

CITY OF LARIMORE
LARIMORE, NORTH DAKOTA

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

CITY OF LARIMORE
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CITY OF LARIMORE
LIST OF OFFICIALS
DECEMBER 31, 2020

CITY COUNCIL

Office

Dean Elfman
Dustin Barber
Dominic Capp
Dave Garton
Sarah Kallock
Adam Vonasek
Joseph Voelker

Mayor

EMPLOYEES:

Roberta Huntley

City Auditor

Harold J. Rotunda
Certified Public Accountant
INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Larimore
Larimore, North Dakota

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units and each major fund of City of Larimore as of and for the years ended December 31, 2020 and 2019, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, aggregate discretely presented component units, and each major fund of City of Larimore as of December 31, 2020 and 2019, and the changes in the modified cash basis financial position and cash flows, where applicable, thereof for the years then ended, in conformance with the modified cash basis of accounting.

Emphasis of Matters

As discussed in Note 9 to the financial statements, as of January 1, 2019, the City restated its financial statements to correct errors in the loan receivables and capital assets. In addition, the City changed the reporting of certain nonmajor funds. This has resulted in a restatement of the beginning of the years net position and fund balances as of January 1, 2019. My opinions are not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued reports dated February 27, 2023, on my considerations of the City's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

West Fargo, North Dakota
February 27, 2023

CITY OF LARIMORE
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total	Component Units Library	Airport
ASSETS					
Current assets:					
Cash and investments	2,215,302.64	2,495,672.80	4,710,975.44	32,507.20	116,134.02
Non-current assets:					
Capital assets (net of accumulated de	625,471.46	3,083,106.93	3,708,578.39		332,373.99
Total Assets	2,840,774.10	5,578,779.73	8,419,553.83	32,507.20	448,508.01
LIABILITIES					
Current liabilities:			-		
Accounts Payable			-		
Non-current liabilities			-		
Due within one year:			-		
Bonds payable	-	120,000.00	120,000.00		
Notes payable	-	-	-		
Due after one year:			-		
Bonds payable	-	378,000.00	378,000.00		
Notes payable	-	-	-		
Total liabilities	-	498,000.00	498,000.00	-	-
NET POSITION					
Net investment capital assets	625,471.46	2,585,106.93	3,210,578.39	-	332,373.99
Restricted for:			-		
Capital projects	-		-		
Debt service	-		-		
Highways and streets	168,314.11		168,314.11		
Economic development	860,459.60		860,459.60		
Unrestricted	1,186,528.93	2,495,672.80	3,682,201.73	32,507.20	116,134.02
Total net position	2,840,774.10	5,080,779.73	7,921,553.83	32,507.20	448,508.01

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

CITY OF LARIMORE
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020

		Program Revenues			Revenue & Change in net position
	Expenses	Charges for Services	Operating grants and Contributions	Capital grants and Contributions	Governmental Activities
Governmental activities:					
General government	309,049.02	6,100.49			(302,948.53)
Public safety	153,801.83				(153,801.83)
Highways and streets	189,489.85		79,390.13	-	(110,099.72)
Economic development	55,605.68				(55,605.68)
Total Governmental Activities	707,946.38	6,100.49	79,390.13	-	(622,455.76)
Business-type activities					
Water	435,340.65	200,365.42			(234,975.23)
Sewer	92,307.11	181,166.04			88,858.93
Garbage	200,932.44	232,542.13			31,609.69
Well	-	6,902.64			6,902.64
Debt	17,553.56	358,104.00		41,989.47	382,539.91
Total Business-type activities	746,133.76	979,080.23	-	41,989.47	274,935.94
Total	1,454,080.14	985,180.72	79,390.13	41,989.47	(347,519.82)
Component Units					
Library	22,540.69				(22,540.69)
Airport Authority	14,960.10	-			(14,960.10)
				Component Units	
	Governmental	Business-type	Total	Library	Airport
Net expense	(622,455.76)	274,935.94	(347,519.82)	(22,540.69)	(14,960.10)
General Revenues					
Property taxes	290,913.48		290,913.48		
Sales taxes	168,750.79		168,750.79		
State aid	215,822.62		215,822.62		35,568.40
Interest	9,386.20	8,083.80	17,470.00	4.56	
Other	216,765.88	37,393.54	254,159.42	26,779.90	8,312.48
Total General Revenues	901,638.97	45,477.34	947,116.31	26,784.46	43,880.88
Transfers in (out)	-	-	-		
Change in Net Position	279,183.21	320,413.28	599,596.49	4,243.77	28,920.78
Net Position- January 1	2,561,590.89	4,760,366.45	7,321,957.34	28,263.43	419,587.23
Net Position- December 31	2,840,774.10	5,080,779.73	7,921,553.83	32,507.20	448,508.01

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

CITY OF LARIMORE

BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS

DECEMBER 31, 2020

	GENERAL	SPECIAL REVENUE FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash, cash equivalents and investmen	832,609.38	1,382,693.26	2,215,302.64
Total Assets	832,609.38	1,382,693.26	2,215,302.64
LIABILITIES			
Total liabilities	-	-	-
FUND BALANCE			
Restricted for			-
Capital projects			-
Debt service			-
Highways and streets		168,314.11	168,314.11
Economic development		860,459.60	860,459.60
Assigned to General Government		353,919.55	353,919.55
Unassigned	832,609.38	-	832,609.38
Total fund balance	832,609.38	1,382,693.26	2,215,302.64
Total liabilities and fund balance	832,609.38	1,382,693.26	2,215,302.64

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

CITY OF LARIMORE
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2020

Total Fund Balances for Governmental Funds	2,215,302.64
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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 are not reported in governmental funds

Cost of capital assets	1,086,459.73	
Less accumulated depreciation	460,988.27	
Net capital assets		625,471.46

Total Net Position of Governmental Activities	2,840,774.10
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The accompanying notes are an integral part of these financial statements.

CITY OF LARIMORE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020

	GENERAL	SPECIAL REVENUE FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	290,913.48		290,913.48
Sales taxes		168,750.79	168,750.79
Special Assessments			-
Intergovernmental	194,401.46	100,811.29	295,212.75
Interest	3,423.67	5,962.53	9,386.20
Charges for services		6,902.64	6,902.64
Other	60,374.83	155,588.90	215,963.73
Total Revenues	549,113.44	438,016.15	987,129.59
Current:			
General government	232,094.38	76,954.64	309,049.02
Public safety	153,801.83		153,801.83
Highways and streets		256,867.85	256,867.85
Economic development		55,605.68	55,605.68
Capital outlays			-
Debt Service			
Principal	18,580.00		18,580.00
Interest expense			-
Total Expenditures	404,476.21	389,428.17	793,904.38
Excess revenues (expenditures)	144,637.23	48,587.98	193,225.21
Other Financing Sources (Uses):			
Transfers in			-
Transfers out			-
Bond proceeds			-
Total other financing sources and uses	-	-	-
Net change in fund balances	144,637.23	48,587.98	193,225.21
Fund Balance- January 1	687,972.15	1,334,105.28	2,022,077.43
Fund Balance- December 31	832,609.38	1,382,693.26	2,215,302.64

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

CITY OF LARIMORE
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balances- Total Governmental Funds	193,225.21
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current year capital outlay	106,087.00	
Current year depreciation expense	38,709.00	67,378.00

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Notes payable	18,580.00
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Change in Net Position of Governmental Activities	279,183.21
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The accompanying notes are an integral part of these financial statements.

CITY OF LARIMORE
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Water & Sewer	Sanitation	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	2,162,951.83	332,720.97	2,495,672.80
Capital assets (net of accumulated depreciation)	3,083,106.93		3,083,106.93
Total Assets	5,246,058.76	332,720.97	5,578,779.73
LIABILITIES			
Current liabilities:			-
Accounts Payable			-
Non-current liabilities:			
Due within one year:			
Bonds payable	120,000.00		120,000.00
Notes payable			-
Due after one year:			
Bonds payable	378,000.00		378,000.00
Notes payable			-
Total liabilities	498,000.00	-	498,000.00
NET POSITION			
Net investment in capital assets	2,585,106.93		2,585,106.93
Restricted for:	-		-
Capital projects	-		-
Debt service	-		-
Unrestricted	2,162,951.83	332,720.97	2,495,672.80
Total net position	4,748,058.76	332,720.97	5,080,779.73

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

CITY OF LARIMORE
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Water & Sewer	Sanitation	Total
OPERATING REVENUE			
Charges for services	746,538.10	232,542.13	979,080.23
OPERATING EXPENSES			
Salaries	118,977.32	3,272.32	122,249.64
Employee benefits/ payroll taxes	61,022.18	250.33	61,272.51
Professional fees	2,846.75	-	2,846.75
Contract services	-	186,864.79	186,864.79
Electricity	19,917.47	-	19,917.47
Supplies	29,624.72	7,935.00	37,559.72
Repairs and maintenance	24,695.89	-	24,695.89
Office expense	2,861.31	-	2,861.31
Contract services	101,854.53	-	101,854.53
Depreciation	96,416.54	-	96,416.54
Miscellaneous	69,431.05	2,610.00	72,041.05
Total operating expenses	527,647.76	200,932.44	728,580.20
Operating income (loss)	218,890.34	31,609.69	250,500.03
NON-OPERATING REVENUE (EXPENSE)			
Debt proceeds	-	-	-
Interest income	8,083.80	-	8,083.80
Special assessments	41,989.47	-	41,989.47
Interest expense	(17,553.56)	-	(17,553.56)
Capital outlay	-	-	-
Other	34,393.21	3,000.33	37,393.54
Total non-operating rev (exp)	66,912.92	3,000.33	69,913.25
Income (loss) before transfers	285,803.26	34,610.02	320,413.28
Transfers in	-	-	-
Transfers out	-	-	-
Change in net position	285,803.26	34,610.02	320,413.28
Net Position- January 1	4,462,255.50	298,110.95	4,760,366.45
Net Position- December 31	4,748,058.76	332,720.97	5,080,779.73

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

CITY OF LARIMORE
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Water & Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	746,538.10	232,542.13	979,080.23
Payments to suppliers	(312,253.90)	(197,660.12)	(509,914.02)
Payments to employees	(118,977.32)	(3,272.32)	(122,249.64)
Other receipts	34,393.21	3,000.33	37,393.54
Net cash provided by (used in) operating activities	349,700.09	34,610.02	384,310.11
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	-	-
Transfers from other funds	-	-	-
Net cash provided by (used in) noncapital financing activ	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(17,654.50)	-	(17,654.50)
Principal paid on capital debt	(537,218.00)	-	(537,218.00)
Interest paid on capital debt	(17,553.56)	-	(17,553.56)
Debt proceeds	-	-	-
Special assessments	41,989.47	-	41,989.47
Net cash provided by (used in) capital and related financi	(530,436.59)	-	(530,436.59)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	8,083.80	-	8,083.80
Net cash provided by (used in) investing activities	8,083.80	-	8,083.80
Net increase (decrease) in cash and cash equivalents	(172,652.70)	34,610.02	(138,042.68)
Balance- beginning of year	2,335,604.53	298,110.95	2,633,715.48
Balance- end of year	2,162,951.83	332,720.97	2,495,672.80
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	218,890.34	31,609.69	250,500.03
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	96,416.54	-	96,416.54
Change in assets and liabilities:			
Grant income	-	-	-
Miscellaneous receipts (expense)	34,393.21	3,000.33	37,393.54
Net cash provided by operating activities	349,700.09	34,610.02	384,310.11

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

CITY OF LARIMORE
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total	Component Units Library	Airport
ASSETS					
Current assets:					
Cash and investments	2,022,077.43	2,633,715.48	4,655,792.91	28,263.43	79,688.24
Non-current assets:					
Capital assets (net of accumulated dep)	558,093.46	3,161,868.97	3,719,962.43		339,898.99
Total Assets	2,580,170.89	5,795,584.45	8,375,755.34	28,263.43	419,587.23
LIABILITIES					
Current liabilities:					
Accounts Payable					
Non-current liabilities					
Due within one year:					
Bonds payable	-	110,000.00	110,000.00		
Notes payable	18,580.00	-	18,580.00		
Due after one year:					
Bonds payable	-	925,218.00	925,218.00		
Notes payable	-	-	-		
Total liabilities	18,580.00	1,035,218.00	1,053,798.00	-	-
NET POSITION					
Net investment capital assets	539,513.46	2,126,650.97	2,666,164.43	-	339,898.99
Restricted for:			-		
Economic development	683,628.84		683,628.84		
Highway	308,363.14	-	308,363.14		
Unrestricted	1,030,085.45	2,633,715.48	3,663,800.93	28,263.43	79,688.24
Total net position	2,561,590.89	4,760,366.45	7,321,957.34	28,263.43	419,587.23

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

CITY OF LARIMORE
STATEMENT OF ACTIVITIES- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019

		Program Revenues			Revenue & Change in net position
	Expenses	Charges for Services	Operating grants and Contributions	Capital grants and Contributions	Governmental Activities
Governmental activities:					
General government	268,524.19	5,778.32			(262,745.87)
Public safety	159,337.91				(159,337.91)
Highways and streets	162,610.12				(162,610.12)
Economic development	41,364.55				(41,364.55)
Total Governmental Activities	631,836.77	5,778.32	-	-	(626,058.45)
Business-type activities					
Water	223,499.21	196,230.34			(27,268.87)
Sewer	144,603.18	135,895.06			(8,708.12)
Garbage	180,695.74	225,956.93			45,261.19
Well	2,026.70	8,642.79			6,616.09
Debt	20,312.93	197,275.00		222,931.69	399,893.76
Total Business-type activities	571,137.76	764,000.12	-	222,931.69	415,794.05
Total	1,202,974.53	769,778.44	-	222,931.69	(210,264.40)
Component Units					
Library	23,788.53				(23,788.53)
Airport Authority	14,428.79	20,000.00			5,571.21
				Component Units	
	Governmental	Business-type	Total	Library	Airport
Net expense	(626,058.45)	415,794.05	(210,264.40)	(23,788.53)	5,571.21
General Revenues					
Property taxes	286,326.14		286,326.14		
Sales taxes	89,403.28		89,403.28		
State aid	229,528.20	174,687.00	404,215.20	1,959.61	15,123.04
Interest	32,449.87	30,479.89	62,929.76	22.47	
Other	123,847.29	71,403.72	195,251.01	18,731.44	20,227.71
Total General Revenues	761,554.78	276,570.61	1,038,125.39	20,713.52	35,350.75
Transfers in (out)	-	-	-		
Change in Net Position	135,496.33	692,364.66	827,860.99	(3,075.01)	40,921.96
Net Position- January 1	2,426,094.56	4,068,001.84	6,494,096.40	31,338.44	378,665.27
Net Position- December 31	2,561,590.89	4,760,366.50	7,321,957.39	28,263.43	419,587.23

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

CITY OF LARIMORE
BALANCE SHEET- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
DECEMBER 31, 2019

	GENERAL	SPECIAL REVENUE FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash, cash equivalents and investmen	687,972.15	1,334,105.28	2,022,077.43
Total Assets	687,972.15	1,334,105.28	2,022,077.43
LIABILITIES			
Total liabilities	-	-	-
FUND BALANCE			
Restricted for Economic Development		683,628.84	683,628.84
Restricted for Highway		308,363.14	308,363.14
Assigned for General Government		342,113.30	342,113.30
Unassigned	687,972.15	-	687,972.15
Total fund balance	687,972.15	1,334,105.28	2,022,077.43
Total liabilities and fund balance	687,972.15	1,334,105.28	2,022,077.43

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

CITY OF LARIMORE
 RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
 SHEET TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2019

Total Fund Balances for Governmental Funds	2,022,077.43
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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 are not reported in governmental funds		
Cost of capital assets	980,372.73	
Less accumulated depreciation	422,279.27	
Net capital assets		558,093.46

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities- both current and long-term are reported in the statement of net position.

Notes payable	(18,580.00)
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Total Net Position of Governmental Activities	2,561,590.89
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The accompanying notes are an integral part of these financial statements.

CITY OF LARIMORE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019

	GENERAL	SPECIAL REVENUE FUNDS	TOTAL GOVERNMENTAL FUNDS
Property taxes	286,326.14		286,326.14
Sales taxes		89,403.28	89,403.28
Special Assessments			-
Intergovernmental	118,042.56	111,485.64	229,528.20
Interest	11,757.83	20,692.04	32,449.87
Charges for services		61,260.75	61,260.75
Other	57,102.66	11,262.20	68,364.86
Total Revenues	473,229.19	294,103.91	767,333.10
Current:			
General government	234,661.76	46,102.43	280,764.19
Public safety	159,337.91		159,337.91
Highways and streets		132,406.12	132,406.12
Economic development		41,364.55	41,364.55
Capital outlays			-
Debt Service			
Principal	17,981.00		17,981.00
Interest expense	1,220.00		1,220.00
Total Expenditures	413,200.67	219,873.10	633,073.77
Excess revenues (expenditures)	60,028.52	74,230.81	134,259.33
Other Financing Sources (Uses):			
Transfers in			-
Transfers out			-
Bond proceeds			-
Total other financing sources and uses	-	-	-
Net change in fund balances	60,028.52	74,230.81	134,259.33
Fund Balance- January 1	627,943.63	1,259,874.47	1,887,818.10
Fund Balance- December 31	687,972.15	1,334,105.28	2,022,077.43

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

CITY OF LARIMORE
 RECONCILIATION OF GOVERNMENTAL STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances- Total Governmental Funds	134,259.33
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The change in net position reported for governmental activities in the statement of activities is different because:

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

Current year capital outlay	13,460.00	
Current year depreciation expense	30,204.00	(16,744.00)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Notes payable	17,981.00
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Change in Net Position of Governmental Activities	135,496.33
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The accompanying notes are an integral part of these financial statements.

CITY OF LARIMORE
STATEMENT OF NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Water & Sewer	Sanitation	Total
ASSETS			
Current assets:			
Cash, cash equivalents and investments	2,335,604.53	298,110.95	2,633,715.48
Capital assets (net of accumulated depreciation)	3,161,868.97		3,161,868.97
Total Assets	5,497,473.50	298,110.95	5,795,584.45
LIABILITIES			
Current liabilities:			-
Accounts Payable			-
			-
Non-current liabilities:			
Due within one year:			
Bonds payable	110,000.00		110,000.00
Notes payable			-
Due after one year:			
Bonds payable	925,218.00		925,218.00
Notes payable			-
Total liabilities	1,035,218.00	-	1,035,218.00
NET POSITION			
Net investment in capital assets	2,126,650.97		2,126,650.97
Restricted for:			
Capital projects	-		-
Debt service	-		-
Unrestricted	2,335,604.53	298,110.95	2,633,715.48
Total net position	4,462,255.50	298,110.95	4,760,366.45

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

CITY OF LARIMORE
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Water & Sewer	Sanitation	Total
OPERATING REVENUE			
Charges for services	538,043.19	225,956.93	764,000.12
OPERATING EXPENSES			
Salaries	142,887.51	3,010.89	145,898.40
Employee benefits/ payroll taxes	43,713.79	219.73	43,933.52
Professional fees	3,352.91		3,352.91
Contract services	-	174,730.90	174,730.90
Electricity	31,200.50		31,200.50
Supplies	22,953.06	2,720.44	25,673.50
Repairs and maintenance	12,981.70		12,981.70
Office expense	8,246.98	13.78	8,260.76
Contract services	18,267.80		18,267.80
Depreciation	81,341.02		81,341.02
Miscellaneous	5,183.82		5,183.82
Total operating expenses	370,129.09	180,695.74	550,824.83
Operating income (loss)	167,914.10	45,261.19	213,175.29
NON-OPERATING REVENUE (EXPENSE)			
Loan forgiveness	174,687.00		174,687.00
Interest income	30,479.89		30,479.89
Special assessments	222,931.69		222,931.69
Interest expense	(20,312.93)		(20,312.93)
Capital outlay	-	-	-
Other	67,766.65	3,637.07	71,403.72
Total non-operating rev (exp)	475,552.30	3,637.07	479,189.37
Income (loss) before transfers	643,466.40	48,898.26	692,364.66
Transfers in	-	-	-
Transfers out	-	-	-
Change in net position	643,466.40	48,898.26	692,364.66
Net Position- January 1	3,818,789.15	249,212.69	4,068,001.84
Net Position- December 31	4,462,255.55	298,110.95	4,760,366.50

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

CITY OF LARIMORE
STATEMENT OF CASH FLOWS- MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Water & Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	538,043.19	225,956.93	764,000.12
Payments to suppliers	(145,900.56)	(177,684.85)	(323,585.41)
Payments to employees	(142,887.51)	(3,010.89)	(145,898.40)
Other receipts	67,766.65	3,637.07	71,403.72
Net cash provided by (used in) operating activities	317,021.77	48,898.26	365,920.03
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	-	-
Transfers from other funds	-	-	-
Net cash provided by (used in) noncapital financing activ	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(475,936.40)	-	(475,936.40)
Principal paid on capital debt	(512,487.00)	-	(512,487.00)
Interest paid on capital debt	(20,312.93)	-	(20,312.93)
Debt proceeds	657,158.00	-	657,158.00
Loan forgiveness	174,687.00	-	174,687.00
Special assessments	222,931.69	-	222,931.69
Net cash provided by (used in) capital and related financi	46,040.36	-	46,040.36
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	30,479.89	-	30,479.89
Net cash provided by (used in) investing activities	30,479.89	-	30,479.89
Net increase (decrease) in cash and cash equivalents	393,542.02	48,898.26	442,440.28
Balance- beginning of year	1,942,062.51	249,212.69	2,191,275.20
Balance- end of year	2,335,604.53	298,110.95	2,633,715.48
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	167,914.10	45,261.19	213,175.29
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	81,341.02	-	81,341.02
Change in assets and liabilities:			
Miscellaneous receipts (expense)	67,766.65	3,637.07	71,403.72
Net cash provided by operating activities	317,021.77	48,898.26	365,920.03

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

CITY OF LARIMORE
LARIMORE, NORTH DAKOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CITY OF LARIMORE (City) have been prepared on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). 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 City's accounting policies are described below.

A. Reporting Entity

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

Larimore Library- The Library was organized to provide management of the library in Larimore. The Council appoints all Board members and approves its tax levy.

Airport Authority- The Airport Authority was organized to provide management of the airport in Larimore. The Council appoints all Board members and approves its tax levy.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Government-wide statements: The statement of net assets and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF LARIMORE
Notes to Financial Statements- Continued

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

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses/expenditures. Funds are organized into two major categories: governmental and proprietary. The City currently has no fiduciary funds.

The City reports the following major governmental funds:

General Fund. The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds. Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City.

The City reports the following major enterprise funds:

Water and Sewer- accounts for operating activities of the City's water and sewer utility services.

Sanitation- accounts for operating activities of the City's sanitation services

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

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

CITY OF LARIMORE
Notes to Financial Statements- Continued

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

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

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements presents 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.

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

In the government-wide statements of net position and statement of activities and the fund financial statements, both governmental and business-type activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for long term debt and depreciation in the government-wide statements, and the proprietary fund statements. In accordance with the modified cash basis of accounting, the City reports capital assets and debt. Payments for payroll benefit liabilities are reported in the year that they are incurred and budgeted. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

CITY OF LARIMORE
Notes to Financial Statements- Continued

The City's governmental funds use the modified cash 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.

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

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Budgets

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

City taxes must be levied by the governing board on or before the first day of October. The taxes levied must be certified to the County auditor by October 10. The governing body of the City may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year, but the certification must be filed with the County auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

CITY OF LARIMORE
Notes to Financial Statements- Continued

E. Cash and Investments

Cash includes amounts in demand deposits and money market accounts. Investments consist of certificates of deposits stated at cost.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Net estimated historical cost was used to value the majority of assets acquired prior to January 1, 2004. Prior to January 1, 2004, governmental funds' infrastructure assets were not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

ASSETS	YEARS
Permanent Buildings	50
Vehicles and equipment	10

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums, discounts and issuance costs are recognized in the current period since the amounts are not material.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

CITY OF LARIMORE
Notes to Financial Statements- Continued

H. Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the city council-the City's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the City's preference is to first use restricted resources, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

The council has set a General Fund minimum fund balance target at 10% of expenditures and recurring transfers.

CITY OF LARIMORE
Notes to Financial Statements- Continued

I. Interfund Transactions

In the governmental fund statements, transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. In the government-wide financial statements, interfund transactions have been eliminated.

J. Use of estimates

The preparation of financial statements in conformity with the Other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The Council did not amend the City budget for 2020.

EXPENDITURES OVER APPROPRIATIONS

The City did not overspend any budgets

NOTE 3 DEPOSITS AND INVESTMENTS

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

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

CITY OF LARIMORE
Notes to Financial Statements- Continued

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

At December 31, 2020, the City's carrying amount of deposits was \$4,710,955. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$4,460,955 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2019, the City's carrying amount of deposits was \$4,655,793. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$4,405,793 was collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

State statutes authorize the City to invest in: (1) 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. (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above. (3) Certificates of Deposit fully insured by the federal deposit insurance corporation or the state. (4) Obligations of the state.

Concentration of Credit Risk

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

NOTE 4: PROPERTY TAXES

Taxes receivable represents the past five years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable. The County treasurer acts as and 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.

CITY OF LARIMORE
Notes to Financial Statements- Continued

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 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2020:

	Balance January 1	Increases	Decreases	Balance December 31
Governmental activities				
Land	53,667			53,667
Infrastructure	134,880	65,750		200,630
Bldgs and Improvements	113,919			113,919
Vehicles & Equipment	677,907	40,337		718,244
Total Cap Assets	980,373	106,087		1,086,461
Less accumulated depreciation for:				
Infrastructure	25,856	9,273		35,129
Buildings & Improve	52,132	2,063		54,195
Vehicles & Equip	344,291	27,373		371,664
Total Accumulated Dep	422,279	38,709		460,988
Total Cap Assets, Net	558,093			625,472
Capital assets, being depreciated				
Business-type activities				
Land	1,000			1,000
Construction in progress	994,082	17,655	1,011,737	
Vehicles & Equipment	1,180,750			1,180,750
Infrastructure	1,768,084	1,011,737		2,779,821
Total Cap Assets	3,943,917	1,029,391	1,011,737	3,961,571
Less accumulated depreciation for:				
Buildings & Improve				
Vehicles & Equip	267,556	35,120		302,676
Infrastructure	514,492	61,297		575,789
Total Accumulated Dep	782,048	96,417		878,464
Total Cap Assets, Net	3,161,869			3,083,107

CITY OF LARIMORE
Notes to Financial Statements- Continued

The following is a summary of changes in capital assets for the year ended December 31, 2019:

	Balance January 1	Increases	Decreases	Balance December 31
Governmental activities				
Land	53,667			53,667
Infrastructure	134,880			134,880
Bldgs and Improvements	113,919			113,919
Vehicles & Equipment	664,447	13,460		677,907
Total Cap Assets	966,913	13,460		980,373
Less accumulated depreciation for:				
Infrastructure	23,158	2,698		25,856
Buildings & Improve	50,069	2,063		52,132
Vehicles & Equip	318,848	25,443		344,291
Total Accumulated Dep	392,075	30,204		422,279
Total Cap Assets, Net	574,837			558,093
Capital assets, being depreciated				
Business-type activities				
Land	1,000			1,000
Construction in progress	708,145	285,937		994,082
Vehicles & Equipment	1,180,750			1,180,750
Infrastructure	1,578,085	189,999		1,768,084
Total Cap Assets	3,467,980	475,936		3,943,917
Less accumulated depreciation for:				
Buildings & Improve				
Vehicles & Equip	227,277	40,279		267,556
Infrastructure	473,430	41,062		514,492
Total Accumulated Dep	700,707	81,341		782,048
Total Cap Assets, Net	2,767,274			3,161,869
Depreciation Expense was charged to functions/programs of the City as follows:				
Governmental Activities:		2020	2019	
General government		2,063	5,442	
Highways and streets		36,646	24,762	
Total		38,709	30,204	
Business-type activities				
Water and sewer		96,417	81,341	

Component Unit- Airport

	Balance January 1	Increases	Decreases	Balance December 31
2019				
Infrastructure- Cost	376,270			376,270
Infrastructure- Acc Dep	28,246	7,525		36,371
Net	348,024	7,525		339,899
2020				
Infrastructure- Cost	376,270			376,270
Infrastructure- Acc Dep	36,371	7,525		43,896
Net	339,899	7,525		332,374

CITY OF LARIMORE
Notes to Financial Statements- Continued

NOTE 6: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the year ended December 31, 2020, the following changes occurred in long-term debt:

	Payable 2019	Increases	Decreases	Payable 2020	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Lease payable	18,580		18,580		
TOTAL					

BUSINESS-TYPE ACTIVITIES

SRF Notes	1,035,218	537,218	498,000	120,000
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Changes in Long-Term Liabilities - During the year ended December 31, 2019, the following changes occurred in long-term debt:

	Payable 2018	Increases	Decreases	Payable 2019	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Lease payable	36,561		17,981	18,580	18,580
TOTAL					

BUSINESS-TYPE ACTIVITIES

SRF Notes	890,547	657,158	512,487	1,035,218	110,000
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SRF NOTES PAYABLE

The City obtained financing from the State of North Dakota's State Revolving Loan Fund (SRF) to finance improvements to the City's utility systems. Details relative to the outstanding notes payable are shown below:

	Maturity Date	Interest Rate	Balance Outstanding
GOVERNMENTAL ACTIVITIES			
Water Treatment-2015	09/01/2024	2.5%	92,200
Water Treatment-2015	09/01/2024	2.5%	405,800
			<u>498,000</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

GOVERNMENTAL ACTIVITIES

Year Ending	Bonds Payable	
December 31	Principal	Interest
2021	120,000	6,000
2022	130,000	3,000
2023	140,000	2,000
2024	108,000	1,000
TOTAL	498,000	12,000

CITY OF LARIMORE
Notes to Financial Statements- Continued

NOTE 7: PENSION PLANS

The City participates in the North Dakota Public Employees Retirement System (PERS) administered by the State of North Dakota. Following is a brief description of the plan:

PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. PERS provides for retirement, disability and death benefits to plan members and beneficiaries. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be paid to the surviving spouse's designated beneficiary. Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled. Employees are entitled to unreduced monthly pension benefits equal to 2% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at the normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. This state statute requires that 7% of the participants annual covered salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The City is required to contribute 7.12% of each participant's salary as the employer's share. The City is required to contribute 1.14% of each participating covered wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. The City's contributions to PERS for the fiscal years ending December 31, 2020, 2019, and 2018 were \$14,310, \$10,708, and \$11,740, respectively, equal to the required contributions for the year.

CITY OF LARIMORE
Notes to Financial Statements- Continued

PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained on the NDPERS website.

NOTE 8: RISK MANAGEMENT

The City is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1986 state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence. The State Bonding Fund currently provides the City with blanket fidelity bond coverage for its employees. The State Bonding fund does not currently charge any premium for this coverage. The City has workers compensation with the Workforce, Safety and Insurance and purchases commercial insurance for personal property, building, inland marine, and boiler and machinery.

NOTE 9: RESTATEMENT

As of January 1, 2019, the City corrected errors relating to loan receivable balances and record the construction in progress. In addition, the City changed the reporting of major funds. As a result, the following restatements have been made to the fund balances in the governmental funds and the governmental activities net position:

	General Revenue	Special	Sales Tax	Highway	Governmental Activities
Balance- December 31, 2018, as previously reported	629,727	1,614	743,771	343,933	2,257,319
Recorded loans receivable			(133,353)		(133,353)
Fund Reclassification	(1,783)	1,258,260	(610,418)	(343,933)	302,128
Balance January 1, restated	627,944	1,259,874	-	-	2,426,094

The following restatements have been made to the net position in the propriety funds and business-type activities:

	Water & Sewer	Sanitation	Other	Business-Type Activities
Balance- December 31, 2018, as previously reported	2,434,217	314,819	910,996	3,660,032
Record Construction in prog	708,145			708,145
Fixed asset reclassification	1,000	(1,000)		
Fund Reclassification	675,427	(64,606)	(910,996)	(302,128)
Balance January 1, restated	3,818,789	249,213	-	4,068,002

CITY OF LARIMORE

REPORTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

DECEMBER 31, 2020 AND 2019

City of Larimore
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Harold J. Rotunda

Certified Public Accountant

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
Independent Auditor's Report

Governing Board
City of Larimore
Larimore, North Dakota

I 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, aggregate discretely presented component units, and each major fund of City of Larimore as of and for the year ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise basic financial statements, and have issued my report thereon dated February 27, 2023.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify two deficiencies in internal control, described in the accompanying schedule of findings that I consider to be a significant deficiency (2020-001 and 2020-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Larimore's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harold Rotunda, CPA
February 27, 2023

CITY OF LARIMORE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

2020-001 Segregation of Duties

Criteria

To provide reasonable assurance that segregation of duties takes place while also taking into account the size of the City.

Condition

The City Auditor is responsible for all accounting functions involved. The employee handles all income of monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the City, it is not feasible to obtain proper segregation of duties and the degree of internal control is severely limited.

Cause

The City Auditor is the employee responsible for all functions and due to the City's size, they are unable to hire additional staff.

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

The City should separate the duties when it becomes feasible.

Management's Response

Some procedures to promote segregation of duties have been implemented. Funds are counted by other individuals prior to being given to the Auditor to receipt and deposit at the various financial institutions. The Council reviews and approves bills before payments are made. The Mayor reviews and signs all checks written. The City will formally segregate other duties when feasible.

CITY OF LARIMORE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019

2020-002 Financial Statement Preparation
Criteria

An appropriate system of internal controls requires that a City make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis of accounting. This requires the City's personnel to maintain a working knowledge of current modified cash basis of accounting required financial statement disclosures.

Condition

The City's auditor prepared the financial statements for the years ended. In addition, adjusting entries were proposed to bring the financial statements into compliance with the modified cash basis of accounting. An appropriate system of internal controls requires that a City must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with the modified cash basis. This requires the City's personnel to maintain a working knowledge of current accounting principles in accordance with the modified cash basis.

Cause

The City does not have the resources to prepare full modified cash basis financial statements.

Effect

The City currently does not maintain the working knowledge of current accounting principles for the modified cash basis and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with the modified cash basis.

Recommendation

Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

Management's Response

Management agrees that it is currently not cost-effective.