

Wayne E. Hintz, CPA
1215 Eleventh Avenue, Helena, Montana 59601

CITY of ELGIN
Financial and Compliance Report

Prepared by
Wayne E. Hintz
Certified Public Accountant

for
City of Elgin
Elgin, North Dakota

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ELGIN, NORTH DAKOTA
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**CITY OF ELGIN
ELGIN, NORTH DAKOTA**

CITY OFFICIALS

December 31, 2014

Ron Bartz	Mayor
Leslie Bartz	Council member
Ron Fisher	Council member
Charles Oien	Council member
Roger Reidlinger	Council member
Tom Iverson	Council member
Peter Rouse	Council member
Lynn Mutschelknaus	City Auditor

December 31, 2015

Ron Bartz	Mayor
Les Bartz	Council member
Ron Fisher	Council member
Charles Oien	Council member
Roger Reidlinger	Council member
Peter Rouse	Council member
Tom Iverson	Council member
Reva Weeks	City Auditor

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Elgin, State of North Dakota
P.O. Box 426
Elgin, North Dakota 58533

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund, and the aggregate remaining fund information of the City of Elgin, State of North Dakota as of and for the years ended December 31, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elgin, State of North Dakota, as of December 31, 2015 and 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require budgetary comparison information on pages 35-37 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

The City of Elgin, State of North Dakota has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined necessary to supplement, although not required to be part of the basic financial statements.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elgin, State of North Dakota's basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 1, 2016, on my consideration of the City of Elgin, State of North Dakota'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 City of Elgin, State of North Dakota's internal control over financial reporting and compliance.

Wayne Hintz, CPA

Wayne E. Hintz, CPA
September 1, 2016

CITY OF ELGIN
STATEMENT OF NET POSITION
December 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 308,494	\$ 240,199	\$ 548,693
Restricted Assets:			
Cash and cash equivalents	-	118,318	118,318
Taxes/Assessments Receivable - (net of allowance for uncollectibles)	5,157	-	5,157
Accounts Receivable	-	-	-
Notes Receivable - Sales Tax	8,492	-	8,492
Capital assets (net of accumulated depreciation)	976,801	489,064	1,465,865
Total Assets	\$ 1,298,944	\$ 847,581	\$ 2,146,525
LIABILITIES			
Accounts Payable	\$ 869	\$ 5,921	\$ 6,790
Notes Payable	80,000	126,251	206,251
Lease Payable	122,435	-	122,435
Current portion of long-term debt	-	20,600	20,600
Noncurrent liabilities:			
Due in more than one year	-	453,218	453,218
Total Liabilities	203,304	605,990	809,294
NET ASSETS			
Net Investment in Capital Assets	854,366	15,246	869,612
Restricted for:			
Reserve for Long-Term Receivable	8,492	-	8,492
Reserve-Replacement & Depreciation	232,782	118,318	351,100
Unrestricted		108,027	108,027
Total Net Assets	\$ 1,095,640	\$ 241,591	\$ 1,337,231

**CITY OF ELGIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for		Governmental Activities	Primary Government	
		Operating Services, Fines, Forfeitures	Grants and Contributions		Capital Grants and Contributions	Business-type Activities
Primary government:						
General government:						
General government	\$ 409,653	\$ -	\$ -	\$ (409,653)	\$ -	\$ (409,653)
Public safety	43,824	8,000	-	(35,824)	-	(35,824)
Public works	9,447	-	-	(9,447)	-	(9,447)
Social & economic	-	-	-	-	-	-
Culture and recreation	107,509	16,619	34,006	(56,884)	-	(56,884)
Interest	8,707	-	-	(8,707)	-	(8,707)
Total governmental activities	579,140	24,619	34,006	(520,515)	-	(520,515)
Business-type activities:						
Water	203,652	213,477	-	-	9,825	9,825
Sewer	72,119	28,863	-	-	(43,256)	(43,256)
Solid Waste/Landfill	65,844	81,064	28,000	-	43,220	43,220
Total business-type activities	341,615	323,404	28,000	-	9,789	9,789
Total primary government	\$ 920,755	\$ 348,023	\$ 62,006	\$ (520,515)	\$ 9,789	\$ (510,726)
General revenues:						
Property Taxes				90,094	-	90,094
City Sales Tax				56,297	-	56,297
Licenses and permits				3,978	-	3,978
Special Assessments				133,845	-	133,845
Unrestricted Federal/State shared revenues				141,490	-	141,490
Unrestricted investment and royalty earnings				788	31	819
Miscellaneous				10,386	-	10,386
Transfer in (out)				-	-	-
Total general revenues and transfers				436,878	31	436,909
Change in net assets				(83,637)	9,820	(73,817)
Total net assets - December 31, 2014				1,179,277	231,771	1,411,048
Total net assets - December 31, 2015				\$ 1,095,640	\$ 241,591	\$ 1,337,231

The accompanying notes are an integral part of these statements.
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**CITY OF ELGIN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015**

Description	Major Funds			Other	Total
	General	Highway	Streets	Governmental Funds	Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 120,698	\$ (22,290)	\$ 79,832	\$ 121,189	\$ 299,429
Tax/assessment receivable (net of allowance for uncollectibles)	5,157	-	-	-	5,157
Notes Receivable - Sales Tax	-	-	-	8,492	8,492
Total Assets	\$ 125,855	\$ (22,290)	\$ 79,832	\$ 129,681	\$ 313,078
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred Input	5,157	-	-	-	5,157
Total Liabilities	5,157	-	-	-	5,157
Fund balances:					
Nonspendable					
Long-Term Receivables	-	-	-	8,492	8,492
Restricted					
Public Works	-	(22,290)	79,832	121,189	178,731
Unassigned	120,698	-	-	-	120,698
Total fund balances	120,698	(22,290)	79,832	129,681	307,921
Total liabilities and fund balances	\$ 125,855	\$ (22,290)	\$ 79,832	\$ 129,681	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	976,801
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(194,239)
Receivables are off-set by deferred revenues in the Funds	5,157
Net assets of governmental activities	\$ 1,095,640

CITY OF ELGIN
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

Description	Major Funds				
	General	Highway	Streets	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 84,817	\$ 79,816	\$ -	\$ 5,277	\$ 169,910
City Sales Tax	-	-	-	56,297	56,297
Licenses and permits	3,978	-	-	-	3,978
Fines	-	-	-	-	-
Unrestricted Fed/State Shared	61,674	-	-	-	61,674
Fees - Charges for services	(2,932)	-	-	-	(2,932)
Special Assessments	-	-	133,845	-	133,845
Donations	-	-	-	16,489	16,489
Investment and royalty earnings	478	-	104	206	788
Miscellaneous	2,865	6,017	-	33,147	42,029
Total Revenues	150,880	85,833	133,949	111,416	482,078
EXPENDITURES					
Current:					
General government	85,860	-	-	11,727	97,587
Public safety	30,000	13,824	-	-	43,824
Public works	-	244,913	9,447	-	254,360
Culture and recreation	34,521	-	-	72,988	107,509
Debt Service:					
Principal	-	(98,998)	135,000	-	36,002
Interest	-	7,104	1,603	-	8,707
Total Expenditures	150,381	166,843	146,050	84,715	547,989
Excess of revenues (under) expenditures	499	(81,010)	(12,101)	26,701	(65,911)
Sales of Assets	-	8,000	-	-	8,000
Transfers In (Out)	-	20,000	(20,000)	-	-
Net change in fund balances	499	(53,010)	(32,101)	26,701	(57,911)
Fund balances - December 31, 2014	120,199	30,720	111,933	102,980	365,832
Fund balances - December 31, 2015	\$ 120,698	\$ (22,290)	\$ 79,832	\$ 129,681	\$ 307,921

The accompanying notes are an integral part of these statements.

CITY OF ELGIN
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Net change in fund balances - total governmental funds (page 7)	\$ (65,911)
Amounts reported for governmental activities in the statement of activities (page 5.) are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Depreciation expense	(120,620)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Long-term receivables (deferred revenue)	(3,240)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets:	
Long-term loan/contract principal payments	135,000
Incurrance of debt principal is a revenue in the governmental funds, but the addirional debt increases long-term debt in the Statement of Net Assets:	
	(28,866)
Change in Net Assets in Governmental Activities	\$ (83,637)

CITY OF ELGIN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2015

Description	Business-type Activities			Totals
	Major Enterprise Funds			
	Water	Sewer	Garbage	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 128,461	\$ 1,652	\$ 110,086	\$ 240,199
Accounts Receivable	-	-	-	-
Total Current Assets	128,461	1,652	110,086	240,199
Noncurrent Assets				
Restricted Assets:				
Cash and cash equivalents	90,318	-	28,000	118,318
Capital assets - net of accumulated depreciation	489,064	-	-	489,064
Total Noncurrent Assets	579,382	-	28,000	607,382
Total Assets	\$ 707,843	\$ 1,652	\$ 138,086	\$ 847,581
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 2,901	\$ 385	\$ 2,633	\$ 5,919
Current Portion of Bonds Payable	20,600	-	-	20,600
Total Current Liabilities	23,501	385	2,633	26,519
Noncurrent Liabilities				
Note Payable	113,251	13,000	-	126,251
Bonds Payable	453,218	-	-	453,218
Total Noncurrent Liabilities	566,469	13,000	-	579,469
Total Liabilities	589,970	13,385	2,633	605,988
NET ASSETS				
Invested in capital assets, net of related debt	15,246	-	-	15,246
Restricted for:				
Reserve-Replacement & Depreciation	90,318	-	28,000	118,318
Unrestricted	12,309	(11,733)	107,453	108,029
Total Net Assets	\$ 117,873	\$ (11,733)	\$ 135,453	\$ 241,593

CITY OF ELGIN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

Description	Business-type Activities			Totals
	Major Enterprise Funds			
	Water	Sewer	Garbage	
OPERATING REVENUES				
Charges for services	\$ 213,707	\$ 28,863	\$ 81,064	\$ 323,634
Miscellaneous revenues	270	-	-	270
Total Operating Revenues	213,977	28,863	81,064	323,904
OPERATING EXPENSES				
Collections & Transmission	130,553	72,118	65,845	268,516
Depreciation	43,868	-	-	43,868
Total Operating Expenses	174,421	72,118	65,845	312,384
Operating Income (Loss)	39,556	(43,255)	15,219	11,520
NONOPERATING REVENUES (EXPENSES)				
Interest Income	31	-	-	31
Debt service interest expense	(29,729)	-	-	(29,729)
Total Nonoperating Revenues (Expenses)	(29,698)	-	-	(29,698)
Change in Net Assets	9,858	(43,255)	15,219	(18,178)
 Total net assets - December 31, 2014	 108,015	 31,522	 120,234	 259,771
 Total net assets - December 31, 2015	 \$ 117,873	 \$ (11,733)	 \$ 135,453	 \$ 241,593

CITY OF ELGIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

Description	Business-type Activities			
	Major Enterprise Funds			
	Water	Sewer	Garbage	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and Others	\$ 213,977	\$ 28,863	\$ 81,064	\$ 323,904
Cash paid to suppliers and others	(128,260)	(72,118)	(65,845)	(266,223)
Net cash provided (used) by operating activities	85,717	(43,255)	15,219	57,681
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest Income	31	-	-	31
Additional new debt	-	-	-	-
Principal on debt	(48,613)	-	-	(48,613)
Interest paid on debt	(29,728)	-	-	(29,728)
Net cash provided (used) by capital and related financing activities	(80,604)	-	-	(80,604)
Net increase (decrease) in cash and cash equivalents	2,819	(43,255)	15,219	(25,217)
Cash and cash equivalents - January 1, 2015	215,340	44,805	122,672	382,817
Increase (Decrease) in Accounts payable	620	102	195	917
Cash and cash equivalents - December 31, 2015	\$ 218,779	\$ 1,652	\$ 138,086	\$ 358,517
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	41,849	(43,255)	15,219	13,813
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	43,868	-	-	43,868
Net cash provided (used) by operating activities	\$ 85,717	\$ (43,255)	\$ 15,219	\$ 57,681

**CITY OF ELGIN
STATEMENT OF NET POSITION
December 31, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 343,464	\$ 292,530	\$ 635,994
Restricted Assets:			
Cash and cash equivalents	-	62,287	62,287
Taxes/Assessments Receivable - (net of allowance for uncollectibles)		-	-
Accounts Receivable	8,397	-	8,397
Notes Receivable - Sales Tax	22,368	-	22,368
Capital assets (net of accumulated depreciation)	1,099,421	532,932	1,632,353
Total Assets	\$ 1,473,650	\$ 887,749	\$ 2,361,399
LIABILITIES			
Accounts Payable		\$ 5,002	\$ 5,002
Notes Payable		158,870	158,870
Lease Payable	159,373	-	159,373
Current portion of long-term debt	135,000	20,600	155,600
Noncurrent liabilities:			
Bonds Payable:		471,506	471,506
Total Liabilities	294,373	655,978	950,351
NET ASSETS			
Net Investment in Capital Assets	805,048	40,826	845,874
Restricted for:			
Long-Term Receivable	22,368	-	22,368
Reserve-Replacement and Depreciation		62,287	62,287
Unrestricted	351,861	128,658	480,519
Total Net Assets	\$ 1,179,277	\$ 231,771	\$ 1,411,048

**CITY OF ELGIN
STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for		Capital		Primary Government		
	Expenses	Operating Services, Fines, Forfeitures	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 376,973	\$ -	\$ 2,312	\$ 3,479	\$ (371,182)	\$ -	\$ (371,182)
Public safety	47,131	424	-	-	(46,707)	-	(46,707)
Public works	93,883	17,033	-	-	(76,850)	-	(76,850)
Culture and recreation	45,976	2,049	-	15,548	(28,379)	-	(28,379)
Interest	7,759	-	-	-	(7,759)	-	(7,759)
Total governmental activities	571,722	19,506	2,312	19,027	(530,877)		(530,877)
Business-type activities:							
Water	175,526	191,563	-	2,294	-	18,331	18,331
Sewer	16,983	29,236	-	-	-	12,253	12,253
Solid Waste/Landfill	63,113	80,324	-	-	-	17,211	17,211
Total business-type activities	255,622	301,123	-	2,294	-	47,795	47,795
Total primary government	\$ 827,344	\$ 320,629	\$ 2,312	\$ 21,321	\$ (530,877)	\$ 47,795	\$ (483,082)
General revenues:							
Property Taxes					65,709	-	65,709
City Sales Tax					49,465	-	49,465
Licenses and permits					3,480	-	3,480
Unrestricted Federal/State shared revenues					173,486	-	173,486
Special Assessments					113,218	-	113,218
Unrestricted investment earnings					1,182	39	1,221
Miscellaneous					46,151	-	46,151
Transfer in (out)					(8,000)	(20,000)	(28,000)
Total general revenues and transfers					444,691	(19,961)	424,730
Change in net assets					(86,186)	27,834	(58,352)
Total net assets - December 31, 2013					1,265,463	203,937	1,469,400
Total net assets - December 31, 2014					\$ 1,179,277	\$ 231,771	\$ 1,411,048

The accompanying notes are an integral part of these statements.
City of Elgin - Page 13

**CITY OF ELGIN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2014**

Description	Major Funds			Other Governmental Funds	Total Governmental Funds
	General	Highway	Streets		
ASSETS					
Cash and cash equivalents	\$ 120,199	\$ 30,720	\$ 111,933	\$ 80,612	\$ 343,464
Tax/assessment receivable (net of allowance for uncollectibles)	8,397	-	-	-	8,397
Notes Receivable - Sales Tax	-	-	-	22,368	22,368
Total Assets	\$ 128,596	\$ 30,720	\$ 111,933	\$ 102,980	\$ 374,229
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred inputs	\$ 8,397	\$ -	\$ -	\$ -	\$ 8,397
Total Liabilities	8,397	-	-	-	8,397
Fund balances:					
Nonspendable					
Long-Term Receivables	-	-	-	22,368	22,368
Restricted					
Public Works	-	30,720	111,933	-	142,653
Culture and Recreation	-	-	-	80,612	80,612
Unassigned	120,199	-	-	-	120,199
Total fund balances	120,199	30,720	111,933	102,980	365,832
Total liabilities and fund balances	\$ 128,596	\$ 30,720	\$ 111,933	\$ 102,980	

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

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

1,099,421

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(294,373)

Receivables are off-set by deferred revenues in the funds

8,397

Net assets of governmental activities

\$ 1,179,277

CITY OF ELGIN
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR YEAR ENDED DECEMBER 31, 2014

Description	Major Funds				
	General	Highway	Streets	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 62,255	\$ -	\$ -	\$ 3,893	\$ 66,148
City Sales Tax	-	-	-	52,416	52,416
Licenses and permits	3,480	-	-	-	3,480
Fines	424	-	-	-	424
Unrestricted Fed/State Shared	60,407	113,079	-	652	174,138
Fees - Charges for services	3,653	-	-	13,380	17,033
Special Assessments	-	-	113,218	-	113,218
Donations	-	-	-	15,548	15,548
Investment and royalty earnings	843	-	127	2,261	3,231
Miscellaneous	23,512	23,396	3,202	5,671	55,781
Total Revenues	154,574	136,475	116,547	93,821	501,417
EXPENDITURES					
Current:					
General government	87,856	-	-	9,470	97,326
Public safety	27,500	19,631	-	-	47,131
Public works	-	195,767	11,847	-	207,614
Culture and recreation	23,807	-	-	116,052	139,859
Debt Service:					
Principal	31,587	16,106	135,000	-	182,693
Interest	-	-	7,759	-	7,759
Total Expenditures	170,750	231,504	154,606	125,522	682,382
Excess of revenues (under) expenditures	(16,176)	(95,029)	(38,059)	(31,701)	(180,965)
Transfers In (Out)	(8,000)	-	-	-	(8,000)
Net change in fund balances	(24,176)	(95,029)	(38,059)	(31,701)	(188,965)
Fund balances - December 31, 2013	144,375	125,749	149,992	134,681	554,797
Fund balances - December 31, 2014	\$ 120,199	\$ 30,720	\$ 111,933	\$ 102,980	\$ 365,832

CITY OF ELGIN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR YEAR ENDED DECEMBER 31, 2014

Net change in fund balances - total governmental funds (page 15)	\$ (180,965)
--	---------------------

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Depreciation expense	(115,716)
Purchase of capital assets	81,650

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Long-term receivables (deferred revenue)	(6,155)
--	---------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets:

Long-term loan/contract principal payments	135,000
--	---------

Change in Net Assets in Governmental Activities	\$ (86,186)
--	--------------------

CITY OF ELGIN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2014

Description	Business-type Activities			
	Major Enterprise Funds			
	Water	Sewer	Garbage	Totals
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 153,053	\$ 44,805	\$ 94,672	\$ 292,530
Total Current Assets	153,053	44,805	94,672	292,530
Noncurrent Assets				
Restricted Assets:				
Cash and cash equivalents	62,287	-	28,000	90,287
Capital assets - net of accumulated depreciation	532,932	-	-	532,932
Total Noncurrent Assets	595,219	-	28,000	623,219
Total Assets	\$ 748,272	\$ 44,805	\$ 122,672	\$ 915,749
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 2,281	\$ 283	\$ 2,438	\$ 5,002
Loan Payable	145,870	13,000	-	158,870
Current Portion of Bonds Payable	20,600	-	-	20,600
Total Current Liabilities	168,751	13,283	2,438	184,472
Noncurrent Liabilities				
Bonds Payable	471,506	-	-	471,506
Total Noncurrent Liabilities	471,506	-	-	471,506
Total Liabilities	640,257	13,283	2,438	655,978
NET ASSETS				
Invested in capital assets, net of related debt	40,826	-	-	40,826
Restricted for:				
Reserve-Replacement & Depreciation	62,287	-	28,000	90,287
Unrestricted	4,902	31,522	92,234	128,658
Total Net Assets	\$ 108,015	\$ 31,522	\$ 120,234	\$ 259,772

The accompanying notes are an integral part of these statements.
City of Elgin – Page 17

CITY OF ELGIN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2014

Description	Business-type Activities			
	Major Enterprise Funds			
	Water	Sewer	Garbage	Totals
OPERATING REVENUES				
Charges for services	\$ 185,475	\$ 29,236	\$ 80,324	\$ 295,035
Miscellaneous revenues	8,343	-	-	8,343
Total Operating Revenues	193,818	29,236	80,324	303,378
OPERATING EXPENSES				
Collections & Transmission	101,125	16,983	62,612	180,720
Depreciation	43,868	-	-	43,868
Total Operating Expenses	144,993	16,983	62,612	224,588
Operating Income (Loss)	48,825	12,253	17,712	78,790
NONOPERATING REVENUES (EXPENSES)				
Interest Income	39	-	-	39
Debt service interest expense	(30,993)	-	-	(30,993)
Total Nonoperating Revenues (Expenses)	(30,954)	-	-	(30,954)
Change in Net Assets	17,871	12,253	17,712	47,836
Total net assets - December 31, 2013	90,144	19,269	94,522	203,935
Transfer			8,000	8,000
Total net assets - December 31, 2014	\$ 108,015	\$ 31,522	\$ 120,234	\$ 259,771

**CITY OF ELGIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR YEAR ENDED DECEMBER 31, 2014**

Description	<u>Business-type Activities</u>			
	<u>Major Enterprise Funds</u>			Totals
	Water	Sewer	Garbage	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and Others	\$ 193,818	\$ 29,236	\$ 80,324	\$ 303,378
Cash paid to suppliers and others	(101,125)	(16,983)	(62,612)	(180,720)
Net cash provided (used) by operating activities	92,693	12,253	17,712	122,658
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest Income	39	-	-	39
Principal on debt	(55,022)	-	-	(55,022)
Interest paid on debt	(30,993)	-	-	(30,993)
Net transfers in and (out)	-	-	8,000	8,000
Net cash provided (used) by capital and related financing activities	(85,976)	-	8,000	(77,976)
Net increase (decrease) in cash and cash equivalents	6,717	12,253	25,712	44,682
Cash and cash equivalents - January 1, 2014	207,806	32,186	96,699	336,691
Increase (Decrease in accounts payable)	817	366	261	1,444
Cash and cash equivalents - December 31, 2014	\$ 215,340	\$ 44,805	\$ 122,672	\$ 382,817
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	48,825	12,253	17,712	78,790
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	43,868	-	-	43,868
Net cash provided (used) by operating activities	\$ 92,693	\$ 12,253	\$ 17,712	\$ 122,658

The accompanying notes are an integral part of these statements.
City of Elgin - Page 19

**CITY OF ELGIN
ELGIN, NORTH DAKOTA**

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The City of Elgin operates under a city commission form of government. The City is governed by a six member council and mayor elected by the voting populace of the City. The City provides a full range of services to its citizens including law enforcement, utility, recreation, cultural, sanitation, public improvements, planning, and general administration. Two other governmental jurisdictions overlap the Town's boundaries: Grant County and Elgin School District.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited, to the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of this criteria, the City of Elgin does not contain any component units and the City is not a component unit of another entity.

1. Government-wide and fund financial statements

The government-wide financial statement (i.e., the statement of net position and the statement of changes in net position) reports information of all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund 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. The statement of net position reflects new wording and categories as required by Government Accounting and Standards Board (GASB) 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers 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.

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

A. Summary of Significant Accounting Policies – Continued

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statement.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, city sales tax, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash. Taxes and assessments receivable remaining uncollected at year-end are offset by deferred revenue since they are not available to pay liabilities of the current period.

The government reports the following major governmental funds:

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

Highway Tax Fund – This fund accounts for activities of the streets.

Streets – This fund accounts for the special assessments for the streets.

The government reports the following non-major governmental funds:

Community Center – This fund accounts for the activities of the Elgin Community Center.

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

A. Summary of Significant Accounting Policies – Continued

Airport – This fund accounts for the activities of the Elgin Airport.

Library – This fund accounts for the activities of the Elgin Library.

The government reports the following major proprietary funds:

Water Operating Fund – This fund is used to account for the operating and non-operating revenues and expenses of the public water utility system. The fund is maintained on the full accrual basis of accounting

Sewer Fund – This fund is used to account for the operating and non-operating revenues and expenses of the public sewer utility system. The fund is maintained on the full accrual basis of accounting

Solid Waste Fund - This fund is used to account for the operating and non-operating revenues and expenses of the public solid waste utility system. The fund is maintained on the full accrual basis of accounting

Proprietary funds distinguish operating revenues and expenses for non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for services provided. Operating expenses for enterprise funds include the cost of providing such services and the depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Cash and Cash Equivalents

Cash consists of amounts in demand deposits. These amounts must be deposited in a financial institution situated and doing business within this state. The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

5. Investments

State statutes authorize the city to invest in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by the treasury of the United States or its agencies, instrumentality's 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 the state.
- d) Obligations of the state.

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

A. Summary of Significant Accounting Policies – Continued

6. Receivables

The delinquent tax receivable represents the past two years of uncollected tax receivable.

Property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all special assessments; 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 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. Governmental funds and Enterprise fund report *deferred inflows* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and Enterprise fund also defer inflow recognition in connection with resources that have been received, but not yet earned. Property tax receivables are offset by *deferred inflows* revenue accounts since they are not available to pay liabilities of the current period.

7. Inventories

Inventories are treated as expenditures at the time of purchase. Consequently, records of inventories on hand are not maintained.

8. Restricted assets

Certain assets of the enterprise funds are restricted for specific use as required by the bond indenture agreement covenants established with the issuance and sale of the revenue bonds representing a liability to the enterprise funds. These restricted assets represent cash and cash equivalents restricted for use to repay current debt, establish a reserve for future debt and to establish a replacement and depreciation reserve for the purpose of replacing the system in the future.

9. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, etc.), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City of Elgin defines capital assets as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of 3 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 do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment for the government are depreciated using the straight-line method over 7 to 40 years.

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

A. Summary of Significant Accounting Policies – Continued

10. Vacation and Sick Leave/Compensated Absences Payable

The City of Elgin does not accrue vacation and sick leave. Management has determined the amounts as immaterial. Vacation and sick leave is expensed when paid.

11. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activity statement of net assets.

12. Government fund balance reporting

The City implemented Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2013 and is, for the first time, classifying fund balances into specifically defined classifications. Non-spendable funds consist of prepaid expenditures and inventories. Committed and assigned funds must be so designated by the City Council and /or assigned by the City Clerk.

The County spends restricted amounts first. When an expenditure is incurred for purposes for which committed, assigned, unassigned amounts are available, the County spends committed first, then assigned, and lastly, unassigned funds.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimate 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 reported period. Actual results could differ from those estimates.

14. Pensions

For the purpose 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.

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

B. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide state of nets assets.

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in the fund balances – total governmental funds and changes in net asset of governmental activities as reported in the government-wide statement of activities.

C. CASH AND INVESTMENTS

The city maintains a cash and investment pool for all funds under the control of the City Auditor.

State statutes require for deposits to be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. During the period audited, insurance or collateral adequately protected city deposits. The categories are described as follows:

- Category 1 - Insured by FDIC or collateralized with securities held by the City of Elgin or by its agent in the City's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uncollateralized.

Deposits, categorized by level of risk, are:

	Category		
	1	2	3
2015			
Cash and cash equivalents	250,000	366,812	-
Certificate of deposits	-	22,199	-
Total Deposits	250,000	389,011	-
2014			
Cash and cash equivalents	250,000	426,117	-
Certificate of deposits	-	22,164	-
Total Deposits	250,000	448,281	-

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

D: SALES TAX LOANS RECEIVABLE

The City of Elgin implemented a 1% city sales tax. The proceeds from this account are to be used for the betterment of the City. Some of these proceeds are given in low interest loans to individuals/companies. These amounts are to be repaid to the City of Elgin and are recorded in the financial statements.

E. CAPITAL ASSETS

The City established capital asset records during 1988. The initial inventory was valued at estimated historical cost with all additions since then valued at cost.

A summary of the general fixed asset account group and proprietary fund assets and accumulated depreciation at December 31, 2014 and 2015 are as follows:

<u>General Fixed Assets</u>	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
Land	\$ 81,941		\$ -	\$ 81,941
Buildings	300,000			300,000
Library	35,013			35,013
Machinery and Equipment	271,554	73,650	-	345,204
Office Furniture & Equipment	36,116	-		36,116
Vehicles	107,438	8,000		115,438
Other	3,473			3,473
Street Project 2004-1	1,275,871			1,275,871
TOTALS	\$ 2,111,406	\$ 81,650	\$ -	\$ 2,193,056

<u>Proprietary Fund Type</u>	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
Buildings	\$ 417,000			\$ 417,000
Machinery & Equipment	11,772			11,772
Vehicle	11,965			11,965
Water Line Replace 90/91	1,337,735			1,337,735
TOTALS	\$ 1,778,472	\$ -	\$ -	\$ 1,778,472

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

F. FIXED ASSETS -Continued

<u>General Fixed Assets</u>	Balance 01/01/15	Additions	Deletions	Balance 12/31/15
Land	\$ 81,941			\$ 81,941
Buildings	300,000			300,000
Public Library	35,013			35,013
Machinery and Equipment	345,204			345,204
Office Furniture & Equipment	36,116			36,116
Vehicles	115,438			115,438
Other	3,473			3,473
Street Project 2004-1	1,275,871			1,275,871
TOTALS	\$ 2,193,056	\$ -	\$ -	\$ 2,193,056

<u>Proprietary Fund Type</u>	Balance 01/01/14	Additions	Deletions	Balance 12/31/14
Buildings	\$ 417,000			\$ 417,000
Machinery and Equipment	11,772			11,772
Vehicle	11,965			11,965
Water Line Replace 90/91	1,337,735			1,337,735
TOTALS	\$ 1,778,472	\$ -	\$ -	\$ 1,778,472

All of the assets in the Proprietary Fund are applicable to the water fund.

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

E: FIXED ASSETS -Continued

Accumulated Depreciation

Proprietary Fund Type	Date	Rate	Balance			Balance 12/31/14
			01/01/14	Additions	Deletions	
Buildings	1978	S/L 40 YRS	375,300	10,425		385,725
Machinery and Equipment	1978	S/L 7 YRS	11,772			11,772
Vehicle	Aug-97	S/L 5 YRS	11,965	0		11,965
Water Line Replace 90/91	1990	S/L 40 YRS	802,635	33,443		836,078
TOTALS			\$ 1,201,672	\$ 43,868	\$ -	\$ 1,245,540

Proprietary Fund Type	Date	Rate	Balance			Balance 12/31/15
			01/01/15	Additions	Deletions	
Buildings	1978	S/L 40 YRS	385,725	10,425		396,150
Machinery and Equipment	1978	S/L 7 YRS	11,772			11,772
Vehicle	Aug-97	S/L 5 YRS	11,965			11,965
Water Line Replace 90/91	1990	S/L 40 YRS	836,078	33,443		869,521
TOTALS			\$1,245,540	\$43,868	\$0	\$1,289,408

Accumulated Depreciation

General Fixed Assets	Date	Rate	Balance			Balance 12/31/14
			01/01/14	Additions	Deletions	
Buildings	1978	S/L 40 YRS	\$ 262,500	\$ 7,500		\$ 270,000
Library	Dec.-09	S/L 40 YRS	3,574	875		4,450
Machinery and Equipment	2000	S/L 7 YRS	54,466	43,547		98,013
Office Furniture & Equipment	2000	S/L 7 YRS	36,116	-		36,116
Vehicle	2000	S/L 7 YRS	107,438	-		107,438
Other	2000	S/L 7 YRS	3,473	-		3,473
Street Project 2004-1	2006	S/L 20 YRS	510,352	63,794		574,146
TOTALS			\$977,920	\$115,716	\$0	\$1,093,635

General Fixed Assets	Date	Rate	Balance			Balance 12/31/15
			01/01/15	Additions	Deletions	
Buildings	1978	S/L 40 YRS	\$ 270,000	\$ 7,500		\$ 277,500
Library Building	9-Dec	S/L 40 YRS	4,450	875		5,325
Machinery and Equipment	2000	S/L 7 YRS	98,013	49,308		147,321
Office Furniture & Equipment	2000	S/L 7 YRS	36,116	-		36,116
Vehicle	2000	S/L 7 YRS	107,438	1,143		108,581
Other	2000	S/L 7 YRS	3,473	-		3,473
Street Project 2004-1	2006	S/L 20 YRS	574,146	63,794		637,939
TOTALS			\$ 1,093,635	\$ 122,619	\$ -	\$ 1,216,255

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

E: FIXED ASSETS -Continued

Depreciation was distributed as follows:

Fund	Depreciation Distribution	
	2014	2015
General	\$ 7,500	\$ 7,500
Public Safety	43,547	50,451
Public Works	63,794	63,794
Culture and Recereataion	875	875
	\$ 115,716	\$ 122,620

F. LONG-TERM DEBT

The City of Elgin collects on a loan for the Dakota Hill Housing. When payment is due, Dakota Hill Housing pays the City of Elgin, which in turn pays on the loan. As these are not the City of Elgin's obligation they are not reported in the financial statements. This was paid off in 2016.

The general fund incurred a bond issue of \$1,350,000 on November 1, 2005, for the repaving of the streets in the City of Elgin. As of December 31, 2015 this bond issue was paid off.

Enterprise fund type long-term debt. In 1990 the city issued series A bonds and series B bonds for a water and sewer project. Each series as for \$400,000. The Bank of North Dakota purchased A bond series and Series B were purchased by Farmers Home Administration. The series A is at 3% and the series B is at 6%. It is to be paid off by June 25, 2030.

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

F. LONG-TERM DEBT- continued

The annual requirements to amortize the outstanding enterprise fund bond including interest and for both series is as follows:

** Series A & B Bond			
Year Ending	Interest	Principal	Total
December 31			Payments
2016	21,575	20,600	42,175
2017	22,543	21,200	43,743
2018	21,486	22,000	43,486
2019	20,386	25,000	45,386
2020	19,136	27,000	46,136
2021-2025	69,621	158,300	227,921
2026-2030	14,300	197,424	211,724
	<u>\$ 189,047</u>	<u>\$ 471,524</u>	<u>\$ 660,571</u>

Purpose	Issue Date	Interest Rate	Term of Bond	Maturity Date	Bonds Issued	Balance 12/31/2015	Amount due in one year
Water Project Series B	06/25/91	6.00%	40 yrs.	6/25/2030	400,000	262,500	10,500
Water Project Series A	06/25/91	3.00%	40 yrs.	6/25/2030	400,000	209,024	10,100
						<u>\$ 471,524</u>	<u>\$ 20,600</u>

There are a number of covenants contained in the special assessment and enterprise bonds. The city has complied with all significant covenants.

LOANS PAYABLE:

On January 15, 2015 the City of Elgin obtained a line of credit from 1st International Bank and Trust in Elgin for \$443,100 at the rate of 4%. As of December 31, 2015 the City had borrowed \$208,000. The loan is for 15 years. The payments are \$3,300 per month which includes principal and interest. At this time it is not possible to have a meaningful amortization schedule as the City may draw on the line which would change the schedule.

The loan is processed through the water and sewer fund.

CAPITAL LEASE:

In October, 2013, the City of Elgin had an equipment lease purchase with Butler Machinery Company and Caterpillar financial services for a 924K new caterpillar wheel loader for \$163,650. Lease payments are to be paid in 5 successive annual payments of which the first 4 payments are in the amount of \$16,106 and a final balloon payment of \$100,000.

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

G: RESERVED RETAINED EARNINGS

The Series A and B bond issue for the water and sewer bonds in the enterprise fund require a balance of not less than \$40,000 reserve for emergencies and extensions. Payments of \$334 and \$374, respectively, are to be made monthly until these balances have been reached. The balances were \$62,287 and \$62,318 as of December 31, 2014 and 2015, respectively.

H. STATE-WIDE RETIREMENT PLAN

The city participates in the following retirement plan:

Public Employees' Retirement System (P.E.R.S.)

The District participates in the North Dakota Employee's Retirement System. All full-time employees are covered. The plan is a statewide mandatory, cost sharing, multiple employer defined benefit plan. The plan is established by State law and is administered by the State of Montana. The plan provides retirement, disability, and death benefits to plan members and beneficiaries.

Covered employees are required to contribute 7.0% and the employer 8.26% of their salary to the plan. In addition, the employer is also required to contribute 1% of each participating employee's gross wage to a prefunded retiree health insurance program for the years under audit. If an employee leaves employment, accumulated employee contributions plus an allocation of investment earnings are refunded upon application by the employee.

On January 1, 1990, the City Council, instead of giving a pay raise, agreed to pay employees share of P.E.R.S.

Historical trend information showing P.E.R.S.'s progress in accumulating sufficient assets to pay benefits when due is presented in P.E.R.S.'s December 31, 2015 annual report, which can be obtained from the North Dakota Public Employees' Retirement Division, which is located at 400 East Broadway, Suite 505, Bismarck, North Dakota, 58502.

The contribution rates, expressed as a percentage of covered payroll, along with, salaries and wage amounts contributed to PERS for the City during the years ended December 31, 2015, 2014, and 2013, were as follows:

	Covered	Total	Employee	Employer
December 31, 2015	101,364	124,885		15,233
December 31, 2014	55,799	95,798		10,005
December 31, 2013	40,848	69,289	-	5,371

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

I. COUNTY PROVIDED SERVICES

The City of Elgin is provided various financial services by Grant County. The county serves as cashier and treasurer for the city for tax assessment collections and other revenues received by the county, which are subject to distribution to the various taxing jurisdictions located in the county. The collections made by the county on behalf of the City of Elgin are accounted for in an agency fund in the city's name, and are periodically remitted to the city by the county treasurer. There are no service charges levied by the county.

J. RISK MANAGEMENT

The city 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. During the mid 1980's, the city was not able to obtain general liability insurance at a cost it considered to be economically justifiable. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve (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. All members paid an additional charge the first year they joined to help capitalize the NDIRF. In 2001, the NDIRF returned 6% of the capitalized amount with a premium reduction or cash payment to the city. The city pays an annual premium to NDIRF for its general insurance coverage. The coverage by NDIRF is limited to losses of \$1,000,000 per occurrence.

The North Dakota fire and tornado fund and state-bonding fund also cover the city. Workers compensation is covered through the North Dakota worker's compensation bureau. And given lack of coverage available, the City has no coverage for potential losses from environmental damages.

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

K. EXCESS OF EXPENDITURES OVER REVENUES

At times expenditures will exceed revenues. Below is a recap or excess expenditures over revenues for the years under audit:

	Exces Expenditures over Revenues	
	2015	2014
Genreal	-	24,176
Highway	53,010	95,029
Streets	-	38,059
Other Governmental funds	-	31,701

These will be adjusted in the following years budget appropriations.

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

L. TRANSFERS

In 2014, the City of Elgin set up a land fill reserve account. The general fund transferred \$8,000 and the garbage account transferred \$20,000. As of December 31, 2015, no amounts have been spent from this reserve account.

In 2015 street assessment transferred \$20,000 into highway distribution. The funds were used to repair curbs, gutters and streets

M. Post-employment Healthcare Plan

The government has not had any employees that have utilized any post-employment healthcare benefits. The entity has determined that City of Elgin does not have any material Accrued Actuarial Liability (AAL).

Based on the above determination no liability was recorded.

N. 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 seven 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; and one member elected by the retired public employees.

Pension Benefits

Benefits are set by statute. NDPERS has no provision 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). The annual 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.

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

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, lifetime monthly payments in an amount equal to 50% of the members accrued normal retirement benefit, or monthly payments in an amount equal to the members 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 the 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 of 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.

The member's account balance includes the vested employer contributions equal to the members 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 25 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

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

Member and Employer Contributions

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

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

At December 31, 2014 and 2013, (the last years available) the Employer reported a liability of \$38712 and \$44,774 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and 2013 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 December 31, 2015, the Employers proportion was 7.12% percent, which was no increase or decrease of from its proportion measured as of December 31, 2014,

For the year ended December 31, 2015 and 2014, the Employer recognized pension expense of 124,885 and 95,798 At December 31, 2015 the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$32,265	\$(15,170)
Changes of assumptions	\$(5,927)	\$ -0-
Net difference between Projected and actual earnings on pension plan investments	\$(9,092)	\$7,687
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$(151)	\$ 22,648
Employer contributions Subsequent to the Measurement date		
Total	\$ -0-	\$ -0-

\$ -0- 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, 2015.

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

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 June 30

2016	\$2,716
2017	\$2,716
2018	\$2,716
2019	\$5,618
2020	\$3,326
Thereafter	

Actuarial assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary Increases	3.85% per annum for four year, then 4.50% per annum
Investment rate of return	8.00% 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 Health Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

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 weighing 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:

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

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 8 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 (7 percent) of 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$1,020	\$66,530	\$37,492

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

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2015

Schedules of Required Supplementary Information

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

	2015
Employer's proportion of the net pension liability (asset)	.009784% 1. Appendix A, Column 6
Employer's proportionate share of the net pension liability (asset)	\$65,530 2. Appendix B, Column 7
Employer's covered-employee payroll	\$87,162 3. Appendix A, Column 4
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.182% 4. Calculate, 2 divided by 3
Plan fiduciary net position as a percentage of the total pension liability	77.70% 5. Exhibit 2, Main System Column

*Complete data for this schedule is not available prior to 2015.

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*
(from Appendix A for Main System of NDPERS GASB Report)

	2015
Statutorily required contribution	\$6,621 1. Appendix A, Column 6
Contributions in relation to the statutorily required contribution	(\$6,439) 2. Subtract Appendix A, Column 6
Contribution deficiency (excess)	\$182 3. Calculate, Sum of 1 and 2
Employer's covered-employee payroll	\$87,162 4. Appendix A, Column 5
Contributions as a percentage of covered-employee payroll	7.3874% 5. Calculate, -2 divided by 4

*Complete data for this schedule is not available prior to 2015.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ELGIN
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL

For Years Ended December 31, 2015 and 2014

	2015			2014		
	Original & Final Budget	Actual	Variance Favorable- Unfavorable	Original & Final Budget	Actual	Variance Favorable- (Unfavorable)
REVENUES						
Taxes	\$ 66,700	\$ 84,817	\$ 18,117	\$ 60,698	\$ 62,255	\$ 1,557
Licenses and Permits	2,935	3,978	1,043	2,985	3,480	495
Fines and Forfeitures	500	-	(500)	500	424	(76)
Special Assessments	-	-	-	-	-	-
Intergovernmental Revenue	51,500	61,674	10,174	57,578	60,407	2,829
Charges for Services	3,000	(2,932)	(5,932)	2,000	3,653	1,653
Interest	800	478	(322)	400	843	443
Miscellaneous	11,000	2,865	(8,135)	15,500	23,512	8,012
Total Revenues	136,435	150,880	14,446	139,661	154,574	14,913
EXPENDITURES						
Current:						
General Government	75,806	85,860	(10,054)	92,218	87,856	4,362
Public Safety	30,000	30,000	-	30,000	27,500	2,500
Public Works	-	-	-	-	-	-
Culture and Recreation	34,802	34,521	281	21,600	23,807	(2,207)
Debt Service:						
Principal	-	-	-	-	31,587	(31,587)
Interest	-	-	-	-	-	-
Total Expenditures	140,608	150,381	(9,773)	143,818	170,750	(26,932)
Excess of Revenues (Under) Over Expenditures	(4,173)	499	4,673	(4,157)	(16,176)	(12,019)
Transfer In (Out)	-	-	-	-	(8,000)	(8,000)
Fund Balance - January 1	-	120,199	-	-	144,375	-
Fund Balance - December 31	\$ (4,173)	\$ 120,698	\$ 4,673	\$ -	\$ 120,199	\$ (8,000)

CITY OF ELGIN
 Elgin, North Dakota
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - HIGHWAY
 For Years Ended December 31, 2015 and 2014

	2015			2014		
	Original & Final Budget	Actual	Variance Favorable- (Unfavorable)	Original & Final Budget	Actual	Variance Favorable- (Unfavorable)
REVENUES COLLECTED:						
Intergovernmental Revenue	\$ 80,000	\$ 79,816	\$ (184)	\$ 38,000	\$ 113,079	\$ 75,079
Miscellaneous	1,000	6,017	5,017	1,000	23,396	22,396
Total Revenues Collected	81,000	85,833	4,833	39,000	136,475	97,475
EXPENDITURES PAID						
Current:						
Public Works	137,920	258,737	(120,817)	129,368	215,398	(86,030)
Principal		(98,998)	98,998	-	16,106	(16,106)
Interest		7,104	(7,104)			
Total Expenditures Paid	137,920	166,843	(28,923)	129,368	231,504	(102,136)
Excess of Revenues Collected Over Expenditures Paid	(56,920)	(81,010)	(24,090)	(90,368)	(95,029)	(4,661)
Transfer In (Out)	25,920	20,000	\$ (5,920)	17,485	-	(17,485)
Sales of Assets		8,000				
Fund Balance - January 1	-	30,720	-	-	125,749	-
Fund Balance - December 31	\$ (31,000)	\$ (22,290)	\$ (30,010)	\$ (72,883)	\$ 30,720	\$ (22,163)

CITY OF ELGIN
 Elgin, North Dakota
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS - STREETS
 For Years Ended December 31, 2015 and 2014

	2015			2014		
	Original & Final Budget	Actual	Variance Favorable- (Unfavorable)	Original & Final Budget	Actual	Variance Favorable- (Unfavorable)
REVENUES COLLECTED:						
Special Assessments	\$ 136,000	\$ 133,845	\$ (2,155)	\$ 141,599	\$ 113,218	\$ (28,381)
Interest	-	104	104	-	127	127
Miscellaneous					3,202	3,202
Total Revenues Collected	136,000	133,949	(2,051)	141,599	116,547	(25,052)
EXPENDITURES PAID						
Current:						
Debt Service:						
Public Works	15,300	9,447	5,853	15,300	11,847	3,453
Principal	135,000	-	135,000	135,000	135,000	-
Interest	7,020	1,603	5,417	4,556	7,759	(3,203)
Total Expenditures Paid	157,320	11,050	146,270	154,856	154,606	250
Excess of Revenues Collected Over Expenditures Paid	(21,320)	122,899	144,219	(13,257)	(38,059)	(24,802)
Transfer In (Out)	-	(20,000)	-	-	-	-
Fund Balance - January 1	-	111,933	111,933	-	149,992	-
Fund Balance - December 31	\$ (21,320)	\$ 214,832	\$ 256,152	\$ (13,257)	\$ 111,933	\$ (24,802)

CITY OF ELGIN
ELGIN, NORTH DAKOTA
NOTES TO THE BUDGET AND ACTUAL SCHEDULES
December 31, 2014 and 2015

BUDGETS

The city auditor prepares an annual city budget. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next year. The preliminary budget is to be prepared on or before September 10th. The city's governing board holds a public hearing where any city taxpayer may testify in favor of or against any proposed disbursements or tax levies. After the budget hearing and on or before October 7, the board adopts the final budget. The final budget is sent to the county auditor by October 10.

No disbursement shall be made or liability incurred in excess of the appropriation except for transfers as authorized by North Dakota Century Code Section 40-40-15. The budget may be amended during the year for any receipts and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10. There were no amendments to the budgets for the years under audit.

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 budgetary comparison information on pages 35 through 37, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

To the Honorable Mayor and City Council
City of Elgin, State of North Dakota
P.O. Box 426
Elgin, North Dakota 58533

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 and each major fund and the aggregate remaining fund information of the City of Elgin, State of North Dakota as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City of Elgin, North Dakota's basic financial statements and have issued my report thereon dated September 1, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Elgin, State of 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 my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Elgin, State of North Dakota's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Elgin, State of North Dakota's internal control over financial reporting.

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. 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 over financial reporting 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. Given these limitations, during my

audit, I did not identify any deficiencies in internal control that I consider to be material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elgin, State of 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 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 are required to be reported under *Government Auditing Standards*.

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 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.

Wayne Hintz, CPA

Wayne E. Hintz, CPA
Helena, Montana

September 1, 2016

**CITY OF ELGIN
ELGIN, NORTH DAKOTA**

December 31, 2015 and 2014

Prior Audit Comments

Current audit comments:

1. The adjusting entries should be entered when provided by the auditor and was agreed to by the Town Clerk.
2. Recommend that the Town Clerk be trained in preparing financial statements in accordance with GASB 34.

These were the recommendations from the prior audit. There was a change in City Auditors and the new auditor is planning on implementing these recommendations