

**FINANCIAL STATEMENTS**

**CITY OF LANGDON**  
**Langdon, North Dakota**

*For the Year Ended*  
**DECEMBER 31, 2018**

Prepared By

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

**CITY OF LANGDON**  
Langdon, North Dakota  
**Table of Contents**  
December 31, 2018

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LIST OF OFFICIALS.....	1
INDEPENDENT AUDITOR'S REPORT .....	2
BASIC FINANCIAL STATEMENTS .....	5
Statement of Net Position – Modified Cash Basis .....	6
Statement of Activities – Modified Cash Basis .....	7
Balance Sheet - Governmental Fund Types – Modified Cash Basis .....	8
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position Modified Cash Basis .....	9
Statement of Receipts, Disbursements and Changes in Fund Balance – Modified Cash Basis Governmental Funds .....	10
Reconciliation of Statement of Receipts, Disbursements and Changes in Fund Balance Governmental Funds to Statement of Activities – Modified Cash Basis.....	11
Statement of Net Position – Enterprise Funds – Modified Cash Basis.....	12
Statement of Receipts, Disbursements and Changes in Net Position – Enterprise Funds Modified Cash Basis .....	13
Statement of Cash Flows – Enterprise Funds – Modified Cash Basis .....	14
Notes to the Financial Statements .....	15
REQUIRED SUPPLEMENTARY INFORMATION .....	31
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis Budget & Actual - General Fund .....	32
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis Budget & Actual – Sales Tax Fund .....	33
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis Budget & Actual – Street Fund.....	34
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis Budget & Actual – Debt Service .....	35
Notes to the Required Supplementary Information.....	37
SUPPLEMENTARY INFORMATION .....	39
Schedule of Fund Activity December 31, 2017 .....	40
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 .....	41
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE ..	43
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	45
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	46
SCHEDULE OF FINDINGS AND QUESTION COSTS.....	48

**CITY OF LANGDON**  
Langdon, North Dakota  
**LIST OF OFFICIALS**  
Years Ended December 31, 2018

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Charles Downs  
Jerry Nowatzki  
Marty Tetrault  
Lawrence Henry  
Jim Rademacher  
Cody Schlittenhard

RoxAnne Hoffarth

Quentin Wenzel

Mayor (January – May)  
Mayor (June – December)  
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, 2018, 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.

#### 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

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, 2018, 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.

The list of officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2019, 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 24, 2019

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LANGDON**  
**Langdon, North Dakota**  
**Statement of Net Position – Modified Cash Basis**  
**December 31, 2018**

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Airport
<b>ASSETS:</b>				
<b>CURRENT ASSETS</b>				
Cash & Cash Equivalents	\$ 3,592,777	\$ 1,627,406	\$ 5,220,183	\$ 115,326
Inventory	-	266,146	266,146	
Total Current Assets	3,592,777	1,893,552	5,486,329	115,326
<b>CAPITAL ASSETS:</b>				
Capital Assets Not Being Depreciated				
Land	50,300	80,020	130,320	20,000
Construction in Process	15,400	9,955,904	9,971,304	-
Capital Assets Being Depreciated				
Net of Accumulated Depreciation	2,123,656	956,119	3,079,775	626,059
Total Capital Assets	2,189,356	10,992,043	13,181,399	646,059
<b>OTHER ASSETS:</b>				
Loans Receivable	240,508	-	240,508	-
CDs Reserved for Debt Service	120,291	-	120,291	-
Net Interfund Balances	266,146	(266,146)	(0)	-
Total Other Assets	626,944	(266,146)	360,799	-
Total Assets	\$ 6,409,077	\$ 12,619,449	\$ 19,028,526	\$ 761,385
<b>LIABILITIES AND NET POSITION:</b>				
<b>CURRENT LIABILITIES</b>				
Current Maturity on Long Term Debt	\$ 191,094	\$ 86,269	\$ 277,363	\$ -
Total Current Liabilities	191,094	86,269	277,363	-
<b>NON CURRENT LIABILITIES</b>				
Loans	353,237	-	353,237	-
Bonds Payable	860,000	7,592,000	8,452,000	-
Less Amounts Due Within One Year	(191,094)	(86,269)	(277,363)	-
Total Non Current Liabilities	1,022,143	7,505,731	8,527,874	-
Total Liabilities	1,213,237	7,592,000	8,805,237	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	1,836,119	3,400,043	5,236,162	626,059
Restricted for:				
Debt Service	1,248,856	299,042	1,547,899	-
Economic Development	431,175	-	431,175	-
Capital Projects	489,361	660,765	1,150,127	-
Equipment	14,454	384,035	398,488	-
Public Works/Streets	501,258	-	501,258	-
Special Purpose	540,673	-	540,673	-
Landfill Post Closure Costs	-	29,970	29,970	-
Unrestricted	133,944	253,594	387,538	135,326
Total Net Position	5,195,840	5,027,449	10,223,289	761,385
Total Liabilities & Net Position	\$ 6,409,077	\$ 12,619,449	\$ 19,028,526	\$ 761,385



**CITY OF LANGDON**  
**Langdon, North Dakota**  
**Statement of Activities – Modified Cash Basis**  
**Year Ended December 31, 2018**

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		Airport
						Activities	Activities	
<b>Government Activities:</b>								
General Government	\$ 300,967	\$ 35,023	\$ -	\$ 9,352	\$ (256,593)	\$ -	\$ (256,593)	
Public Safety	300,589	-	29,018	-	(271,572)	-	(271,572)	
Public Service	582,790	103,573	181,085	-	(298,132)	-	(298,132)	
Economic Development	101,478	-	-	-	(101,478)	-	(101,478)	
Interest Expense	29,185	-	-	-	(29,185)	-	(29,185)	
<b>Total Government Activities</b>	<b>1,315,009</b>	<b>138,596</b>	<b>210,103</b>	<b>9,352</b>	<b>(956,959)</b>	<b>-</b>	<b>(956,959)</b>	
<b>Business Type Activities:</b>								
Water Fund	831,920	895,386	-	2,312,174	-	2,375,640	2,375,640	
Garbage Fund	480,109	484,338	-	-	-	4,229	4,229	
<b>Total Business Type Activities</b>	<b>1,312,028</b>	<b>1,379,724</b>	<b>-</b>	<b>2,312,174</b>	<b>-</b>	<b>2,379,869</b>	<b>2,379,869</b>	
<b>Total Primary Government</b>	<b>\$ 2,627,037</b>	<b>\$ 1,518,320</b>	<b>\$ 210,103</b>	<b>\$ 2,321,525</b>	<b>\$ (956,959)</b>	<b>\$ 2,379,869</b>	<b>\$ 1,422,910</b>	
<b>Component Unit</b>								
Airport	\$ 218,504	\$ 12,808	\$ -	\$ 168,720				\$ (36,976)

**General Receipts:**

Taxes:

Property taxes levied for general purpose	\$ 473,356	\$ -	\$ 473,356	\$ 48,033
Property taxes levied for debt service	107,985	-	107,985	-
Property taxes levied for special purpose	156,124	-	156,124	-
Sales Tax	455,312	-	455,312	-
Special Assessments	5,660	-	5,660	-
Federal & State Aid not restricted to special purposes	139,059	-	139,059	-
Earnings on Investments	30,225	4,764	34,989	153
Sale of Capital Assets	7,268	-	7,268	-
Other Receipts	1,192	-	1,192	-

Total General Receipts	\$ 1,376,181	\$ 4,764	\$ 1,380,945	\$ 48,186
Transfers (Net)	(50,015)	50,015	-	-
Change in Net Position	369,207	2,434,648	2,803,855	11,209
<b>Net Position - January 1</b>	<b>4,826,632</b>	<b>2,416,207</b>	<b>7,242,840</b>	<b>750,176</b>
<b>Restatements</b>	<b>-</b>	<b>176,594</b>	<b>176,594</b>	<b>-</b>
<b>Net Position - January 1 as Restated</b>	<b>4,826,632</b>	<b>2,592,801</b>	<b>7,419,434</b>	<b>750,176</b>
<b>Net Position - December 31</b>	<b>\$ 5,195,840</b>	<b>\$ 5,027,448</b>	<b>\$ 10,223,289</b>	<b>\$ 761,385</b>

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

**CITY OF LANGDON**  
Langdon, North Dakota  
**Balance Sheet - Governmental Fund Types – Modified Cash Basis**  
December 31, 2018

	General Fund	Sales Tax Tax	Street Fund	Debt Service Fund	Activity Center Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
<b>CURRENT ASSETS</b>							
Cash & Cash Equivalents	\$ 782,553	\$ 962,778	\$501,258	\$ 786,269	\$ 14,454	\$ 545,465	\$ 3,592,777
Total Current Assets	782,553	962,778	501,258	786,269	14,454	545,465	3,592,777
<b>OTHER ASSETS &amp; DEBITS</b>							
Loans Receivable	-	240,508	-	-	-	-	240,508
CDs Reserved for Debt Service	-	-	-	120,291	-	-	120,291
Due from Other Funds	275,815	-	-	45,000	-	-	320,815
Total Other Assets & Debits	275,815	240,508	-	165,291	-	-	681,614
<b>Total Assets</b>	<b>\$1,058,368</b>	<b>\$1,203,286</b>	<b>\$501,258</b>	<b>\$ 951,560</b>	<b>\$ 14,454</b>	<b>\$ 545,465</b>	<b>\$ 4,274,391</b>
<b>LIABILITIES AND FUND BALANCE:</b>							
<b>CURRENT LIABILITIES</b>							
Due to Other Funds	\$ -	\$ 45,000	\$ -	\$ -	\$ -	\$ 9,670	\$ 54,670
Total Current Liabilities	-	45,000	-	-	-	9,670	54,670
<b>FUND BALANCE</b>							
Non-Spendable	-	240,508	-	-	-	-	240,508
Restricted for:							
Debt Service	-	297,297	-	951,560	-	-	1,248,856
Economic Development	-	190,667	-	-	-	-	190,667
Capital Projects/Infrastructure	-	429,814	-	-	-	59,547	489,361
Public Works/Streets	-	-	501,258	-	-	-	501,258
Other Special Purpose	54,755	-	-	-	14,454	485,918	555,126
Unassigned	1,003,614	-	-	-	-	-	1,003,614
Negative Fund Balances	-	-	-	-	-	(9,670)	(9,670)
<b>Total Fund Balance</b>	<b>1,058,368</b>	<b>1,158,286</b>	<b>501,258</b>	<b>951,560</b>	<b>14,454</b>	<b>535,795</b>	<b>4,219,721</b>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$1,058,368</b>	<b>\$1,203,286</b>	<b>\$501,258</b>	<b>\$ 951,560</b>	<b>\$ 14,454</b>	<b>\$ 545,465</b>	<b>\$ 4,274,391</b>

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

**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, 2018

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

Total Fund Balance - Governmental Funds	\$ 4,219,721
Bonds Payable not recognized at fund level	(860,000)
Other Debt Payable not recognized at fund level	(353,237)
Capital Assets net of Accumulated Depreciation are not recognized at the fund level	2,189,356
Total Net Position - Governmental Activities	<u>\$ 5,195,840</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, 2018

	General Fund	Sales Tax Fund	Street Fund	Debt Service Fund	Activity Center Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>							
Property Tax	\$ 473,356	\$ -	\$ 129,797	\$ 107,985	\$ -	\$ 26,327	\$ 737,466
Sales Tax	-	452,625	-	-	2,688	-	455,312
Special Assessments	-	-	-	-	-	5,660	5,660
License, Permits & Fees	6,438	-	-	-	-	-	6,438
Charges for Services	28,585	-	37,740	-	65,833	-	132,158
Intergovernmental Sources	133,837	-	166,835	-	5,221	24,457	330,351
Earnings on Investments	17,608	3,248	1,685	4,968	-	2,717	30,225
Miscellaneous	8,230	-	194	-	14,250	13,947	36,622
<b>Total Revenues</b>	<b>668,055</b>	<b>455,872</b>	<b>336,252</b>	<b>112,953</b>	<b>87,992</b>	<b>73,108</b>	<b>1,734,231</b>
<b>Disbursements:</b>							
General Government	281,268	-	-	-	-	1,698	282,966
Public Safety	249,884	-	-	-	-	30,242	280,126
Public Service	4,950	-	299,660	-	162,432	3,333	470,376
Economic Development	-	101,478	-	-	-	-	101,478
<b>Capital Outlay</b>	<b>-</b>	<b>6,216</b>	<b>21,899</b>	<b>-</b>	<b>-</b>	<b>34,510</b>	<b>62,625</b>
<b>Debt Service:</b>							
Interest Expense	-	3,385	-	25,050	-	750	29,185
Principal	-	116,615	-	70,000	-	14,703	201,318
<b>Total Disbursements</b>	<b>536,102</b>	<b>227,694</b>	<b>321,559</b>	<b>95,050</b>	<b>162,432</b>	<b>85,237</b>	<b>1,428,074</b>
Excess Receipts over (under) Disbursements	131,953	228,178	14,693	17,903	(74,440)	(12,129)	306,158
Interfund Transfers In	193,000	-	80,000	-	76,440	53,000	402,440
Interfund Transfers (Out)	(160,000)	(292,455)	-	-	-	-	(452,455)
<b>Net Change in Fund Balance</b>	<b>164,953</b>	<b>(64,277)</b>	<b>94,693</b>	<b>17,903</b>	<b>2,000</b>	<b>40,871</b>	<b>256,143</b>
<b>Fund Balance - January 1</b>	<b>893,416</b>	<b>1,222,563</b>	<b>406,566</b>	<b>933,657</b>	<b>12,454</b>	<b>494,924</b>	<b>3,963,578</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,058,368</b>	<b>\$ 1,158,286</b>	<b>\$ 501,258</b>	<b>\$ 951,560</b>	<b>\$ 14,454</b>	<b>\$ 535,795</b>	<b>\$ 4,219,721</b>

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, 2018

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

<b>Net change in Fund Balance - Governmental Funds</b>	\$	256,143
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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	59,225
	Depreciation	(147,478)

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.

201,318

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>369,207</u></b>
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**CITY OF LANGDON**  
Langdon, North Dakota  
**Statement of Net Position – Enterprise Funds – Modified Cash Basis**  
December 31, 2018

	Water Fund	Garbage Fund	Total Enterprise Funds
<b>ASSETS:</b>			
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	\$ 1,571,808	\$ 55,598	\$ 1,627,406
Inventory	-	266,146	266,146
<b>Total Current Assets</b>	<b>1,571,808</b>	<b>321,744</b>	<b>1,893,552</b>
<b>NONCURRENT ASSETS</b>			
Capital Assets Not Being Depreciated			
Land	10,000	70,020	80,020
Construction in Process	9,955,904	-	9,955,904
Capital Assets Being Depreciated			
Net of Accumulated Depreciation	710,557	245,561	956,119
<b>Total Noncurrent Assets</b>	<b>10,676,462</b>	<b>315,581</b>	<b>10,992,043</b>
<b>Total Assets</b>	<b>\$ 12,248,270</b>	<b>\$ 637,325</b>	<b>\$ 12,885,595</b>
<b>LIABILITIES AND NET POSITION:</b>			
<b>CURRENT LIABILITIES</b>			
Due to Other Funds	\$ -	\$ 266,146	\$ 266,146
Current Portion of Long Term Debt	86,269	-	86,269
<b>Total Current Liabilities</b>	<b>86,269</b>	<b>266,146</b>	<b>352,415</b>
<b>NON CURRENT LIABILITIES</b>			
Bonds Payable	7,592,000	-	7,592,000
Less Current Portion	(86,269)	-	(86,269)
<b>Total Non Current Liabilities</b>	<b>7,505,731</b>	<b>-</b>	<b>7,505,731</b>
<b>Total Liabilities</b>	<b>7,592,000</b>	<b>266,146</b>	<b>7,858,146</b>
<b>NET POSITION:</b>			
Invested in Capital Assets, net of related debt	3,084,462	315,581	3,400,043
Restricted for:			
Debt Service	299,042	-	299,042
Capital Projects	660,765	-	660,765
Equipment	384,035	-	384,035
Landfill Post Closure Costs	-	29,970	29,970
Unrestricted Net Assets	227,966	25,628	253,593
<b>Total Net Position</b>	<b>4,656,270</b>	<b>371,179</b>	<b>5,027,449</b>
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 12,248,270</b>	<b>\$ 637,325</b>	<b>\$ 12,885,595</b>

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, 2018

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	Water Fund	Garbage Fund	Total Enterprise Funds
<b>Operating Receipts:</b>			
Utility Sales	\$ 888,070	\$ 420,052	\$ 1,308,123
Other Charges for Services	7,316	64,285	71,601
<b>Total Operating Receipts</b>	<b>\$ 895,386</b>	<b>\$ 484,338</b>	<b>\$ 1,379,724</b>
<b>Operating Disbursements:</b>			
Salaries & Benefits	150,138	175,261	325,399
Operating Expenses	309,699	273,852	583,551
Depreciation	257,360	30,996	288,355
<b>Total Operating Disbursements</b>	<b>\$ 717,197</b>	<b>\$ 480,109</b>	<b>\$ 1,197,305</b>
<b>Operating Income (Loss)</b>	<b>\$ 178,189</b>	<b>\$ 4,229</b>	<b>\$ 182,418</b>
<b>Nonoperating Receipts (Disbursements):</b>			
Federal Grants & Aids	1,612,174	-	1,612,174
State Grants & Aids	700,000	-	700,000
Investment Earnings	4,641	123	4,764
Interest Expense	(98,323)	-	(98,323)
Bond Issuance Costs	(16,400)	-	(16,400)
<b>Total Nonoperating Receipts (Disbursements)</b>	<b>\$ 2,202,091</b>	<b>\$ 123</b>	<b>\$ 2,202,215</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ 2,380,281</b>	<b>\$ 4,353</b>	<b>\$ 2,384,633</b>
Interfund Transfers In	229,455	0	229,455
Interfund Transfers (Out)	(179,440)	(0)	(179,440)
<b>Change in Net Position</b>	<b>\$ 2,430,295</b>	<b>\$ 4,353</b>	<b>\$ 2,434,648</b>
<b>Net Position January 1</b>	<b>2,225,974</b>	<b>190,233</b>	<b>2,416,207</b>
<b>Restatements</b>	<b>-</b>	<b>176,594</b>	<b>176,594</b>
<b>Net Position January 1 as Restated</b>	<b>2,225,974</b>	<b>366,827</b>	<b>2,592,801</b>
<b>Net Position December 31</b>	<b>\$ 4,656,270</b>	<b>\$ 371,179</b>	<b>\$ 5,027,449</b>

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, 2018

	Water Fund	Garbage Fund	Total Enterprise Funds
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers	\$ 895,386	\$ 484,338	\$ 1,379,724
Payments to Employees	(150,138)	(175,261)	(325,399)
Payments to Suppliers	(309,699)	(273,852)	(583,551)
Total Cash Flows from Operating Act.	435,549	35,225	470,774
<b>Cash Flows from Noncapital</b>			
<b>Financing Activities</b>			
Transfers In	229,455	0	229,455
Transfers (Out)	(179,440)	(0)	(179,440)
Increase in Inventory	-	(89,552)	(89,552)
Inc./(Decrease) in Due to Other Funds	-	68,047	68,047
Total Cash Flows from Noncapital			
Financial Activities	50,015	(21,505)	28,510
<b>Cash Flows from Capital and Related</b>			
<b>Financing Activities</b>			
Federal and State Grant Proceeds	1,612,174	-	1,612,174
State Grant Proceeds	700,000	-	700,000
Interest Expense	(98,323)	-	(98,323)
Bond Issuance Costs	(16,400)	-	(16,400)
Purchases of Capital Assets	(5,910,955)	-	(5,910,955)
Total Cash Flows from Capital and			
Related Financing Activities	(3,713,504)	-	(3,713,504)
<b>Cash Flows From Investing Activities</b>			
Interest Income	4,641	123	4,764
Total Cash Flows From Investing Act.	4,641	123	4,764
Net Increase (Decrease) in Cash & Cash Equivalents	\$ (3,223,300)	\$ 13,843	\$ (3,209,457)
Cash and Cash Equivalents - January 1	4,795,108	41,755	4,836,862
Cash and Cash Equivalents - Dec. 31	\$ 1,571,808	\$ 55,598	\$ 1,627,406
<b>Reconciliation of Operating Income to Net</b>			
<b>Cash Provided by Operating Activities</b>			
Operating Income	\$ 178,189	\$ 4,229	\$ 182,418
Adjustments to Reconcile Operating Income			
to Net Cash Provided by Operating Activities			
Depreciation Expense	257,360	30,996	288,355
Total Adjustments	\$ 257,360	\$ 30,996	\$ 288,355
<b>Net Cash Provided/(Used) by</b>			
<b>Operating Activities</b>	\$ 435,549	\$ 35,225	\$ 470,774

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, 2018

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**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 2018.

### **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, 2018, the City's carrying amount of deposits and CDs totaled \$5,455,130 and the bank balances totaled \$5,503,800. Of the bank balances, \$856,230 was covered by Federal Depository Insurance. The remaining bank balances totaling \$4,647,570 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, 2018, 2017, and 2016 were \$26,641, \$28,871, and \$24,828, 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, 2018, the following charges occurred in long-term liabilities:

	Balance 01/01/18	Paid	Borrowed	Balance 12/31/18	Due Within One Year
<b>Governmental Activities:</b>					
Refunding Improvement Bonds, Series 2012	930,000	(70,000)	-	860,000	65,000
Fire Department Construction Loan	409,555	(116,615)	-	292,940	111,244
City Hall Improvement Loan	75,000	(14,703)	-	60,297	14,850
<b>Total Governmental Activities</b>	<b>\$ 1,414,555</b>	<b>\$ (201,318)</b>	<b>\$ -</b>	<b>\$ 1,213,237</b>	<b>\$ 191,094</b>
<b>Business-Type Activities</b>					
Loan Anticipation Revenue Bonds 2016	4,806,000	(4,806,000)	-	-	-
Water, Sewer, & Storm Sewer Improvement Bonds	2,786,000	-	-	2,786,000	-
Water Supply Improvement Bonds	-	-	4,806,000	4,806,000	86,269
<b>Total Business-Type Activities</b>	<b>\$ 7,592,000</b>	<b>\$ (4,806,000)</b>	<b>\$ 4,806,000</b>	<b>\$ 7,592,000</b>	<b>\$ 86,269</b>

**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 \$860,000

*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, 2018 \$292,940

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, 2018 60,297

Total Other Debt \$353,237

**Business-Type Activities:**

*Revenue Bonds*

\$4,806,000 Water Supply Improvement Bonds, Series 2018

The city borrowed from USDA for water supply improvements. Principal and interest payments begin in 2019, with payments due annually until maturity in 2058. Interest rate is 1.625%.

Balance on December 31, 2018 \$4,806,000

\$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% was due May 1, 2018, at which time the City received \$4,806,000 loan from the United States Department of Agriculture.

Balance on December 31, 2018 \$0

\$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 2020, and payments are due annually until maturity in 2049. Interest rate is 2.75%.

Balance on December 31, 2018 \$2,786,000

Total Revenue Bonds \$7,592,000



The annual debt service requirements for all long-term debt outstanding as of December 31, 2018 are as follows:

<b>Governmental Activities</b>				
<b>Year Ending December 31</b>	<b>Special Assessment Bonds</b>		<b>Other Debt</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 65,000	\$ 23,675	\$ 126,094	\$ 9,359
2020	65,000	22,700	130,199	5,254
2021	65,000	21,725	81,643	1,237
2022	65,000	20,425	15,300	153
2023	65,000	19,125	-	-
2024-2028	300,000	70,550	-	-
2029-2033	235,000	21,400	-	-
<b>Total</b>	<b>\$ 860,000</b>	<b>\$ 199,600</b>	<b>\$ 353,237</b>	<b>\$ 16,002</b>

<b>Business-Type Activities</b>		
<b>Year Ending December 31</b>	<b>Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 86,269	\$ 78,098
2020	148,656	153,311
2021	151,758	150,209
2022	154,929	147,038
2023	158,171	143,796
2024-2028	842,087	667,748
2029-2033	934,793	575,042
2034-2038	1,038,481	471,354
2039-2043	1,154,536	411,235
2044-2048	1,284,529	197,482
2049-2053	855,898	87,395
2054-2058	781,892	27,233
<b>Total</b>	<b>\$ 7,592,000</b>	<b>\$ 3,109,939</b>

## **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 31<sup>st</sup>, 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, 2018:

<b>Governmental Activities</b>	01/01/2018			12/31/2018		
	Balance	Additions	Disposals	Balance		
<b>Non-depreciated Assets</b>						
Land	\$ 50,300	\$ -	\$ -	\$ 50,300		
Construction in Progress	-	15,400	-	15,400		
Total Non-depreciated Assets	50,300	15,400	-	65,700		
<b>Depreciable Assets</b>						
Buildings	2,751,980	6,216	-	2,758,196		
Furniture & Equipment	672,841	37,609	-	710,450		
Vehicles & Machinery	1,110,665	-	-	1,110,665		
Total Depreciable Assets	\$ 4,535,486	\$ 43,825	\$ -	\$ 4,579,311		
<b>Less: Accumulated Depreciation</b>						
Buildings	\$ (1,276,248)	\$ (51,421)	\$ -	\$ (1,327,669)		
Furniture & Equipment	(218,331)	(43,964)	-	(262,295)		
Vehicles & Machinery	(813,597)	(52,093)	-	(865,690)		
Total Accumulated Depreciation	\$ (2,308,176)	\$ (147,478)	\$ -	\$ (2,455,655)		
<b>Net Depreciable Assets</b>	\$ 2,227,309	\$ (103,653)	\$ -	\$ 2,123,656		
<b>Net Governmental Activities</b>	\$ 2,277,609	\$ (88,253)	\$ -	\$ 2,189,356		

<b>Business-Type Activities</b>	01/01/2018			12/31/2018		
	Balance	Additions	Disposals	Balance		
<b>Non-depreciated Assets</b>						
Land	\$ 80,020	\$ -	\$ -	\$ 80,020		
Construction in Progress	4,044,950	5,910,955	-	9,955,904		
Total Non-depreciated Assets	4,124,970	5,910,955	-	10,035,924		
<b>Depreciable Assets</b>						
Buildings	2,445,125	-	-	2,445,125		
Furniture & Equipment	4,419,187	-	-	4,419,187		
Vehicles & Machinery	539,735	-	-	539,735		
Total Depreciable Assets	\$ 7,404,046	\$ -	\$ -	\$ 7,404,046		
<b>Less: Accumulated Depreciation</b>						
Buildings	\$ (1,806,427)	\$ (48,103)	\$ -	\$ (1,854,530)		
Furniture & Equipment	(3,887,769)	(218,849)	-	(4,106,618)		
Vehicles & Machinery	(465,376)	(21,404)	-	(486,780)		
Total Accumulated Depreciation	\$ (6,159,572)	\$ (288,355)	\$ -	\$ (6,447,927)		
<b>Net Depreciable Assets</b>	\$ 1,244,474	\$ (288,355)	\$ -	\$ 956,119		
<b>Net Business-Type Activities</b>	\$ 5,369,444	\$ 5,622,599	\$ -	\$ 10,992,043		

Langdon Airport Authority	01/01/2018			12/31/2018		
	Balance	Additions	Disposals	Balance		
<b>Non-depreciated Assets</b>						
Land	\$ 20,000	\$ -	\$ -	\$ 20,000		
Total Non-depreciated Assets	20,000	-	-	20,000		
<b>Depreciable Assets</b>						
Buildings	37,000	-	-	37,000		
Equipment	48,173	-	-	48,173		
Improvements	726,392	-	-	726,392		
Total Depreciable Assets	\$ 811,564	\$ -	\$ -	\$ 811,564		
<b>Less: Accumulated Depreciation</b>						
Buildings	\$ (35,150)	\$ (1,850)	\$ -	\$ (37,000)		
Equipment	(17,738)	(3,649)	-	(21,387)		
Improvements	(102,905)	(24,213)	-	(127,119)		
Total Accumulated Depreciation	\$ (155,793)	\$ (29,712)	\$ -	\$ (185,505)		
<b>Net Depreciable Assets</b>	\$ 655,771	\$ (29,712)	\$ -	\$ 626,059		
<b>Net Airport Authority</b>	\$ 675,771	\$ (29,712)	\$ -	\$ 646,059		

During 2018, depreciation expense was charged to the functions/programs of the City as follows:

	Government	Business
General Government	\$ 18,001	\$ -
Public Safety	20,463	-
Public Service	109,014	-
Water	-	257,360
Garbage	-	30,996
Total Depreciation Expense	\$ 147,478	\$ 288,355

**NOTE 11      TRANSFERS**

The operating transfers were as follows:

<b>For the Year Ended:</b>	<b>DECEMBER 31, 2018</b>	
<b>Fund</b>	<b>In</b>	<b>Out</b>
General	\$ 45,000	\$ 165,000
General Fund Reserve	148,000	-
Police Reserve Fund	5,000	-
Street Fund	80,000	107,600
Street Equipment Reserve Fund	107,600	-
Activity Center Fund	76,440	2,000
Activity Center Equipment Fund	2,000	-
Capital Improvement City Sales Tax	-	15,000
Economic Development City Sales Tax	-	15,000
Tax Relief City Sales Tax	-	33,000
Langdon Infrastructure Sales Tax	-	229,455
Water Sewer Improvement 2017	229,455	-
Water Supply Improvement Sinking Fund	-	311,006
Water Supply Improvement Debt Service Reserve	164,366	-
Water Supply Improvement Short Term Asset Reserve	146,640	-
Main Street District 2005 Sinking Fund	12,275	-
15th Ave Bond Sinking Fund	-	12,275
Water Fund	-	379,440
Water Equipment Reserve	100,000	-
Garbage Fund	-	13,720
Landfill Operations & Closure Reserve	8,000	-
Sanitation Reserve	5,720	-
Water & Sewer Line Maintenance Fund	100,000	-
Fire Department Fund	48,000	-
Fire Truck Reserve	5,000	-
	<u>\$ 1,283,496</u>	<u>\$ 1,283,496</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, 2018.

Fund	Jan 1, 2018 Receivable (Payable)	Change	Dec 31, 2018 Receivable (Payable)
General Fund	\$ 198,099	\$ 77,716	275,815
Capital Improvement City Sales Tax	(15,000)	6,984	(8,016)
Economic Development City Sales Tax	(15,000)	(6,984)	(21,984)
Tax Relief City Sales Tax	(15,000)		(15,000)
Main Street Project Payoff Reserve	45,000		45,000
CDBG Sidewalk Project	-	(9,670)	(9,670)
Garbage Fund	(21,505)	21,505	-
Concrete Crushing Fund	(176,594)	(89,552)	(266,146)
	\$ 0	\$ -	\$ 0

The 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, 2018:

	Balance 1/1/2018	Loans Issued	Payment Received	Balance 12/31/2018
Economic Development Loans	\$ 284,041	\$ 11,003	\$ (54,536)	\$ 240,508

**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:

	<u>Funding</u>	<u>Previous Receipts</u>	<u>2018 Receipts</u>	<u>Total Receipts</u>
USDA Rural Development Loan	4,806,000	4,806,000	-	4,806,000
USDA Rural Development Grant	145,820	-	-	-
North Dakota State Water Commission Gr	<u>7,239,224</u>	<u>-</u>	<u>700,000</u>	<u>700,000</u>
	<u>12,191,044</u>	<u>4,806,000</u>	<u>700,000</u>	<u>5,506,000</u>

As of December 31, 2018, construction in process relating to the project is as follows:

Previous Construction in Progress	3,461,136
2018 Construction Costs	<u>1,874,074</u>
2018 Construction in Process	5,335,210
Percentage Complete	43.76%

### **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 will be as follows:

	<u>Funding</u>	<u>Previous Receipts</u>	<u>2018 Receipts</u>	<u>Total Receipts</u>
USDA Rural Development Loan	2,786,000	2,786,000	-	2,786,000
USDA Rural Development Grant	<u>2,214,000</u>	<u>-</u>	<u>1,612,174</u>	<u>1,612,174</u>
	<u>5,000,000</u>	<u>2,786,000</u>	<u>1,612,174</u>	<u>4,398,174</u>

As of December 31, 2018, construction in process relating to the project is as follows:

Previous Construction in Progress	583,813
2018 Construction Costs	<u>4,037,169</u>
2018 Construction in Process	4,620,982
Percentage Complete	92.42%

### **Removal of Architectural Barriers (ROAB) Sidewalk Rehabilitation**

During 2018, the City began a sidewalk rehabilitation project. Total cost of the project is estimated to be \$100,000. Funding will be as follows:

	<u>Funding</u>	<u>Previous Receipts</u>	<u>2018 Receipts</u>	<u>Total Receipts</u>
Community Development Block Grant	100,000	-	9,352	9,352
	<u>100,000</u>	<u>-</u>	<u>9,352</u>	<u>9,352</u>

As of December 31, 2018, construction in process relating to the project is as follows:

Previous Construction in Progress	-
2018 Construction Costs	15,400
2018 Construction in Process	<u>15,400</u>
Percentage Complete	15.40%

**NOTE 15 PRIOR PERIOD ADJUSTMENT**

During the year ended, December 31, 2018 the City made a prior period adjustment to the Garbage fund. The adjustment increased beginning crushed concrete inventory by \$176,594.

**NOTE 16 DEFICIT FUND BALANCE**

The fund balance in the CDBG Sidewalk Project Fund was (\$9,670) on December 31, 2018. The cause of the deficit is a timing difference in expenditures and grant receipts. The City anticipates grant proceeds received in 2019 to eliminate the deficit.

**NOTE 17 SUBSEQUENT EVENT**

In March 2019, the City issued \$2,731,000 temporary improvement bonds to begin phase two of the water, sewer, and storm improvement project (see Note 14). The loan has a 2.25 percent interest rate with principal and interest due February 2021, at which point it will be refinanced with revenue bonds from USDA Rural Development, the terms of which have not been determined. Future principal and interest payments are as follows:

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2019	\$ -	\$ -
2020	-	-
2021	2,731,000	115,214
<b>Total</b>	<b>\$ 2,731,000</b>	<b>\$ 115,214</b>

Phase two of the project is estimated to cost \$4,900,000. Funding for phase two of the project will be as follows:

	<b><u>Funding</u></b>
USDA Rural Development Loan	2,731,000
USDA Rural Development Grant	<u>2,169,000</u>
	4,900,000



**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, 2018

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	<u>General Fund</u>		
	Original & Final Budget	Actual	Variance
<b>Receipts:</b>			
Taxes	\$ 488,143	\$ 473,356	\$ (14,787)
Licenses & Permits	7,330	6,438	(892)
Charges for Services	25,300	28,585	3,285
Intergovernmental Sources	131,983	133,837	1,854
Earnings on Investments	3,800	17,608	13,808
Other Sources	1,250	8,230	6,980
<b>Total Receipts</b>	<u>657,806</u>	<u>668,055</u>	<u>10,249</u>
<b>Disbursements:</b>			
General Government	330,211	281,268	48,943
Public Safety	209,353	249,884	(40,531)
Public Service	5,000	4,950	50
<b>Total Disbursements</b>	<u>544,564</u>	<u>536,102</u>	<u>8,462</u>
Excess Receipts over (under) Disbursements	<u>113,242</u>	<u>131,953</u>	<u>18,711</u>
Interfund Transfers In	-	193,000	
Interfund Transfers Out	<u>(165,000)</u>	<u>(160,000)</u>	
Excess Receipts over (under) Disbursements after Interfund Transfers	\$ (51,758)	\$ 164,953	
<b>Fund Balance - January 1 as Restated</b>	893,416	893,416	
<b>Fund Balance - December 31</b>	<u>\$ 841,658</u>	<u>\$ 1,058,368</u>	

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, 2018

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	<u>Sales Tax Fund</u>		
	Original & Final Budget	Actual	Variance
<b>Receipts:</b>			
Taxes	\$ 358,000	\$ 452,625	\$ 94,625
Earnings on Investments	6,100	3,248	(2,852)
<b>Total Receipts</b>	<u>364,100</u>	<u>455,872</u>	<u>91,772</u>
<b>Disbursements:</b>			
Economic Development	41,000	101,478	(60,478)
Principal and Interest on Debt	120,000	120,000	-
Capital Outlay	-	6,216	(6,216)
<b>Total Disbursements</b>	<u>161,000</u>	<u>227,694</u>	<u>(66,694)</u>
Excess Receipts over (under) Disbursements	<u>203,100</u>	<u>228,178</u>	<u>25,078</u>
Interfund Transfers In (Out)	(163,000)	(292,455)	
Excess Receipts over (under) Disbursements after Interfund Transfers	<u>40,100</u>	<u>(64,277)</u>	
<b>Fund Balance - January 1</b>	1,222,563	1,222,563	
<b>Fund Balance - December 31</b>	<u>\$1,262,663</u>	<u>\$ 1,158,286</u>	

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, 2018

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	<u>Street Fund</u>		
	Original & Final Budget	Actual	Variance
<b>Receipts:</b>			
Taxes	\$ 125,050	\$ 129,797	\$ 4,747
Charges for Services	38,000	37,740	(260)
Intergovernmental Sources	156,040	166,835	10,795
Earnings on Investments	1,800	1,685	(115)
Other Sources	350	194	(156)
<b>Total Revenues</b>	<u>321,240</u>	<u>336,252</u>	<u>15,012</u>
<b>Disbursements:</b>			
Public Service	393,485	299,660	93,825
Capital Outlay	-	21,899	(21,899)
<b>Total Disbursements</b>	<u>393,485</u>	<u>321,559</u>	<u>71,926</u>
Excess Receipts over (under) Disbursements	<u>(72,245)</u>	<u>14,693</u>	<u>86,938</u>
Interfund Transfers In	80,000	80,000	
Excess Receipts over (under) Disbursements after Interfund Transfers	<u>7,755</u>	<u>94,693</u>	
<b>Fund Balance - January 1</b>	406,566	406,566	
<b>Fund Balance - December 31</b>	<u>\$ 414,320</u>	<u>\$ 501,258</u>	

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, 2018

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	<u>Debt Service</u>		
	Original & Final Budget	Actual	Variance
<b>Receipts:</b>			
Taxes	\$ 120,000	\$ 107,985	\$ (12,015)
Earnings on Investments	700	4,968	4,268
<b>Total Revenues</b>	<u>120,700</u>	<u>112,953</u>	<u>(7,747)</u>
<b>Disbursements:</b>			
Debt Service	95,000	95,050	(50)
<b>Total Disbursements</b>	<u>95,000</u>	<u>95,050</u>	<u>(50)</u>
Excess Receipts over (under) Disbursements	<u>25,700</u>	<u>17,903</u>	<u>(7,797)</u>
<b>Fund Balance - January 1</b>	933,657	933,657	
<b>Fund Balance - December 31</b>	<u>\$ 959,357</u>	<u>\$ 951,560</u>	

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 – Activity Center Fund**  
December 31, 2018

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	<u>Activity Center</u>		
	Original & Final Budget	Actual	Variance
<b>Receipts:</b>			
Taxes	\$ 2,300	\$ 2,688	\$ 388
Charges for Services	47,350	65,833	18,483
Intergovernmental Sources	2,500	5,221	2,721
Other Sources	-	14,250	14,250
<b>Total Receipts</b>	52,150	87,992	35,842
<b>Disbursements:</b>			
Public Service	143,161	162,432	(19,271)
<b>Total Disbursements</b>	143,161	162,432	(19,271)
Excess Receipts over (under) Disbursements	(91,011)	(74,440)	16,571
Interfund Transfers In	45,000	76,440	
Excess Receipts over (under) Disbursements after Interfund Transfers	\$ (46,011)	\$ 2,000	
<b>Fund Balance - January 1</b>	12,454	12,454	
<b>Fund Balance - December 31</b>	\$ (33,557)	\$ 14,454	

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, 2018

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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 2018 year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax Fund	\$161,000	\$227,694	\$(66,694)
Debt Service Fund	95,000	95,050	(50)
Activity Center Fund	143,161	162,432	(19,271)

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, 2018

<b>Governmental Funds</b>	Balance 01/02/18	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12/31/18
<b>Major Funds</b>							
General	\$ 893,416	\$ 668,055	\$ 193,000	\$ -	\$ (160,000)	\$ (536,102)	\$ 1,058,368
Sales Tax Fund	1,222,563	455,872	-	-	(292,455)	(227,694)	1,158,286
Street Fund	406,566	336,252	80,000	-	-	(321,559)	501,258
Debt Service Fund	933,657	112,953	-	-	-	(95,050)	951,560
Activity Center	12,454	87,992	76,440	-	-	(162,432)	14,454
<b>Total Major Funds</b>	<b>\$ 3,468,655</b>	<b>\$ 1,661,124</b>	<b>\$ 349,440</b>	<b>\$ -</b>	<b>\$ (452,455)</b>	<b>\$ (1,342,837)</b>	<b>\$ 3,683,926</b>
<b>Non-major Funds</b>							
Social Security	\$ 1,056	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,056
Special Assessments	23,245	5,660	-	-	-	-	28,905
Unemployment Reserve	3,604	-	-	-	-	-	3,604
Forestry Fund	16,467	-	-	-	-	(1,410)	15,057
City Hall Improvement	75,000	-	-	-	-	(15,453)	59,547
Emergency Snow Removal	24,344	3,309	-	-	-	-	27,653
Fire Department	275,657	53,897	53,000	-	-	(49,352)	333,202
125th Celebration Fund	75,550	890	-	-	-	-	76,440
Sidewalk Renovation	-	9,352	-	-	-	(19,021)	(9,670)
<b>Total Non-major Funds</b>	<b>\$ 494,924</b>	<b>\$ 73,108</b>	<b>\$ 53,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (85,237)</b>	<b>\$ 535,795</b>
<b>Total Governmental Funds</b>	<b>\$ 3,963,578</b>	<b>\$ 1,734,231</b>	<b>\$ 402,440</b>	<b>\$ -</b>	<b>\$ (452,455)</b>	<b>\$ (1,428,074)</b>	<b>\$ 4,219,721</b>
<b>Enterprise Funds</b>							
<b>Major Funds</b>							
Water Fund	\$ 2,225,974	\$ 3,212,200	\$ 229,455	\$ -	\$ (179,440)	\$ (831,920)	\$ 4,656,270
Garbage Fund	366,827	484,461	0	-	(0)	(480,109)	371,179
<b>Total Major Funds</b>	<b>\$ 2,592,801</b>	<b>\$ 3,696,661</b>	<b>\$ 229,455</b>	<b>\$ -</b>	<b>\$ (179,440)</b>	<b>\$ (1,312,028)</b>	<b>\$ 5,027,449</b>
<b>Total Enterprise Funds</b>	<b>\$ 2,592,801</b>	<b>\$ 3,696,661</b>	<b>\$ 229,455</b>	<b>\$ -</b>	<b>\$ (179,440)</b>	<b>\$ (1,312,028)</b>	<b>\$ 5,027,449</b>
<b>Component Units</b>							
Airport	\$ 750,176	\$ 229,714	\$ -	\$ -	\$ -	\$ (218,504)	\$ 761,385
<b>Total Component Units</b>	<b>\$ 750,176</b>	<b>\$ 229,714</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (218,504)</b>	<b>\$ 761,385</b>
<b>Total Reporting Entity</b>	<b>\$ 7,306,555</b>	<b>\$ 5,660,606</b>	<b>\$ 631,895</b>	<b>\$ -</b>	<b>\$ (631,895)</b>	<b>\$ (2,958,606)</b>	<b>\$ 10,008,555</b>

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, 2018, 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 24, 2019.

**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 2018-1, described in the accompanying schedule of findings and questioned costs to be a material weakness.

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 2018-2, 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 24, 2019

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, 2018. 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.

### ***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, 2018.


### **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.

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 24, 2019

**CITY OF LANGDON**  
Langdon, North Dakota  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
December 31, 2018

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	\$ 5,893,622
TOTAL U.S. DEPARTMENT OF AGRICULTURE		5,893,622
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
PASSTHROUGH: NORTH DAKOTA DEPARTMENT OF COMMERCE		
COMMUNITY DEVELOPMENT BLOCK GRANT	14.228	9,352
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		9,352
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
DIRECT ASSISTANCE: FEDERAL AVIATION ADMINISTRATION		
AIRPORT IMPROVEMENT PROGRAM**	20.106	150,039
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		150,039
TOTAL FEDERAL FINANCIAL ASSISTANCE		\$ 6,053,013

\* Of this amount, the total of \$4,318,274 was expended for loan programs. Loan activity for the year was as follows:

	12/31/17	PROCEEDS	PAYMENTS	12/31/18
Water, Sewer, Storm Improvement Project	\$ 2,786,000	\$ -	\$ -	\$ 2,786,000
Water Supply Improvement and New Pump House	4,806,000	4,806,000	(4,806,000)	4,806,000
Total	\$ 7,592,000	\$ 4,806,000	\$ (4,806,000)	\$ 7,592,000

\*\*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, 2018

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**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, 2018, the City's liability relating to the Water and Waste Disposal Systems for Rural Communities Loans (CFDA #10.760) is as follows:

	<u>12/31/18</u>
Water, Sewer, Storm Improvement Project	\$ 2,786,000
Water Supply Improvement and New Pump House	<u>4,806,000</u>
Total	\$ 7,592,000

**NOTE 3 GRANT PROCEEDS**

As of December 31, 2018, the City has received \$1,612,174 of 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 2018:



	Federal	State	Total
AIP Grant 3-38-0031-011-2015 Reconstruct Runway, Taxiway, Runway Lights	\$ -	\$ 8,221	\$ 8,221
AIP Grant 3-38-0031-012-2016 Rehabilitate Runway and Exit Taxiway	109,806	6,100	115,906
AIP Grant 3-38-0031-013-2017 Taxiway A Lighting and Sinage Design Services	40,233		-
	<u>\$ 150,039</u>	<u>\$ 14,321</u>	<u>\$ 164,360</u>

#### **NOTE 4 PROGRAM EXPENDITURES**

Total expenditures for the Water and Waste Disposal Systems for Rural Communities, including federal and state sources are for the following projects:

Water, Sewer, Storm Improvement Project	\$ 4,041,381
Water Supply Improvement and New Pump House	<u>1,985,121</u>
Total	<u>\$ 6,026,502</u>

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

AIP Grant 3-38-0031-012-2016 Rehabilitate Runway and Exit Taxiway	122,553
AIP Grant 3-38-0031-013-2017 Taxiway A Lighting and Sinage Design Services	<u>32,286</u>
	<u>\$ 154,839</u>

Total expenditures for the Community Development Block Grant, including federal, state, and other sources, are as follows:

Community Development Block Grant	\$ 15,400
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**CITY OF LANGDON**  
Langdon, North Dakota  
**SCHEDULE OF FINDINGS AND QUESTION COSTS**  
December 31, 2018

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**Section I – Summary of Auditor’s Results**

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**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**

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### **2018-1 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.

### **2018-2 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**

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None reported.