota Street West P.O. BOX 33 Cavalier, ND 58220 (701) 265-8644	PARK RIVER 1203 Park Street East P.O. BOX 287 Park River, ND 58270 (701) 284-7616	LANGDON 817 3rd Street FM Mall Langdon, ND 58249 (701) 256-3559	STEPHEN 413 5th Street P.O. BOX 45 Stephen, MN 56757 (218) 478-2880
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Opinion on Each Major Federal Program

In our opinion, the City of Langdon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the City of Langdon is responsible for establishing and maintaining effective internal control over compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Langdon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Langdon's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

September 25, 2018

CITY OF LANGDON
Langdon, North Dakota
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2017

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	TOTAL FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
DIRECT ASSISTANCE: RURAL DEVELOPMENT		
WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES*	10.760	\$ 3,245,866
TOTAL U.S. DEPARTMENT OF AGRICULTURE		3,245,866
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
DIRECT ASSISTANCE: FEDERAL AVIATION ADMINISTRATION		
AIRPORT IMPROVEMENT PROGRAM**	20.106	689,478
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		689,478
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 3,935,343

* Of this amount, the total of \$3,245,866 was expended for loan programs. Loan activity for the year was as follows:

	12/31/2016	PROCEEDS	PAYMENTS	12/31/17
Water, Sewer, Storm Improvement Project	\$ -	\$ 2,758,140	\$ -	\$ 2,758,140
Water Supply Improvement and New Pump House	4,806,000	-	-	4,806,000
Total	\$ 4,806,000	\$ 2,758,140	\$ -	\$ 7,564,140

**The airport is a discretely presented component unit of the City of Langdon, North Dakota.

CITY OF LANGDON
 Langdon, North Dakota
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 December 31, 2017

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Langdon, North Dakota for the year ended December 31, 2017. The schedule is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations 9CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported in the schedule have been reconciled and are in agreement with the amounts recorded in the accounting records from which the financial statements have been prepared.

NOTE 2 BASIS OF ACCOUNTING

Proprietary fund and component unit types account for the City's federal award activity. Expenditures in the schedule of expenditures of federal awards are recognized on the modified cash basis. The City's summary of significant accounting policies is presented in Note 1 in the City's basic financial statements. The City has not elected to use the 10% de minimis cost rate.

NOTE 3 LOAN PROGRAMS

As of December 31, 2017, the City's liability relating to the Water and Waste Disposal Systems for Rural Communities Loans (CFDA #10.760) is as follows:

	12/31/17
Water, Sewer, Storm Improvement Project	\$ 2,758,140
Water Supply Improvement and New Pump House	4,806,000
Total	\$ 7,564,140

NOTE 3 GRANT PROCEEDS

As of December 31, 2017, the City has not received any grant proceeds related to the Water and Waste Disposal Systems projects. See Note 14 to the financial statements.

The Airport Improvement Program projects received the following grants and matching contributions during 2017:

	Federal	State	Total
AIP Grant 3-38-0031-011-2015 Reconstruct Runway, Taxiway, Runway Lights	\$ 41,181	\$ -	\$ 41,181
AIP Grant 3-38-0031-012-2016 Rehabilitate Runway and Exit Taxiway	611,755	71,178	682,933
	\$ 652,936	\$ 71,178	\$ 724,114

NOTE 4 PROGRAM EXPENDITURES

Total expenditures for the Water and Waste Disposal Systems for Rural Communities are for the following projects:

Water, Sewer, Storm Improvement Project	\$ 461,813
Water Supply Improvement and New Pump House	<u>2,784,053</u>
Total	\$ <u>3,245,866</u>

Total expenditures for the Airport Improvement Program projects, including federal, state, and other sources, are as follows:

AIP Grant 3-38-0031-011-2015	
Reconstruct Runway, Taxiway, Runway Lights	\$ 51,434
AIP Grant 3-38-0031-012-2016	
Rehabilitate Runway and Exit Taxiway	<u>725,118</u>
	\$ <u>776,552</u>

CITY OF LANGDON
Langdon, North Dakota
SCHEDULE OF FINDINGS AND QUESTION COSTS
December 31, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:
Material weaknesses identified? X Yes No

Significant deficiencies identified not considered
to be material weaknesses? X Yes No

Noncompliance material to financial
Statements noted? Yes X No

Federal Awards

Internal control over major programs:
Material weakness identified? Yes X No

Significant deficiencies identified
that are not considered to be
material weakness? Yes X None reported

Type of auditor’s report issued on compliance for
major federal programs: Unmodified

Any audit findings disclosed that are required to
be reported in accordance with Section 510(a) of
Circular A-133? Yes X No

Identification of major federal programs:

10.760 Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between
type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Section II – Financial Statement Findings

2017-1 Segregation of Duties

Condition:

The City of Langdon, North Dakota has one city auditor responsible for most accounting functions and general ledger maintenance..

Effect:

Without adequate fraud risk programs and controls the City of Langdon exposes itself to risk of loss of assets, potential liabilities, and damage to reputation, whether due to error or fraud.

Cause:

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 of Langdon, North Dakota's financial condition.

Criteria:

The guidance relating to internal control is contained in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This framework includes discussions about the importance of adequate risk assessment, code of conduct, and background investigations. Proper internal accounting control dictates that sufficient accounting personnel should exist so that incompatible duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the City of Langdon, North Dakota.

Recommendation:

Due to the size and funding limitations of the entity, we understand that it is not feasible to obtain proper segregation of duties. However, if at any time, it becomes economically feasible and appropriate to add sufficient staff to segregate duties, we recommend that the City of Langdon do so. We further recommend that the entity implement any controls possible to separate the functions of approval posting of transactions, reconciliation, and custody of assets.

Client Response:

The governing board agrees with the recommendation. The governing board does approve and sign all checks from all bank accounts before release. The financial statements are also reviewed by the governing board.

2017-2 Financial Statement Preparation

Condition

Mortenson & Rygh assist the City's management in preparing financial statements and disclosures that are presented in accordance with the modified cash basis of accounting.

Effect

Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Cause

The City’s internal control system is not designed to provide for the preparation of the financial statements and accompanying notes to the financial statements.

Criteria

As a matter of internal control, management should be responsible and capable of preparing financial statements in conformity with generally accepted accounting principles.

Recommendation

Due to the size and funding limitations of the City, we understand that it is not feasible for the City to prepare its own financial statements. We recommend that the management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures. We further recommend that a responsible official review a current appropriate disclosure checklist or other guidance to ensure the financial statements contain all necessary disclosures.

Client Response

The City Council is aware of this condition, and will consider the risks and costs associated with financial statement preparation. The City will continue to request that Mortenson & Rygh assist with preparation of financial statements.

Section III – Federal Award Findings and Questioned Costs

None reported.