

FINANCIAL STATEMENTS

CITY OF LARIMORE
Larimore, 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 LARIMORE
Larimore, North Dakota

Table of Contents
December 31, 2018

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 Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis Governmental Funds	10
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds to Statement of Activities – Modified Cash Basis	11
Statement of Net Position – Proprietary Funds – Modified Cash Basis	12
Statement of Receipts, Disbursements and Changes in Net Position – Proprietary Funds Modified Cash Basis.....	13
Statement of Cash Flows – Proprietary Funds – Modified Cash Basis.....	14
NOTES TO THE FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTARY INFORMATION.....	35
Budget Comparison Schedule – Modified Cash Basis General Fund For The Year Ended December 31, 2018	36
Budget Comparison Schedule – Modified Cash Basis Highway Fund For The Year Ended December 31, 2018	37
Budget Comparison Schedule – Modified Cash Basis Sales Tax Fund For The Year Ended December 31, 2018	38
Schedule of Employer’s Share of Net Pension Liability.....	39
Schedule of Employer Contributions.....	40
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	43
SUPPLEMENTARY INFORMATION	45
Schedule of Fund Activity – Arising from Cash Transactions – Modified Cash Basis	46
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.....	47
SCHEDULE OF FINDINGS AND RESPONSES	49

CITY OF LARIMORE
Larimore, North Dakota

List of Officials
December 31, 2018

Dean Elfman

Mayor

Dustin Barber

Council Member

Susan Christiansen

Council Member

Dave Garton

Council Member

Ron Swanson

Council Member

Adam Vonasek

Council Member

Roberta Huntley

Auditor

Joseph Quinn

Attorney

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Larimore
Larimore, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Larimore, 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 in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the financial statements.

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LANGDON

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FM Mall
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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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Larimore, North Dakota, as of December 31, 2018, and the respective changes in financial position – modified cash basis, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our 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, schedule of employer's share of net pension liability, schedule of employer's contributions to net pension liability, schedule of employer's share of net OPEB liability, and schedule of employer's contributions to net OPEB liability 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 Larimore, North Dakota's financial statements as a whole. The *schedules of fund activity – modified cash basis* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 07, 2020, on our consideration of the City of Larimore, 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* and should be considered in assessing the results of our audit.



Mortenson and Rygh
Certified Public Accountants
Park River, North Dakota

February 07, 2020

BASIC FINANCIAL STATEMENTS

CITY OF LARIMORE
Larimore, North Dakota

Statement of Net Position – Modified Cash Basis
December 31, 2018

	Primary Government			Component Units	
	Governmental	Business-Type	Total	Airport	Library
	Activities	Activities			
ASSETS:					
CURRENT ASSETS					
Cash & Cash Equivalents	\$ 1,585,691	\$ 2,098,436	\$ 3,684,127	\$ 31,223	\$ 31,338
Restricted Cash and Equivalents	-	103,240	103,240	-	-
Total Current Assets	1,585,691	2,201,676	3,787,367	31,223	31,338
CAPITAL ASSETS					
Capital Assets net of Accumulated Depreciation	574,837	2,058,709	2,633,545	347,424	-
Total Capital Assets	574,837	2,058,709	2,633,545	347,424	-
OTHER ASSETS					
Certificates of Deposit	-	244,884	244,884	-	-
Restricted Certificates of Deposit	-	45,310	45,310	-	-
Loans Receivable	133,353	-	133,353	-	-
Total Other Assets	133,353	290,195	423,548	-	-
Total Assets	\$ 2,293,881	\$ 4,550,579	\$ 6,844,459	\$ 378,647	\$ 31,338
LIABILITIES AND FUND BALANCE:					
CURRENT LIABILITIES					
Current Maturity on Long Term Debt	\$ 17,981	\$ 120,694	\$ 138,674	\$ -	\$ -
Total Current Liabilities	17,981	120,694	138,674	-	-
NON CURRENT LIABILITIES					
Bonds Payable	-	890,547	890,547	-	-
Capital Lease Payable	36,561	-	36,561	-	-
Less Amounts Due Within One Year	(17,981)	(120,694)	(138,674)	-	-
Total Non Current Liabilities	18,581	769,853	788,434	-	-
Total Liabilities	36,561	890,547	927,108	-	-
NET POSITION					
Net investment in capital assets	538,275	1,168,162	1,706,437	347,424	-
Restricted For:					
Debt service	-	794,809	794,809	-	-
Economic Development	576,817	-	576,817	-	-
Equipment Replacement	-	229,701	229,701	-	-
Infrastructure	166,954	-	166,954	-	-
Public Works/Streets	343,933	-	343,933	-	-
Special purpose	1,614	-	1,614	-	-
Unrestricted	629,727	1,467,361	2,097,088	31,223	31,338
Total Net Position	2,257,319	3,660,032	5,917,351	378,647	31,338
Total Liabilities & Net Position	\$ 2,293,881	\$ 4,550,579	\$ 6,844,459	\$ 378,647	\$ 31,338

CITY OF LARIMORE
Larimore, North Dakota

Statement of Activities – Modified Cash Basis
For The Year Ended December 31, 2018

Functions/Programs:	Disbursements	Program Receipts		Net (Disbursements) Receipts and Change in Net Position			Component Units	
		Charges for Services	Operating Grants and Contributions	Primary Government		Total	Airport	Library
				Governmental Activities	Business Type Activities			
Government Activities:								
General Government	\$ 137,565	\$ 26,680	\$ -	\$ (110,886)	\$ -	\$ (110,886)	\$ -	\$ -
Public Safety	168,857	-	-	(168,857)	-	(168,857)	-	-
Public Works	101,375	-	86,592	(14,784)	-	(14,784)	-	-
Economic Development	21,616	-	-	(21,616)	-	(21,616)	-	-
Total Government Activities	429,414	26,680	86,592	(316,143)	-	(316,143)	-	-
Business Type Activities:								
Water and Sewer	219,194	226,348	-	-	7,154	7,154	-	-
Sewer	575,596	109,657	137,718	-	(328,221)	(328,221)	-	-
Sanitation	192,560	219,856	-	-	27,296	27,296	-	-
Debt Service Fund	17,125	195,675	-	-	178,550	178,550	-	-
Equipment	15,427	53,034	-	-	37,608	37,608	-	-
Other Enterprise Funds	4,125	17,414	-	-	13,290	13,290	-	-
Total Business Type Activities	1,024,025	821,984	137,718	-	(64,323)	(64,323)	-	-
Total Primary Government	\$ 1,453,439	\$ 848,664	\$ 224,310	\$ (316,143)	\$ (64,323)	\$ (380,466)		
Component Units								
Airport	14,932	3,110	5,696				(6,126)	-
Library	18,073	-	1,541				-	(16,532)
Total Component Units	33,005	3,110	7,237				(6,126)	(16,532)
General Receipts:								
Property Tax Levies for General Purposes				\$ 277,523	\$ 3,760	\$ 281,283	\$ -	\$ -
Sales Taxes				72,726	-	72,726	-	-
Other Taxes				3,742	-	3,742	-	-
Non-restricted Grants and Contributions				105,348	-	105,348	5,000	18,365
Interest Income				26,074	34,364	60,438	42	27
Miscellaneous Receipts				32,654	14,400	47,054	-	-
Total General Receipts				518,067	52,524	570,591	5,042	18,392
Interfund Transfers				34,101	(34,101)	-	-	-
Change in Net Position				236,025	(45,900)	190,124.98	(1,084)	1,860
Net Position - January 1				2,021,294	3,705,932	5,727,226	379,732	29,478
Net Position - December 31				\$ 2,257,319	\$ 3,660,032	\$ 5,917,351	\$ 378,648	\$ 31,338

CITY OF LARIMORE
Larimore, North Dakota

Balance Sheet - Governmental Fund Types – Modified Cash Basis
December 31, 2018

	Major Funds				Total Gov't Funds
	General Fund	Highway Fund	Sales Tax Fund	Other Gov't Funds	
ASSETS:					
CURRENT ASSETS					
Cash & Cash Equivalents	\$ 629,727	\$ 343,933	\$ 610,418	\$ 1,614	\$ 1,585,691
Total Current Assets	629,727	343,933	610,418	1,614	1,585,691
OTHER ASSETS					
Loans Receivable	-	-	133,353	-	133,353
Total Other Assets	-	-	133,353	-	133,353
Total Assets	\$ 629,727	\$ 343,933	\$ 743,771	\$ 1,614	\$ 1,719,044
LIABILITIES AND FUND BALANCE:					
CURRENT LIABILITIES					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	-	-	-	-	-
FUND BALANCE					
Nonspendable	-	-	133,353	-	133,353
Restricted For:					
Economic Development	-	-	443,464	-	443,464
Infrastructure	-	-	166,954	-	166,954
Public Works/Streets	-	343,933	-	-	343,933
Special Revenue Fund	-	-	-	1,614	1,614
Unassigned, Reported In:					
General Fund	629,727	-	-	-	629,727
Total Fund Balance	629,727	343,933	743,771	1,614	1,719,044
Total Liabilities & Fund Balance	\$ 629,727	\$ 343,933	\$ 743,771	\$ 1,614	\$ 1,719,044

CITY OF LARIMORE
Larimore, North Dakota

**Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position - Modified
Cash Basis**
December 31, 2018

Total *Fund Balances* for Governmental Funds \$ 1,719,044

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

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

Cost of Capital Assets	\$ 961,488	
Less: Accumulated Depreciation	<u>(386,652)</u>	
Net Capital Assets		574,837

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position.

Capital Lease Payable	<u>(36,561)</u>	
Total Long-Term Liabilities		<u>(36,561)</u>

Total Net Position of Governmental Activities \$ 2,257,319

CITY OF LARIMORE
Larimore, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Governmental Funds
For The Year Ended December 31, 2018

	Major Funds			Other Gov't Funds	Total Gov't Funds
	General Fund	Highway Fund	Sales Tax Fund		
Receipts					
Property Tax	\$ 276,713	\$ 810	\$ -	\$ -	\$ 277,523
Sales Taxes	-	-	72,726	-	72,726
Other Taxes	3,742	-	-	-	3,742
Intergovernmental Sources	105,348	86,592	-	-	191,940
Licenses, Permits and Fees	6,219	-	-	-	6,219
Charges for Services	26,680	-	-	-	26,680
Fines and Forfits	3,779	-	-	-	3,779
Interest	8,419	6,567	11,089	-	26,074
Other Sources	23,137	-	-	20	23,157
Total Receipts	454,037	93,969	83,814	20	631,839
Disbursements:					
Current:					
General Government	136,122	-	-	20	136,142
Public Safety	164,865	-	-	-	164,865
Public Works	25,613	51,119	-	-	76,732
Economic Development	-	-	21,616	-	21,616
Capital Outlays:	14,900	-	-	-	14,900
Debt Service:	-	19,201	-	-	19,201
Total Disbursements	341,501	70,320	21,616	20	433,457
Excess Receipts over (under) Disbursements	112,536	23,649	62,198	-	198,383
Interfund Transfers In	14,900	19,201	-	-	34,101
Excess Receipts over (under) Disbursements after Interfund Transfers	\$ 127,436	\$ 42,850	\$ 62,198	\$ -	\$ 232,484
Total Other Financing Sources and Uses					
Net Change in Fund Balances	127,436	42,850	62,198	-	232,484
Fund Balance - January 1	502,291	301,083	681,573	1,614	1,486,561
Fund Balance - December 31	\$ 629,727	\$ 343,933	\$ 743,771	\$ 1,614	\$ 1,719,044

CITY OF LARIMORE
Larimore, North Dakota

**Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balance Governmental Funds to Statement of Activities – Modified Cash Basis**
December 31, 2018

Net change in *Fund Balance* - Total Governmental Funds \$ 232,484

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

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

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 Asset Additions	14,900
Capital Asset Disposals	(501)
Current Year Depreciation Expense	<u>(28,257)</u>

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

Debt Principal Paid	<u>17,400</u>
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Change in <i>Net Position</i> of Governmental Activities	<u><u>\$ 236,025</u></u>
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CITY OF LARIMORE
Larimore, North Dakota

Statement of Net Position – Proprietary Funds – Modified Cash Basis
December 31, 2018

	Business-type Activities - Enterprise Funds						
	Major Funds					Other Enterprise Funds	Total Enterprise Funds
	Water & Sewer	Sewer Fund	Sanitation Fund	Bond Fund	Equipment Fund		
ASSETS:							
CURRENT ASSETS							
Cash and Equivalents	\$ 519,741	\$ 99,020	\$ 313,819	\$ 646,259	\$ 229,701	\$ 289,896	\$ 2,098,436
Restricted Cash and Equivalents	-	-	-	103,240	-	-	103,240
Total Current Assets	519,741	99,020	313,819	749,498	229,701	289,896	2,201,676
NONCURRENT ASSETS							
Capital Assets net of							
Accumulated Depreciation	1,357,397	649,219	1,000	-	51,093	-	2,058,709
Total Noncurrent Assets	1,357,397	649,219	1,000	-	51,093	-	2,058,709
OTHER ASSETS							
Certificates of Deposit	22,944	206,442	-	-	-	15,498	244,884
Restricted Certificates of Deposit	-	-	-	45,310	-	-	45,310
Total Other Assets	22,944	206,442	-	45,310	-	15,498	290,195
Total Assets	<u>\$ 1,900,082</u>	<u>\$ 954,682</u>	<u>\$ 314,819</u>	<u>\$ 794,809</u>	<u>\$ 280,793</u>	<u>\$ 305,394</u>	<u>\$ 4,550,579</u>
LIABILITIES AND NET POSITION:							
CURRENT LIABILITIES							
Accounts Payable							
Current Maturities of LT Debt	\$ 1,282	\$ 9,412	\$ -	\$ 110,000	\$ -	\$ -	\$ 120,694
Total Current Liabilities	1,282	9,412	-	110,000	-	-	120,694
NON CURRENT LIABILITIES							
Bonds Payable	43,767	376,780	-	470,000	-	-	890,547
Less: Current Maturities of LT Debt	(1,282)	(9,412)	-	(110,000)	-	-	(120,694)
Total Non Current Liabilities	42,485	367,368	-	360,000	-	-	769,853
Total Liabilities	43,767	376,780	-	470,000	-	-	890,547
NET POSITION							
Net investment in capital assets	1,313,630	272,439	1,000	(470,000)	51,093	-	1,168,162
Restricted for:							
Debt service	-	-	-	794,809	-	-	794,809
Equipment replacement	-	-	-	-	229,701	-	229,701
Unrestricted	542,686	305,462	313,819	-	-	305,394	1,467,361
Total Net Position	1,856,315	577,902	314,819	324,809	280,793	305,394	3,660,032
Total Liabilities & Net Position	<u>\$ 1,900,082</u>	<u>\$ 954,682</u>	<u>\$ 314,819</u>	<u>\$ 794,809</u>	<u>\$ 280,793</u>	<u>\$ 305,394</u>	<u>\$ 4,550,579</u>

CITY OF LARIMORE
Larimore, North Dakota

Statement of Receipts, Disbursements and Changes in Net Position – Proprietary Funds
Modified Cash Basis
For The Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds							Total Enterprise Funds
	Major Funds					Other Enterprise Funds		
	Water & Sewer	Sewer Fund	Sanitation	Bond	Equipment			
Receipts:								
Charges for Sales and Services:								
Utility Sales	\$ 217,072	\$ 109,657	\$ 218,606	\$ 195,675	\$ 53,034	\$ 17,414	\$	811,459
Fines & Penalties	2,114	-	-	-	-	-	-	2,114
Other Operating Revenue	7,162	-	1,250	-	-	-	-	8,412
Total Revenues	226,348	109,657	219,856	195,675	53,034	17,414		821,984
Operating Disbursements:								
Salaries & Wages	76,664	33,730	13,944	-	-	-	-	124,338
Benefits & Insurance	21,274	13,311	5,408	-	-	-	-	39,992
Contracted Services	1,495	-	168,869	-	-	-	-	170,364
Chemicals	14,070	-	-	-	-	-	-	14,070
Dues and Travel	1,248	-	-	-	-	-	-	1,248
Supplies	338	-	-	-	2,731	-	-	3,068
Office Expense	5,804	-	910	-	-	-	-	6,715
Repairs & Maintenance	23,160	23,281	520	-	-	4,125	-	51,086
Telephone	1,243	-	-	-	-	-	-	1,243
Uniforms	1,978	-	-	-	-	-	-	1,978
Utilities	26,927	2,818	-	-	-	-	-	29,744
Depreciation	42,942	988	-	-	13,347	-	-	57,277
Miscellaneous	2,051	633	2,908	-	-	-	-	5,593
Total Operating Expense	219,194	74,761	192,560	-	16,078	4,125		506,716
Net Operating Income	7,154	34,896	27,296	195,675	36,957	13,290		315,268
Non-Operating Receipts (Disbursements)								
Sale of Capital Assets	-	-	-	-	651	-	-	651
Tax Revenue	3,760	-	-	-	-	-	-	3,760
Interest Income	755	23,146	908	6,456	-	3,099	-	34,364
Grant Receipts	-	137,718	-	-	-	-	-	137,718
Other Sources	14,400	-	-	-	-	-	-	14,400
Interest Expense	-	(1,035)	-	(17,125)	-	-	-	(18,160)
Engineering Fees	-	(499,800)	-	-	-	-	-	(499,800)
Total Non-operating Receipts (Disbursements)	18,915	(339,971)	908	(10,669)	651	3,099		(327,067)
Income (Loss) Before Transfers	26,069	(305,075)	28,205	185,006	37,608	16,389		(11,799)
Interfund Transfers In	8,850	37,950	-	-	-	-	-	46,800
Interfund Transfers (Out)	-	(46,800)	-	-	(34,101)	-	-	(80,901)
Change in Net Position	34,919	(313,925)	28,205	185,006	3,507	16,389		(45,900)
Net Position - January 1	1,821,397	891,826	286,614	139,803	277,286	289,005		3,705,932
Net Position - December 31	\$ 1,856,315	\$ 577,902	\$ 314,819	\$ 324,809	\$ 280,793	\$ 305,394		\$ 3,660,032

CITY OF LARIMORE
Larimore, North Dakota

Statement of Cash Flows – Proprietary Funds – Modified Cash Basis
For The Year Ended December 31, 2018

	Major Funds					Other Enterprise Funds	Total Enterprise Funds
	Water & Sewer	Sewer	Sanitation	Bond	Equipment		
Cash Flows from Operating Activities							
Receipts from Customers	\$ 226,348	\$ 109,657	\$ 219,856	\$ 195,675	\$ 53,034	\$ 17,414	\$ 821,984
Payments to Suppliers	(78,313)	(26,732)	(173,208)	-	(2,731)	(4,125)	(285,109)
Payments to Employees	(97,938)	(47,041)	(19,352)	-	-	-	(164,331)
Total Cash Flows from Operating Activities	50,096	35,884	27,296	195,675	50,304	13,290	372,545
Cash Flows from Noncapital Financing Activities							
Transfers In/(Out)	8,850	(8,850)	-	-	(34,101)	-	(34,101)
Grant Receipts	-	137,718	-	-	-	-	137,718
Other Sources/(Uses)	18,915	(476,654)	908	6,456	-	3,099	(447,276)
Debt Proceeds	43,767	321,340	-	-	-	-	365,107
(Inc)/Decrease in Interfund Balances	-	-	-	-	-	-	-
Total Cash Flows from Noncapital Financing Activities	71,532	(26,446)	908	6,456	(34,101)	3,099	21,448
Cash Flows from Capital and Related Financing Activities							
Interest on Debt	-	(1,035)	-	(17,125)	-	-	(18,160)
Sale (Purchase) of Capital Assets	(52,617)	(538,708)	-	-	(4,944)	-	(596,269)
Principal on Debt	-	-	-	(110,000)	-	-	(110,000)
Total Cash Flows from Capital and Related Financing Activities	(52,617)	(539,743)	-	(127,125)	(4,944)	-	(724,429)
Net Increase (Decrease) in Cash & Cash Equivalents	69,011	(530,305)	28,205	75,005.74	11,259	16,389	(330,437)
Cash and Cash Equivalents - January 1	473,675	835,767	285,614	571,253	218,442	289,005	2,673,757
Cash and Cash Equivalents - December 31	\$ 542,686	\$ 305,462	\$ 313,819	\$ 646,259	\$ 229,701	\$ 305,394	\$ 2,343,320
Reconciliation of Operating Income to Net Cash Provided by Operating Activities							
(Loss) to Net Cash Provided (Used) by Operating Activities	7,154	34,896	27,296	195,675	36,957	13,290	315,268
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities							
Depreciation Expense	42,942	988	-	-	13,347	-	57,277
Adjustment to Miscellaneous Expense							
Total Adjustments	42,942	988	-	-	13,347	-	57,277
Net Cash Provided/(Used) by Operating Activities	\$ 50,096	\$ 35,884	\$ 27,296	\$ 195,675	\$ 50,304	\$ 13,290	\$ 372,545

CITY OF LARIMORE
Larimore, North Dakota

Notes to The Financial Statements
For The Year Ended December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Larimore, 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 Larimore, 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

The accompanying financial statements present the activities of the City of Larimore. For financial reporting purposes, the City of Larimore'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 of Larimore.

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.

DISCRETELY PRESENTED COMPONENT UNITS – The component unit columns in the basic financial statements include the financial data of the city's two component units. These units are reported in separate columns to emphasize that they are legally separate from the city.

Larimore Airport Authority – The members of the governing board of the Larimore Airport Authority are appointed by the City's governing board. The City's governing board has the authority to approve, modify or disapprove the airport's operational budget. The City's governing board must approve the tax levy established by the airport. Separate financial statements have not been issued by the airport authority.

Edna Ralston Library – The members of the governing board of the Edna Ralston Library are appointed by the City's governing board. The City's governing board has the authority to approve, modify or disapprove the library's operation budget. The City's governing board must approve the tax levy established by the library. Separate financial statements have not been issued by the library.

EXCLUDED ORGANIZATIONS – The following governmental entities are not included in these financial statements since they do not meet the criteria contained in Statement 14:

Larimore Ambulance Authority; Larimore Fire Department – The City has a close working relationship with the Larimore Ambulance Authority and the Larimore Fire Department. The City is not financially accountable for these entities, as defined by GASB Statement 14. The City did provide operating grants to them.

The City's basic financial statements include all of the 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 Larimore.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) 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.

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 enterprise 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.

Governmental Funds

General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Highway Fund – This fund is used to account for taxes received for streets and highways and for repair and maintenance projects.

Sales Tax Fund – This fund accounts for sales tax money for the city that is used for various economic development and city improvement projects.

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. The city applies all GASB (Governmental Accounting Standards Board) pronouncements as well as the FASB (Financial Accounting Standards Board) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

In the government-wide statement of net position and statement of activities both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

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. This 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. 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 assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

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 and cash equivalents include amounts in demand deposits, money market accounts, and certificates of deposit with maturities of less than 90 days.

The investments of the City consist of certificates of deposit, with a maturity in excess of 90 days, stated at cost.

E. Restricted Assets

Certain assets of the City's enterprise funds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

F. Capital Assets

Capital assets include land, buildings and improvements, furniture and equipment. Capital assets are reported in the government-wide financial statements and in the proprietary funds. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 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	50
Equipment and Vehicles	5-10
Infrastructure and Projects	50

G. 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.

H. Fund Balance and Net Position

Fund Financial Statement

Prior to GASB Statement 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise 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 indents 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.

Net Position

Prior to GASB 63, amounts were reported as equity on the statement of net assets in two primary categories (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 two primary categories (restricted and unrestricted), outlined in further detail as follows:

Restrictions of net position shown in the statement of net position are due to restricted tax levies, restricted Federal & State grants/reimbursements, and restricted amounts for unspent bond proceeds reported in debt service and capital projects funds. Additionally, restricted net position is shown in the statement of net position by primary function as fund balances are shown in the balance sheet, and is restricted for debt service, public works, job/economic development, culture & recreation, emergency, and other purposes.

Unrestricted net position consists of activity primarily related to the general fund and negative capital projects fund amounts at year-end. The unrestricted net position is available to meet the City’s ongoing obligations

I. 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.

J. 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 made the following amendments to the City’s budget during 2018:

Budget Amendments:	Revenues		
	Original Budget	Amendment	Amended Budget
Major Funds:			
General Fund	\$ 407,600	\$ 46,437	\$ 454,037
Highway Fund	219,770	(125,801)	93,969
Sales Tax Fund	40,000	72,274	112,274
	Expenditures		
Major Funds:			
General Fund	\$ 407,600	\$ (79,699)	\$ 327,901
Highway Fund	137,970	(88,362)	49,608
Sales Tax Fund	40,000	(32,052)	7,948

NOTE 3 RISK MANAGEMENT

The City of Larimore is exposed to various risks of loss related 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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile coverage and to \$1,040,915 for inland marine coverage.

The City of Larimore also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides political subdivisions with blanket fidelity bond coverage in the amount of \$350,000 for the City employees. The State Bonding Fund does not charge any premium for this coverage.

The City has workers compensation with the North Dakota Workforce Safety and Insurance. The City provides health insurance coverage to all full-time employees. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 4 DEPOSITS AND INVESTMENTS

A. Deposits

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

State statutes authorize the City of Larimore 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 December 31, 2018, were entirely covered by federal depository insurance or by collateral held by the pledging financial institutions' trust department or agent in the city's name (category 2). For the purpose of credit-risking, all cash deposits and certificates are considered to be deposits.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. State law requires local governments to deposit funds in financial institutions carrying federal deposit insurance and a pledge of governmental securities for deposits in excess of deposit insurance coverage. All city funds were adequately insured or collateralized by governmental securities throughout 2018.

B. Investments

Credit Risk - Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investment is to only invest in certificates of deposit fully insured or collateralized by pledge of governmental securities.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investing only in certificates of deposit that are quite stable in rate of return and relatively short term.

At year ended December 31, 2018, the City's carrying amount of deposits and CDs totaled \$4,140,023 and the bank balances totaled \$4,162,204. Of the bank balances, \$531,338 was covered by Federal Depository Insurance. The remaining bank balances totaling \$3,630,866 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 5 ACCOUNTS RECEIVABLE

Governmental activities accounts receivable consists of amounts owed to the City by private individuals and organizations for goods or services provided. No allowance has been established for uncollectible accounts receivables.

NOTE 6 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 7 CAPITAL ASSETS

Following is a summary of changes in capital assets for the years ended December 31, 2018:

	Balance 01/01/18	Increases	Decreases	Balance 12/31/18
Governmental Activities				
Non-depreciated assets				
Land	\$ 53,667	\$ -	\$ -	\$ 53,667
Infrastructure in Process	-	-	-	-
Total non-depreciated assets	53,667	-	-	53,667
Depreciable assets				
Buildings	248,799	-	-	248,799
Equipment & Vehicles	559,236	14,900	(120,075)	454,061
Infrastructure	204,961	-	-	204,961
Total depreciable assets	1,012,997	14,900	(120,075)	907,821
Less: accumulated depreciation				
Buildings	(68,466)	(4,761)	-	(73,227)
Equipment & Vehicles	(404,853)	(19,397)	119,574	(304,676)
Infrastructure	(4,650)	(4,099)	-	(8,749)
Total accumulated depreciation	(477,969)	(28,257)	119,574	(386,652)
Net depreciable assets	535,028	(13,357)	(501)	521,170
Net Government Assets	\$ 588,695	\$ (13,357)	\$ (501)	\$ 574,837
Enterprise Activities				
Non-depreciated assets				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Construction in Process	100,050	591,325	-	691,375
Total non-depreciated assets	101,050	591,325	-	692,375
Depreciable assets				
Buildings	38,951	-	-	38,951
Equipment & Vehicles	195,744	5,595	-	201,339
Water Project	1,826,750	-	-	1,826,750
Total depreciable assets	2,061,445	5,595	-	2,067,040
Less: accumulated depreciation				
Buildings	(12,571)	(999)	-	(13,570)
Equipment & Vehicles	(142,749)	(15,403)	-	(158,152)
Water Project	(488,110)	(40,875)	-	(528,985)
Total Accumulated Depreciation	(643,430)	(57,277)	-	(700,707)
Net Enterprise Assets	\$ 1,519,065	\$ 539,643	\$ -	\$ 2,058,709

	Balance 01/01/18	Increases	Decreases	Balance 12/31/18
Component Units				
Depreciable Assets				
Runway Overlay	\$ 376,270	\$ -	\$ -	\$ 376,270
Total depreciable assets	376,270	-	-	376,270
Less: accumulated depreciation				
Runway Overlay	(21,321)	(7,525)	-	(28,846)
Total Accumulated Depreciation	(21,321)	(7,525)	-	(28,846)
Net Component Unit Assets	\$ 354,949	\$ (7,525)	\$ -	\$ 347,424
Total Net Capital Assets	\$ 2,462,708	\$ 518,762	\$ (501)	\$ 2,980,970

Depreciation expense was charged to the functions/programs of the City as follows:

Depreciation	Government	Enterprise
General Government	\$ 1,423	
Public Safety	3,992	-
Public Works	22,842	-
Water & Sewer Operations	-	57,277
Total Depreciation Expense	\$ 28,257	\$ 57,277

NOTE 8 ECONOMIC DEVELOPMENT LOANS RECEIVABLE

The City, in conjunction with the Larimore Star Fund, provides economic development loans and grants to area businesses. The following is a summary of loan activity. No allowance has been established for estimated uncollectible loans.

Borrower	Balance 1/1/2018	Principal Payments	Loan Forgiveness	Balance 12/31/2018
Kyle Sather	\$ 4,668	\$ (4,668)	\$ -	\$ -
Terry Trosen Co.	34,222	(8,051)	-	26,171
Valley Community Health Centers	10,000	-	(5,000)	5,000
Northwood Deaconess Health Center	12,360	-	(6,180)	6,180
Good Samaritan Society	12,000	-	(4,000)	8,000
DB's The Station	62,800	(7,200)	-	55,600
Jay and Joleen Landis	12,489	-	-	12,489
Celebrations of Life LLC	21,772	(1,859)	-	19,913
Total	\$ 170,311	\$ (21,778)	\$ (15,180)	\$ 133,353

NOTE 9 LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended is as follows. Additional detailed information is available on the following pages.

	Balance 01/01/2018	Increases	Decreases	Balance 12/31/18	Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
Capital lease	\$ 70,799	\$ -	\$ (17,400)	\$ 36,561	\$ 17,981
	\$ 70,799	\$ -	\$ (17,400)	\$ 36,561	\$ 17,981
Business-type activities					
Revenue bonds	\$ 690,000	\$ 502,825	\$ (247,718)	\$ 890,547	\$ 120,694
	\$ 690,000	\$ 502,825	\$ (247,718)	\$ 890,547	\$ 120,694

REVENUE BONDS

The City has issued revenue bonds where the City pledges income derived from certain assets or programs to pay debt service. The proceeds of the bonds are used to finance various capital improvement projects. Larimore is obligated to the following revenue bonds:

Water Revenue Bonds of 2002

Water project construction bonds due in annual installments of \$80,000 to \$120,000 through September 1, 2022; interest at 2.5%. On December 31, 2019, the city has \$148,550 reserved for this debt issue.

Outstanding December 31, 2018 \$470,000

Wastewater Treatment Assessment Warrant Series 2017

The City is authorized to borrow up to \$9,360,000, of which \$380,000 is eligible for loan forgiveness. Financing will be provided under the Clean Water State Revolving Fund Program and carries a 1.5% interest rate plus a .5% administration fee. Payments are due semiannually until maturity on September 1, 2048. As of the year ended December 31, 2018, the City has drawn \$538,258, of which \$161,478 was eligible for loan forgiveness.

Outstanding December 31, 2018 \$376,780

Water Treatment Assessment Warrant Series 2018

The City is authorized to borrow up to \$119,500. Financing will be provided under the Clean Water State Revolving Fund Program and carries a 1.5% interest rate plus a .5% administration fee. Payments are due semiannually until maturity on September 1, 2048. As of the year ended December 31, 2018, the City has drawn \$43,767.

Outstanding December 31, 2018 \$43,767

Total Revenue Bonds Payable \$890,547

CAPITAL LEASE PAYABLE

During 2016, the City entered into a lease agreement to finance the acquisition of a street sweeper. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at

the present value of the future minimum lease payments as of the inception date. The lease is for five years at a 3.25% interest rate.

Future principal and interest payments for the City’s long term liabilities are as follows:

Year	Revenue Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2019	120,694	24,125	17,981	1,220
2020	130,540	17,197	18,581	620
2021	130,750	13,986	-	-
2022	130,960	10,771	-	-
2023	11,169	7,552	-	-
2024-2028	59,360	34,326	-	-
2029-2033	66,070	28,107	-	-
2034-2038	72,574	21,248	-	-
2039-2043	80,177	13,712	-	-
2044-2048	88,253	5,341	-	-
2049-2053	-	-	-	-
	\$ 890,547	\$ 176,365	\$ 36,561	\$ 1,841

NOTE 10 PENSION PLAN

Because the City reports its financial statements on the modified cash basis, as described in Note 1, the net pension liability and related deferred inflows and outflows are not required to be reported in the basic financial statements. The following information is for informational purposes.

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS’ fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired

public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the Employer reported a liability of \$167,310 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018, the Employer's proportion was 0.009914 percent, which was a decrease of 0.000371 from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Employer recognized pension expense of \$28,506. At December 31, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 442	\$ 5,692
Changes of assumptions	60,395	2,388
Net difference between projected and actual earnings on pension plan investments	-	814
Changes in proportion and differences between Employer contributions and proportionate share of contributions	9,123	6,509
*Employer contributions subsequent to the measurement date of July 1, 2018	4,360	-
Total	\$ 74,320	\$ 15,403

\$4,360 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ 19,072
2020	16,781
2021	11,423
2022	7,000
2023	281
Thereafter	-
Total	\$ 54,557

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	<u>Service at Beginning of Year</u>	<u>Increase Rate</u>
	0	15.00%
	1	10.00%
	2	8.00%
	<u>Age*</u>	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
50+	5.00%	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.05%
International Equity	21%	6.71%
Private Equity	7%	10.20%
Domestic Fixed Income	23%	1.45%
Global Real Estate	19%	5.11%
Cash Equivalents	0%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to

make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Employer's proportionate share of the net pension liability	227,343	167,310	117,315

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Payables to the Pension Plan

As of December 30, 2018, the district had no accrued payable to the pension plan.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS

Because the City reports its financial statements on the modified cash basis, as described in Note 1, the net other post-employment benefit (OPEB) liability and related deferred inflows and outflows are not required to be reported in the basic financial statements. The following information is for informational purposes.

Summary of Significant Accounting Policies

Other Post Employment Benefits (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the Employer reported a liability of \$7,331 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the Employer's proportion was 0.0093087 percent, which was a decrease of 0.000397 from its proportion

measured as of June 30, 2017.

For the year ended December 31, 2018, the Employer recognized OPEB expense of \$887. At December 31, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 220	\$ 151
Changes of assumptions	601	-
Net difference between projected and actual earnings on OPEB plan investments	-	158
Changes in proportion and differences between Employer contributions and proportionate share of contributions	219	41
*Employer contributions subsequent to the measurement date of July 1, 2018	698	-
Total	\$ 1,738	\$ 350

\$698 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as:

Year ended December 31:

2019	\$ 96
2020	96
2021	96
2022	165
2023	152
Thereafter	85
Total	\$ 690

Actuarial assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for

females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Lg Cap Domestic Equities	37%	5.80%
Sm Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.46%

Discount rate

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's proportionate share of the net OPEB liability	9,275	7,331	5,664

Payables to the OPEB Plan

As of December 30, 2018, the district had no accrued payable to the OPEB plan.

NOTE 12 INTER-FUND TRANSFERS

Inter-fund Transfers

Transfers were made for debt service requirements. The following is a reconciliation of cash transfers in and transfers out as reported in the basic financial statements for the year ended December 31, 2018:

Fund	Transfers In	Transfers (Out)
General Fund	\$ 14,900	\$ -
Highway Fund	19,201	-
Equipment Fund	-	(34,101)
Water Fund	8,850	-
Sewer Fund	37,950	(46,800)
	<u>\$ 80,901</u>	<u>\$ (80,901)</u>

NOTE 13 COMPENSATED ABSENCES

The City does not account for compensated absences, as the amount of liability cannot be readily ascertained.

NOTE 14 COMMITMENTS

The City is considering undertaking several large, interrelated projects including a master lift station improvement, water and sewer main replacements, storm drain replacements, curb and gutter replacements, and street repairs. The projects are on hold until the city can obtain favorable financing, with the exception of the master lift station improvement project (see Note 14 Subsequent Events).

Planning for all of the projects began in 2017, and engineering fees related to planning are expected to cost \$817,000. As of December 31, 2018, the City has paid \$817,000 of these fees.

Of the total engineering fees, \$109,350 is attributable to the master lift station project (see Note 7 Capital Assets and Note 15 Subsequent Events) and \$707,650 is attributable to the other projects, which the City has not made a final determination on. Of the costs related to the master lift station project, \$109,350 has been paid as of December 31, 2018, and has been capitalized as construction in process (see Note 7 Capital Assets). The remaining costs paid during 2018 have been expensed due to the fact that the city may forgo the projects.

NOTE 15 SUBSEQUENT EVENTS

Lift Station Improvement Project

In June 2018, the City began a master lift station improvement project. The project is expected to cost \$824,500. The City will fund the project with a combination Wastewater Treatment Assessment Warrants, Series 2017 and Series 2018, and loan forgiveness through the CWSRF Capitalization Grant of approximately 30% of the loan amount.

Wastewater Treatment Assessment Warrants, Series 2017

The City is authorized to borrow up to \$9,360,000 as Wastewater Treatment Assessment Warrants, Series 2017. Of that amount, \$380,700 is eligible for loan forgiveness. As discussed in Note 9, Long Term Liabilities, the City has borrowed \$376,780 as of December 31, 2018. Although no formal decision has been made as of the date of the audit report, the City anticipates borrowing an additional \$463,667 to pay for the master lift station improvement project. If the City decides to borrow the full authorized amount, future principal and interest payments would be as follows:

Year	Revenue Bonds			
	Principal	Interest	Admin Fees	Total
2019	224,300	212,034	67,645	503,979
2020	225,000	131,325	43,775	400,100
2021	230,000	127,950	42,650	400,600
2022	235,000	124,500	41,500	401,000
2023	240,000	120,975	40,325	401,300
2024-2028	1,275,000	549,375	183,125	2,007,500
2029-2033	1,400,000	450,000	150,000	2,000,000
2034-2038	1,555,000	340,500	113,500	2,009,000
2039-2043	1,710,000	219,300	73,100	2,002,400
2044-2048	1,885,000	85,650	28,550	1,999,200
	\$ 8,979,300	\$ 2,361,609	\$ 784,170	\$ 12,125,079

Water Treatment Assessment Warrants, Series 2018

The City is authorized to borrow up to \$119,500 as Wastewater Treatment Assessment Warrants, Series 2018. As discussed in Note 9, Long Term Liabilities, the City has borrowed \$43,767 as of December 31, 2018. The City anticipates borrowing the remaining \$75,733 in the subsequent year to pay for the drinking water project. If the City decides to borrow the full authorized amount, future principal and interest payments would be as follows:

Year	Revenue Bonds			
	Principal	Interest	Admin Fees	Total
2019	3,500	1,296	449	5,245
2020	3,000	1,740	580	5,320
2021	3,000	1,695	565	5,260
2022	3,000	1,650	550	5,200
2023	3,000	1,605	535	5,140
2024-2028	16,000	7,350	2,450	25,800
2029-2033	20,000	6,000	2,000	28,000
2034-2038	20,000	4,500	1,500	26,000
2039-2043	23,000	2,955	985	26,940
2044-2048	25,000	1,125	375	26,500
	\$ 119,500	\$ 29,916	\$ 9,989	\$ 159,405

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LARIMORE
Larimore, North Dakota

Budget Comparison Schedule – Modified Cash Basis
General Fund
For The Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 283,400	\$ 280,455	\$ 280,455	-
Licenses, Permits and Fees	5,200	6,219	6,219	-
Intergovernmental Sources	89,400	105,348	105,348	-
Charges for Services	-	26,680	26,680	-
Fines, Forfeitures and Penalties	2,000	3,779	3,779	-
Interest	-	8,419	8,419	-
Other Sources	27,600	23,137	23,137	-
Total Revenues	407,600	454,037	454,037	-
Expenditures:				
General Government	145,850	137,423	136,122	1,300
Public Safety	178,050	164,865	179,765	(14,900)
Public Works	83,700	25,613	25,613	-
Total Expenditures	407,600	327,901	341,501	(13,600)
Excess Revenues over (under) Expenditures	-	126,135	112,536	(13,600)
Interfund Transfers In (Out)	-	-	14,900	14,900
Excess Revenues over (under) Disbursements after Interfund Transfers	-	126,135	127,436	1,300
Fund Balance - January 1	502,291	502,291	502,291	
Fund Balance - December 31	\$ 502,291	\$ 628,426	\$ 629,727	

CITY OF LARIMORE
Larimore, North Dakota

Budget Comparison Schedule – Modified Cash Basis
Highway Fund
For The Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 137,970	\$ 810	\$ 810	\$ -
Intergovernmental Sources	81,800	86,592	86,592	-
Interest	-	6,567	6,567	-
Other Sources	-	-	-	-
Total Revenues	219,770	93,969	93,969	-
Expenditures:				
Public Works	137,970	49,608	51,119	(1,511)
Debt Service	-	-	19,201	(19,201)
Total Expenditures	137,970	49,608	70,320	(20,712)
Excess Revenues over (under) Expenditures	81,800	44,361	23,649	(20,712)
Interfund Transfers In (Out)	-	-	19,201	19,201
Excess Revenues over (under) Disbursements after Interfund Transfers	81,800	44,361	42,850	(1,511)
Fund Balance - January 1	301,083	301,083	301,083	
Fund Balance - December 31	\$ 382,883	\$ 345,444	\$ 343,933	

CITY OF LARIMORE
Larimore, North Dakota

Budget Comparison Schedule – Modified Cash Basis
Sales Tax Fund
For The Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Sales Taxes	\$ 40,000	\$ 77,896	\$ 72,726	\$ (5,170)
Interest	-	10,798	11,089	291
Other Sources	-	23,581	-	(23,581)
Total Revenues	40,000	112,274	83,814	(28,460)
Expenditures:				
Economic Development	20,000	7,948	21,616	(13,668)
Infrastructure	20,000	-	-	-
Total Expenditures	40,000	7,948	21,616	(13,668)
Excess Revenues over (under) Expenditures	-	104,326	62,198	(42,128)
Interfund Transfers In (Out)	-	(5,170)	-	5,170
Excess Revenues over (under) Disbursements after Interfund Transfers	-	99,156	62,198	(36,958)
Fund Balance - January 1	681,573	681,573	681,573	
Fund Balance - December 31	\$ 681,573	\$ 780,729	\$ 743,771	

CITY OF LARIMORE
Larimore, North Dakota

Schedule of Employer's Share of Net Pension Liability
North Dakota Public Employees Retirement System
 Last 10 Fiscal Years*

Year Ended December 31	Employer's Proportion Of the Net Pension Liability (Asset)	Employer's Proportionate Share Of the Net Pension Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net Pension Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total Pension Liability
2014	0.009100%	57,760	76,655	75.4%	77.70%
2015	0.011457%	77,906	102,064	76.3%	77.15%
2016	0.009928%	96,758	100,046	96.7%	70.46%
2017	0.010285%	165,314	104,993	157.5%	61.98%
2018	0.009914%	167,310	101,852	164.3%	62.80%

*Complete data from this schedule is not available prior 2014.

Amounts presented for each fiscal year have a measurement date of the June 30th of the respective year.

CITY OF LARIMORE
Larimore, North Dakota

Schedule of Employer Pension Contributions
North Dakota Public Employees Retirement System
 Last 10 Fiscal Years*

Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2014	5,458	5,458	0	76,655	7.12%
2015	7,753	8,866	(1,113)	102,064	8.69%
2016	7,244	8,492	(1,248)	100,046	8.49%
2017	7,613	9,488	(1,875)	104,993	9.04%
2018	7,502	9,064	(1,562)	101,852	8.90%

*Complete data from this schedule is not available prior 2014.

Amounts presented for each fiscal year have a measurement date of the June 30th of the respective year.

CITY OF LARIMORE
Larimore, North Dakota

Schedule of Employer's Share of Net OPEB Liability
North Dakota Public Employees Retirement System
 Last 10 Fiscal Years*

Year Ended December 31	Employer's Proportion Of the Net OPEB Liability (Asset)	Employer's Proportionate Share Of the Net OPEB Liability (Asset)	Employer's Covered Employee Payroll	Employer's Proportionate Share Of the Net OPEB Liability (Asset) as a % of its covered-employee Payroll	Plan Fiduciary Net Position As a % of the Total OPEB Liability
2017	0.009705%	7,677	104,993	7.3%	59.78%
2018	0.009308%	7,331	101,852	7.2%	61.89%

*Complete data from this schedule is not available prior 2017.

Amounts presented for each fiscal year have a measurement date of the June 30th of the respective year.

CITY OF LARIMORE
Larimore, North Dakota

Schedule of Employer OPEB Contributions
North Dakota Public Employees Retirement System
 Last 10 Fiscal Years*

Year Ended	Statutorily	Contributions in Relation	Contribution	Employer's Covered	Contributions
December 31	Required Contribution	to the Statutorily Required	Deficiency	Employee Payroll	as a % of
		Contribution	(Excess)		Covered Employee
					Payroll
2017	1,220	1,519	(299)	104,993	1.45%
2018	1,195	1,451	(256)	101,852	1.42%

*Complete data from this schedule is not available prior 2017.

Amounts presented for each fiscal year have a measurement date of the June 30th of the respective year.

CITY OF LARIMORE
Larimore, North Dakota

Notes To The Required Supplementary Information
December 31, 2018

NOTE 1 BUDGETS

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

The city auditor prepares a preliminary budget for the general and some of the special revenue funds on the modified cash basis of accounting. Because not all special revenue funds are budgeted, a budget to actual comparison of 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 7, 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.

The City has some 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 the special revenue fund groups.

The City of Larimore overspent the budget in the following funds for the 2018 year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$327,901	\$341,501	\$(13,600)
Highway Fund	49,608	70,320	(20,712)
Sales Tax Fund	7,948	21,616	(13,668)

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.

NOTE 2 PENSION PLANS

North Dakota Public Employees Retirement System

Changes of Benefit Terms

There were no changes to benefits for the year ended June 30, 2018, the most recent measurement date.

Changes of Assumptions

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018, based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

NOTE 3 OTHER POST EMPLOYMENT BENEFIT PLANS

North Dakota Public Employees Retirement System

Changes of Benefit Terms

There were no changes to benefits for the year ended June 30, 2018.

Changes of Assumptions

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

SUPPLEMENTARY INFORMATION

CITY OF LARIMORE
Larimore, North Dakota

Schedule of Fund Activity – Arising from Cash Transactions – Modified Cash Basis
December 31, 2018

Governmental Funds	Balance 01/01/18	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12/31/18
Major Funds							
General	\$ 502,291	\$ 454,037	\$ 14,900	\$ -	\$ -	\$ (341,501)	\$ 629,727
Highway	301,083	93,969	19,201	-	-	(70,320)	343,933
Sales Tax	681,573	83,814	-	-	-	(21,616)	743,771
Total Major Funds	\$ 1,484,947	\$ 631,819	\$ 34,101	\$ -	\$ -	\$ (433,437)	\$ 1,717,430
Non-major Funds							
Non-City Purchases	\$ 1,614	\$ 20	\$ -	\$ -	\$ -	\$ (20)	\$ 1,614
Total Non-major Funds	\$ 1,614	\$ 20	\$ -	\$ -	\$ -	\$ (20)	\$ 1,614
Total Governmental Funds	\$ 1,486,561	\$ 631,839	\$ 34,101	\$ -	\$ -	\$ (433,457)	\$ 1,719,044
Enterprise Funds							
Major Funds							
Water & Sewer	\$ 1,821,397	\$ 245,262	\$ 8,850	\$ -	\$ -	\$ (219,194)	\$ 1,856,315
Sewer	891,826	270,521	37,950	-	(46,800)	(575,596)	577,902
Sanitation	286,614	220,765	-	-	-	(192,560)	314,819
Bond	139,803	195,675	-	-	-	(10,669)	324,809
Equipment	277,286	53,034	-	-	(34,101)	(15,427)	280,793
Total Major Funds	\$ 3,416,927	\$ 985,257	\$ 46,800	\$ -	\$ (80,901)	\$ (1,013,445)	\$ 3,354,638
Non-major Funds							
Net Revenue	447	-	-	-	-	-	447
Spraying	65,546	8,707	-	-	-	(2,586)	71,667
Water Treatment	89,268	1,466	-	-	-	-	90,733
Well	133,745	10,340	-	-	-	(1,538)	142,547
Total Non-major Funds	\$ 289,005	\$ 20,513	\$ -	\$ -	\$ -	\$ (4,125)	\$ 305,394
Total Enterprise Funds	\$ 3,705,932	\$ 1,005,770	\$ 46,800	\$ -	\$ (80,901)	\$ (1,017,569)	\$ 3,660,032
Agency Funds							
Park	\$ -	\$ 20,364	\$ -	\$ -	\$ -	\$ (20,364)	\$ -
Total Agency Funds	\$ -	\$ 20,364	\$ -	\$ -	\$ -	\$ (20,364)	\$ -
Component Units							
Airport	\$ 379,732	\$ 13,848	\$ -	\$ -	\$ -	\$ (14,932)	\$ 378,647
Library	29,478	19,934	-	-	-	(18,073)	31,338
Total Component Units	\$ 409,210	\$ 33,781	\$ -	\$ -	\$ -	\$ (33,005)	\$ 409,986
Total Reporting Entity	\$ 5,601,702	\$ 1,691,755	\$ 80,901	\$ -	\$ (80,901)	\$ (1,504,396)	\$ 5,789,062

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*

Governing Board
City of Larimore, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Larimore, North Dakota, as of and for the years ended December 31, 2018, and the related notes to the financial statements, which collectively comprise City of Larimore, North Dakota’s basic financial statements and have issued our report thereon dated February 07, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Larimore, 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 the City of Larimore, North Dakota’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Larimore, 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be either a material weakness or significant deficiency.

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 deficiency 2018-1, as described in the accompanying schedule of findings and responses, to be a material weakness.

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(701) 265-8644

PARK RIVER

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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

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, as described in the accompanying schedule of findings and responses, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Larimore, 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 Larimore, North Dakota's Response to Findings

City of Larimore, North Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Larimore, North Dakota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 and Rygh
Certified Public Accountants
Park River, North Dakota

February 07, 2020

CITY OF LARIMORE
Larimore, North Dakota

Schedule of Findings and Responses
For The Year Ended December 31, 2018

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2018-1 Segregation of Duties

Condition

The City of Larimore, North Dakota has one bookkeeper responsible for most accounting functions and general ledger maintenance.

Effect

Without adequate fraud risk programs and controls, the City of Larimore 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, money, 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 Larimore'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 Larimore, North Dakota.

Recommendation

If at any time it becomes economically feasible and appropriate to add sufficient staff to segregate duties, we recommend that the City do so. We further recommend that the district implement any controls possible to separate the function of approval, posting of transactions, reconciliation, and custody of assets.

Client Response

No response is considered necessary.

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 account principles.

Recommendation:

We recommend that 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 the financial statement preparation. The City will continue to request that Mortenson & Rygh assist with preparation of financial statements.