

FINANCIAL STATEMENTS

CITY OF LANGDON
Langdon, North Dakota

For the Year Ended
DECEMBER 31, 2014

Prepared By

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

CITY OF LANGDON
Langdon, North Dakota
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CITY OF LANGDON
Langdon, North Dakota
List of Officials
Years Ended December 31, 2014

December 31, 2014

Charles Downs
Garrett Freier
Marty Tetrault
James Radermacher
Lawrence Henry

RoxAnne Hoffarth

Cameron Sillers

Mayor
Council Member
Council Member
Council Member
Council Member

Interim City Auditor

City Attorney

Accounting For Success

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Langdon, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component units, and each major fund, of the City of Langdon, North Dakota, as of and for the year ended December 31, 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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(701) 284-7616

LANGDON

817 3rd Street
FM Mall
Langdon, ND 58249
(701) 256-3559

STEPHEN

413 5th Street
P.O. BOX 45
Stephen, MN 56757
(218) 478-2880

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, of the City of Langdon, North Dakota, as of December 31, 2014, and the respective changes in modified cash basis financial position, and, where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 29-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

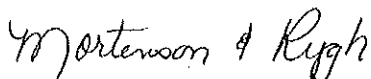
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Langdon, North Dakota's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2016, on our consideration of the City of Langdon, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Langdon's internal control over financial reporting and compliance.



Mortenson & Rygh
Park River, North Dakota

July 14, 2016

BASIC FINANCIAL STATEMENTS

CITY OF LANGDON
Langdon, North Dakota
Statement of Net Position – Modified Cash Basis
December 31, 2014

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Airport
ASSETS:				
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 3,349,700	\$ 1,214,010	\$ 4,563,710	\$ 73,724
Accounts Receivable	-	-	-	764
Loans	216,517	-	216,517	-
Total Current Assets	3,566,250	1,214,010	4,780,260	74,488
CAPITAL ASSETS:				
Capital Assets net of Accumulated Depreciation	2,297,348	2,052,788	4,350,136	738,084
Total Capital Assets	2,297,348	2,052,788	4,350,136	738,084
OTHER ASSETS:				
Interfund Balances	(5,600)	5,600	-	-
Total Other Assets	(5,600)	5,600	-	-
Total Assets	<u>\$ 5,857,998</u>	<u>\$ 3,272,398</u>	<u>\$ 9,130,396</u>	<u>\$ 812,572</u>
LIABILITIES AND NET POSITION:				
CURRENT LIABILITIES				
Accounts Payable	\$ 33	\$ 298	\$ 331	\$ 118,750
Current Maturity on Long Term Debt	261,764	61,622	323,386	-
Total Current Liabilities	261,797	61,920	323,717	118,750
NON CURRENT LIABILITIES				
Loans	707,968	56,146	764,114	-
Bonds Payable	1,765,000	371,000	2,136,000	-
Less Amounts Due Within One Year	(261,764)	(61,622)	(323,386)	-
Total Non Current Liabilities	2,211,204	365,524	2,576,728	-
Total Liabilities	2,473,001	427,444	2,900,444	118,750
NET POSITION				
Invested in Capital Assets, net of related debt	1,589,380	1,625,642	3,215,022	619,334
Restricted for:				
Debt Service	1,062,097	193,243	1,255,340	-
Economic Development	357,458	-	357,458	-
Equipment & Projects	471,542	739,618	1,211,160	-
Infrastructure	93,699	-	93,699	-
Special Purpose	947,065	-	947,065	-
Landfill Post Closure Costs	-	29,365	29,365	-
Unrestricted	(1,136,244)	257,086	(879,158)	74,488
Total Net Position	3,384,997	2,844,954	6,229,951	693,822
Total Liabilities & Net Position	<u>\$ 5,857,998</u>	<u>\$ 3,272,398</u>	<u>\$ 9,130,396</u>	<u>\$ 812,572</u>

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Activities – Modified Cash Basis
Year Ended December 31, 2014

Functions/Programs:	Disbursements	Program Revenues			Net (Disbursements) Receipts and Change in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Airport
Government Activities:								
General Government	\$ 205,965	\$ 24,090	\$ -	\$ -	\$ (181,874)	\$ -	\$ (181,874)	
Public Safety	153,815	-	16,671	-	(137,144)	-	(137,144)	
Public Service	433,133	68,676	194,838	-	(169,619)	-	(169,619)	
Economic Development	42,441	-	-	-	(42,441)	-	(42,441)	
Interest Expense	81,288	-	-	-	(81,288)	-	(81,288)	
Depreciation Expense	104,327	-	-	-	(104,327)	-	(104,327)	
Total Government Activities	1,020,968	92,766	211,508	-	(716,693)	-	(716,693)	
Business Type Activities:								
Water Fund	919,951	747,641	-	-	-	(172,310)	(172,310)	
Garbage Fund	461,919	410,683	-	-	-	(51,236)	(51,236)	
Total Business Type Activities	1,381,870	1,158,324	-	-	-	(223,546)	(223,546)	
Total Primary Government	\$ 2,402,838	\$ 1,251,090	\$ 211,508	\$ -	\$ (716,693)	\$ (223,546)	\$ (940,239)	
Component Unit								
Airport	\$ 56,116	\$ 8,911	\$ -	\$ 45,466				\$ (1,739)
General Receipts:								
Taxes:								
Property taxes levied for general purpose					\$ 299,928	\$ -	\$ 299,928	\$ 37,481
Property taxes levied for debt service					120,350	-	120,350	
Property taxes levied for special purpose					128,565	-	128,565	
Sales Tax					437,075	-	437,075	
Special Assessments					13,161	-	13,161	
Other Taxes					85,392	-	85,392	
Federal & State Aid not restricted to special purposes					210,645	-	210,645	
Earnings on Investments					31,704	5,217	36,922	150
Other Receipts					42,222	-	42,222	7,784
Total General Receipts					\$ 1,369,043	\$ 5,217	\$ 1,374,260	\$ 45,414
Transfers (Net)					19,440	(19,440)	0	-
Change in Net Position					671,790	(237,768)	434,021	43,676
Net Position - January 1					2,713,207	3,082,722	5,795,930	650,146
Net Position - December 31					\$ 3,384,997	\$ 2,844,954	\$ 6,229,951	\$ 693,822

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

CITY OF LANGDON
Langdon, North Dakota
Balance Sheet - Governmental Fund Types – Modified Cash Basis
December 31, 2014

	General Fund	Sales Tax Tax	Street Fund	Fire Dept Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
CURRENT ASSETS						
Cash & Cash Equivalents	\$ 679,099	\$ 740,424	\$ 682,320	\$ 205,099	\$ 1,042,759	\$ 3,349,700
Loans	-	216,517	-	-	-	216,517
Total Current Assets	679,131	956,941	682,320	205,099	1,042,759	3,566,250
OTHER ASSETS & DEBITS						
Internal Balances	-	-	(5,600)	-	-	(5,600)
Total Other Assets & Debits	-	-	(5,600)	-	-	(5,600)
Total Assets	\$679,131	\$956,941	\$676,720	\$205,099	\$1,042,759	\$3,560,650
LIABILITIES AND FUND BALANCE:						
CURRENT LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 33
Due to Other Funds	-	-	-	-	-	-
Total Current Liabilities	-	-	33	-	-	33
FUND BALANCE						
Non-Spendable	-	216,517	-	-	-	216,517
Restricted for:						
Debt Service	-	189,085	-	-	873,012	1,062,097
Economic Development	-	140,941	-	-	-	140,941
Equipment & Projects	-	316,699	135,778	10,250	8,815	471,542
Infrastructure	-	93,699	-	-	-	93,699
Special Purpose	50,375	-	540,910	194,848	160,932	947,065
Unassigned	628,756	-	-	-	-	628,756
Total Fund Balance	679,131	956,941	676,688	205,099	1,042,759	3,560,617
Total Liabilities & Fund Balance	\$679,131	\$956,941	\$676,720	\$205,099	\$1,042,759	\$3,560,650

CITY OF LANGDON
Langdon, North Dakota
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position
Modified Cash Basis
Year Ended December 31, 2014

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

Total Fund Balance - Governmental Funds	\$	3,560,617
Bonds Payable not recognized at fund level		(1,765,000)
Other Debt Payable not recognized at fund level		(707,968)
Capital Assets net of Accumulated Depreciation are not recognized at the fund level		2,297,348
Total Net Position - Governmental Activities	<u>\$</u>	<u>3,384,997</u>

CITY OF LANGDON
Langdon, North Dakota
Statement of Receipts, Disbursements and Changes in Fund Balance – Modified Cash Basis
Governmental Funds
December 31, 2014

	General Fund	Sales Tax Fund	Street Fund	Fire Dept Fund	Other Governmental Funds	Total Governmental Funds
Receipts:						
Property Tax	\$ 299,928	\$ -	\$ 55,110	\$ 19,548	\$ 174,256	\$ 548,842
Sales Tax	-	433,850	-	-	3,225	437,075
Special Assessments	-	-	-	-	13,161	13,161
Other Taxes	37,087	-	42,115	-	6,191	85,392
License, Permits & Fees	8,389	-	-	-	-	8,389
Charges for Services	24,090	-	13,079	-	55,597	92,766
Intergovernmental Sources	210,645	-	194,838	16,671	-	422,153
Earnings on Investments	8,110	3,843	2,657	405	16,689	31,704
Miscellaneous	12,292	-	2,881	16,100	2,560	33,833
Total Revenues	600,541	437,693	310,680	52,725	271,679	1,673,318
Disbursements:						
General Government	160,871	-	-	-	45,094	205,965
Public Safety	128,018	-	-	25,797	-	153,815
Public Service	8,192	-	295,399	-	129,542	433,133
Economic Development	-	42,441	-	-	-	42,441
Capital Outlay	-	-	152,100	59,613	-	211,713
Debt Service:						
Interest Expense	-	-	-	42,933	38,355	81,288
Principal	-	-	-	8,832	160,000	168,832
Total Disbursements	297,080	42,441	447,499	137,174	372,991	1,297,185
Excess Receipts over (under) Disbursements	303,461	395,253	(136,819)	(84,450)	(101,313)	376,132
Debt Proceeds	-	-	-	27,000	-	27,000
Interfund Transfers In	-	-	110,000	117,351	301,693	529,044
Interfund Transfers (Out)	(145,000)	(364,603)	-	(0)	-	(509,604)
Net Change in Fund Balance	158,461	30,649	(26,819)	59,901	200,380	422,572
Fund Balance - January 1	520,668	926,292	703,506	145,198	842,378	3,138,042
Fund Balance - December 31	679,128	956,941	676,688	205,099	1,042,759	3,560,616

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

CITY OF LANGDON

Langdon, North Dakota

**Reconciliation of Statement of Receipts, Disbursements and Changes in
Fund Balance Governmental Funds to Statement of Activities – Modified Cash Basis
For the Year Ended December 31, 2014**

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

Net change in Fund Balance - Governmental Funds \$ 422,572

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

Capital Outlays	211,713
Depreciation	(104,327)

Governmental funds report proceeds from issuance of debt as a revenue. However, in the statement of activities debt proceeds are not recognized as they are recognized as an increase in debt on the statement of net assets. This is the amount of debt issued in the current year. (27,000)

Governmental funds report debt principle payments as an expense. However in the statement of activities debt principle is not expensed nor is the receipt of borrowed funds treated as income. This is the amount of debt principle paid during the year. 168,832

Change in Net Position of Governmental Activities \$ 671,790

CITY OF LANGDON
Langdon, North Dakota
Statement of Net Position – Enterprise Funds – Modified Cash Basis
December 31, 2014

	Water Fund	Garbage Fund	Total Enterprise Funds
ASSETS:			
CURRENT ASSETS			
Cash & Cash Equivalents	\$ 1,165,663	\$ 48,347	\$ 1,214,010
Internal Balances	-	5,600	5,600
Total Current Assets	1,165,663	53,947	1,219,610
NONCURRENT ASSETS			
Capital Assets net of Accumulated Depreciation	1,649,020	403,768	2,052,788
Total Noncurrent Assets	1,649,020	403,768	2,052,788
Total Assets	\$ 2,814,683	\$ 457,716	\$ 3,272,398
LIABILITIES AND NET POSITION:			
CURRENT LIABILITIES			
Accounts Payable	\$ (188)	\$ 486	\$ 298
Current Portion of Long Term Debt	34,000	27,622	61,622
Total Current Liabilities	33,812	28,108	61,920
NON CURRENT LIABILITIES			
Loans Payable	-	56,146	56,146
Bonds Payable	371,000	-	371,000
Less Current Portion	(34,000)	(27,622)	(61,622)
Total Non Current Liabilities	337,000	28,524	365,524
Total Liabilities	370,812	56,632	427,444
NET POSITION:			
Invested in Capital Assets, net of related debt	1,278,208	347,136	1,625,344
Restricted for:			
Debt Service	193,243	-	193,243
Equipment & Projects	739,618	-	739,618
Landfill Post Closure Costs	-	29,365	29,365
Unrestricted Net Assets	232,802	24,582	257,384
Total Net Position	2,443,870	401,084	2,844,954
Total Liabilities & Net Position	\$ 2,814,683	\$ 457,716	\$ 3,272,398

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Receipts, Disbursements and Changes in Net Position – Enterprise Funds
Modified Cash Basis
Year Ended December 31, 2014

	Water Fund	Garbage Fund	Total Enterprise Funds
Operating Receipts:			
Utility Sales	\$ 734,683	\$ 324,157	\$ 1,058,840
Other Charges for Services	12,958	86,526	99,484
Total Operating Receipts	\$ 747,641	\$ 410,683	\$ 1,158,324
Operating Disbursements:			
Salaries & Benefits	211,011	144,567	355,578
Operating Expenses	446,404	286,644	733,048
Depreciation	251,741	27,880	279,621
Total Operating Disbursements	\$ 909,156	\$ 459,091	\$ 1,368,247
Operating Income (Loss)	\$ (161,515)	\$ (48,408)	\$ (209,923)
Nonoperating Receipts (Disbursements):			
Investment Earnings	5,049	168	5,217
Interest Expense	(10,795)	(2,828)	(13,623)
Total Nonoperating Receipts (Disbursements)	\$ (5,746)	\$ (2,660)	\$ (8,406)
Income (Loss) Before Transfers	\$ (167,261)	\$ (51,068)	\$ (218,328)
Interfund Transfers In	0	0	(0)
Interfund Transfers (Out)	(19,440)	(0)	(19,440)
Change in Net Position	\$ (186,701)	\$ (51,068)	\$ (237,768)
Net Position January 1	2,630,571	452,151	3,082,723
Net Position December 31	\$ 2,443,870	\$ 401,084	\$ 2,844,954

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Cash Flows – Enterprise Funds – Modified Cash Basis
Year Ended December 31, 2014

	Water Fund	Garbage Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from Customers	\$ 747,641	\$ 410,683	\$ 1,158,324
Payments to Employees	(211,011)	(144,567)	(355,578)
Payments to Suppliers	(446,404)	(286,311)	(732,715)
Total Cash Flows from Operating Act.	90,226	(20,195)	70,031
Cash Flows from Noncapital			
Financing Activities			
Transfers (Out)	(19,440)	(0)	(19,441)
(Inc.)/(Decrease) in Due from Other Funds	-	(5,600)	(5,600)
Total Cash Flows from Noncapital			
Financial Activities	(19,440)	(5,600)	(25,041)
Cash Flows from Capital and Related			
Financing Activities			
Interest Expense	(10,795)	(2,828)	(13,623)
Inc./(Decrease) in Loans Payable	-	(26,751)	(26,751)
Inc./(Decrease) in Bonds Payable	(33,000)	-	(33,000)
Total Cash Flows from Capital and			
Related Financing Activities	(43,795)	(29,579)	(73,374)
Cash Flows From Investing Activities			
Earnings on Investments	5,049	168	5,217
Total Cash Flows From Investing Act.	5,049	168	5,217
Net Increase (Decrease) in Cash & Cash Equivalents	32,040	(55,206)	(23,166)
Cash and Cash Equivalents - January 1	\$ 1,133,622	\$ 103,553	\$ 1,237,175
Cash and Cash Equivalents - Dec. 31	\$ 1,165,662	\$ 48,347	\$ 1,214,009
Reconciliation of Operating Income to Net			
Cash Provided by Operating Activities			
Operating Income	\$ (161,515)	\$ (48,408)	\$ (209,922)
Adjustments to Reconcile Operating Income			
to Net Cash Provided by Operating Activities			
Depreciation Expense	251,741	27,880	279,621
Inc./(Decrease) in Accounts Payable	0	333	333
Total Adjustments	\$ 251,741	\$ 28,213	\$ 279,954
Net Cash Provided/(Used) by			
Operating Activities	\$ 90,226	\$ (20,195)	\$ 70,031

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

CITY OF LANGDON
Langdon, North Dakota
Notes to the Financial Statements
December 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Financial accountability is defined in GASB Statement No. 14 "The Financial Reporting Entity". The criteria includes appointing a voting majority of an organization's governing board and (1) the ability of the city to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the city.

Based upon the application of these criteria, the component units discussed below are included within the City's reporting entity because of the significance of the operational or financial relationships with the City.

BLENDDED COMPONENT UNITS – None

DISCRETELY PRESENTED COMPONENT UNITS –

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

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

Governmental funds are reported using the current financial resources measurement focus, within the limitations of the modified cash basis of accounting. Only cash and cash equivalents, long term notes receivable and inter-fund balances are generally included on their balance sheets; however, the governmental funds do recognize liabilities for payroll withholding. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

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

The City reports the following major governmental funds:

Governmental funds

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

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

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

Fire Department Fund – This fund accounts for the resources set aside for the City’s fire department.

Proprietary funds:

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

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

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

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits, money market accounts and certificates of deposit with maturity of three months or less.

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

E. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated

historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings & improvements, furniture & equipment, distribution systems and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-60
Vehicles and Machinery	3-10
Furniture and Equipment	3-15

F. Long-Term Obligations

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

G. Fund Balances and Net Position

Government-wide Financial Statements

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

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

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

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

Fund Financial Statement

Beginning with fiscal year 2011, the City implemented GASB Statement 54, Fund Balance Reporting in Governmental Fund Types Definitions. The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the City is bound to honor them. The City first determines and reports

non-spendable balances, then restricted, then committed, and so forth. The City's governmental fund balances have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

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

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

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

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

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

H. Interfund Transactions

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

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

I. Use of Estimates in Preparing Financial Statements

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

NOTE 2 LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The City's governing board did not amend the budget during 2014.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

State statutes authorize the City to invest in:

- a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress,
- b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above,
- c) Certificates of Deposit fully insured by the federal deposit insurance corporation or pledge of governmental securities,
- d) Obligations of the state.

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

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

B. Investments

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

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

At year ended December 31, 2014, the City's carrying amount of deposits and CDs totaled \$4,563,710 and the bank balances totaled \$4,569,863. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances totaling \$4,069,863 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 PENSION PLAN

The City of Langdon provides a Fortis/simplified employee pension (SEP) plan for its full-time employees administered by Choice Financial. The City contributes 5% of gross salaries for all full-time employees. The City of Langdon's contributions to the SEP for the fiscal years ending

December 31, 2014, 2013, and 2012 were \$27,466, \$23,805, and \$24,961, respectively, which were the required contributions for those years.

NOTE 5 PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount on property taxes is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

NOTE 6 LONG-TERM LIABILITIES

During the year ended December 31, 2014, the following changes occurred in long-term liabilities:

	Balance 01/01/14	paid	borrowed	Balance 12/31/14	Due Within One Year
Governmental Activities:					
Sales Tax Revenue Refunding Bonds, Series 2012	705,000	(85,000)		620,000	90,000
Refunding Improvement Bonds, Series 2012	1,220,000	(75,000)		1,145,000	75,000
Other Debt	689,800	(8,832)	27,000	707,968	96,764
Total Governmental Activities	\$ 2,614,800	\$ (168,832)	\$ 27,000	\$ 2,472,968	\$ 261,764
Business-Type Activities					
Water Revenue Bonds, Series 2002	\$ 265,000	\$ (27,000)		\$ 238,000	\$ 27,000
Wastewater Revenue Bonds, Series 2010	139,000	(6,000)		133,000	7,000
Other Debt	82,898	(26,752)	-	56,146	27,622
Total Business-Type Activities	\$ 486,898	\$ (59,752)	\$ -	\$ 427,146	\$ 61,622

Governmental Activities:

Special Assessment Bonds

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

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

\$1,145,000

Total Special Assessment Bonds

\$1,145,000

Revenue Bonds

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

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

\$620,000

Total Revenue Bonds

\$620,000

Other Debt

Farmers & Merchants Bank Loan

The city borrowed funds for the construction & remodel of the fire department shop. Principal and interest payments are due monthly through August, 2021. Interest rate at 3.5%

Total Other Debt

\$707,968

Business-Type Activities:

Revenue Bonds

\$650,000 Water Revenue Bonds, Series 2002

Principal payments are due annually and range from \$18,796 to \$32,000 through 2022; interest at 2.5%.

\$238,000

\$240,000 Wastewater Revenue Bonds, Series 2010

Loan from North Dakota Community Development Block Grant Program; \$157,454 drawn as of December 31, 2012. Principal payments due annually and range from \$6,454 to \$10,000 through 2030; interest at 2.5%.

\$133,000

Total Revenue Bonds

\$371,000

Other Debt

Farmers & Merchants Bank Garbage Truck Loan

\$133,598 bank loan from Farmers & Merchants State Bank to finance a garbage truck. Principal payments are due annually through 2016; interest is 3.5%

\$56,146

Total Other Debt

\$56,146

The annual debt service requirements for all long-term debt outstanding as of December 31, 2014 are as follows:

Governmental Activities						
Year Ending December 31	Special Assessment Bonds		Sales Tax Bonds		Other Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 75,000	\$ 26,875	\$ 90,000	\$ 10,230	\$ 96,764	\$ 23,236
2016	70,000	26,125	90,000	9,060	100,205	19,795
2017	70,000	25,425	90,000	7,620	103,769	16,231
2018	70,000	24,550	90,000	6,180	107,460	12,540
2019	65,000	23,675	90,000	4,515	111,282	8,718
2020-2024	320,000	101,475	170,000	3,360	115,240	4,760
2025-2029	300,000	61,550	-	-	73,249	893
2030-2034	175,000	12,900	-	-	-	-
2035-2039	-	-	-	-	-	-
Total	\$ 1,145,000	\$ 302,575	\$ 620,000	\$ 40,965	\$ 707,968	\$ 86,174

Business-Type Activities				
Year Ending December 31	Revenue Bonds		Other Debt	
	Principal	Interest	Principal	Interest
2015	\$ 34,000	\$ 9,275	\$ 27,622	\$ 1,968
2016	35,000	8,425	28,523	1,001
2017	36,000	7,550	-	-
2018	36,000	6,650	-	-
2019	37,000	5,750	-	-
2020-2024	136,000	15,025	-	-
2025-2029	47,000	4,850	-	-
2030-2034	10,000	250	-	-
2035-2039	-	-	-	-
Total	\$ 371,000	\$ 57,775	\$ 56,146	\$ 2,969

NOTE 7 RISK MANAGEMENT

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

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

to losses of two million dollars per occurrence for general liability and automobile insurance and to \$537,690 for inland marine coverage.

The City of Langdon also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City of Langdon pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the City of Langdon with blanket fidelity bond coverage in the amount of \$439,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

NOTE 8 COMPENSATED ABSENCES

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

NOTE 9

CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended December 31, 2014:

	1/1/2014			12/31/2014	
	Balance	Additions	Disposals	Balance	
Governmental Activities					
Land	\$ 70,300	\$ -	\$ -	\$ 70,300	
Construction in Progress	676,546	-	676,546	-	
Buildings	2,055,930	709,050	-	2,764,980	
Furniture & Equipment	414,492	179,209	-	593,701	
Vehicles & Machinery	944,915	-	-	944,915	
Total	<u>\$ 4,162,183</u>	<u>\$ 888,259</u>	<u>\$ -</u>	<u>\$ 4,373,896</u>	
Less: Accumulated Depreciation					
Buildings	\$(1,136,790)	\$(40,673)	\$ -	\$(1,177,463)	
Furniture & Equipment	(94,319)	(26,446)	-	(120,765)	
Vehicles & Machinery	(741,112)	(37,208)	-	(778,320)	
Total	<u>\$(1,972,221)</u>	<u>\$(104,327)</u>	<u>\$ -</u>	<u>\$(2,076,548)</u>	
Capital Assets, Net	<u>\$ 2,189,962</u>	<u>\$ 783,932</u>	<u>\$ -</u>	<u>\$ 2,297,348</u>	
	1/1/2014			12/31/2014	
	Balance	Additions	Disposals	Balance	
Business-type Activities					
Land	\$ 80,020	\$ -	\$ -	\$ 80,020	
Buildings	2,445,125	-	-	2,445,125	
Furniture & Equipment	4,307,443	-	-	4,307,443	
Vehicles & Machinery	523,797	-	-	523,797	
Total	<u>\$ 7,356,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,356,385</u>	
Less: Accumulated Depreciation					
Buildings	\$(1,614,017)	\$(48,103)	\$ -	\$(1,662,120)	
Furniture & Equipment	(3,027,009)	(211,709)	-	(3,238,718)	
Vehicles & Machinery	(382,949)	(19,810)	-	(402,759)	
Total	<u>\$(5,023,976)</u>	<u>\$(279,621)</u>	<u>\$ -</u>	<u>\$(5,303,597)</u>	
Capital Assets, Net	<u>\$ 2,332,409</u>	<u>\$(279,621)</u>	<u>\$ -</u>	<u>\$ 2,052,788</u>	
Total Capital Assets	<u>\$ 4,522,372</u>	<u>\$ 504,311</u>	<u>\$ -</u>	<u>\$ 4,350,136</u>	

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

	Government	Business
Garbage	\$ -	\$ 27,880
Public Works	104,327	-
Water	-	251,741
Total Depreciation Expense	<u>\$ 104,327</u>	<u>\$ 279,621</u>

NOTE 10 TRANSFERS

The operating transfers were as follows:

For the Year Ended December 31, 2014		
Fund	In	Out
General	\$ -	\$ 155,000
General Fund Reserve	5,000	-
Police Reserve Fund	5,000	-
Street Fund	80,000	43,000
Street Equipment Reserve Fund	10,000	-
Street Maintenance Fund	60,000	-
Street Light Reserve Fund	3,000	-
Activity Center Fund	46,258	2,000
Activity Center Equipment Fund	2,000	-
Capital Improvement City Sales Tax	-	15,000
Economic Development City Sales Tax	-	15,000
Tax Relief City Sales Tax	-	38,841
Langdon Infrastructure Sales Tax	-	190,995
Langdon Community Development Sales Tax	-	104,768
Phase IV SRF Bond Fund 2002	73,301	-
Main Street W&S Emergency Reserve Fund 2005	19,440	-
Main Street Project Payoff Reserve	45,000	-
15th Ave Bond Sinking Fund	190,995	-
Sewer SRF 2010 Bond Fund	13,075	-
Water Fund	16,827	108,731
Water Equipment Reserve	5,000	-
Garbage Fund	29,945	8,000
Landfill Operations & Closure Reserve	8,000	24,345
Sanitation Reserve	-	5,600
Water Project Reserve	-	18,912
Fire Department Fund	64,347	-
Fire Department Reserve Fund	20,157	20,157
Fire Department Sales Tax Fund	84,611	31,608
	<u>\$ 781,955</u>	<u>\$ 781,955</u>

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

NOTE 11 INTERFUND RECEIVABLES/PAYABLES

Interfund balances on December 31, 2014 were as follows:

Fund Name	Due (To) From 1/1/2014	Increases	Decreases	Due (To) From 12/31/14
Governmental Activities				
Street Fund	\$ -	\$ (5,600)	\$ -	\$ (5,600)
Total Governmental Activities	\$ -	\$ (5,600)	\$ -	\$ (5,600)
Business-Type Activities				
Garbage Fund	\$ -	\$ 5,600	\$ -	\$ 5,600
Total Business-Type Activities	\$ -	\$ 5,600	\$ -	\$ 5,600

The street fund borrowed from the garbage fund to purchase a show pusher. The balance is expected to be repaid during 2015.

NOTE 12 ECONOMIC DEVELOPMENT LOANS

The city provides loans and grants to businesses for either startup costs or expansion costs. The Economic Development Corporation (EDC) receives application from various businesses. The EDC screens the applications then brings the applications to the governing board that either approves or denies the application. The activity and balances of the EDC are not presented in the financial statements as the city reports on a cash basis. The city sets up a payment schedule with interest for the loans to be repaid. No allowance has been established for estimated uncollectible loans. The following summaries loan activity for the year ended December 31, 2013:

	Balance 1/01/2014	Loans Issued	Payments Received	Balance 12/31/2014
Economic Development Loans	\$235,202	\$100,407	\$(119,090)	\$216,517

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual - General Fund
December 31, 2014

	<u>General Fund</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 248,250	\$ 337,015	\$ 88,765
Licenses & Permits	7,600	8,389	789
Intergovernmental Sources	159,500	210,645	51,145
Earnings on Investments	2,050	8,110	6,060
Other Sources	24,818	36,383	11,565
Total Receipts	<u>442,218</u>	<u>600,541</u>	<u>158,323</u>
Disbursements:			
General Government	164,609	160,871	3,738
Public Safety	125,532	128,018	(2,486)
Public Service	-	8,192	(8,192)
Total Disbursements	<u>290,141</u>	<u>297,080</u>	<u>(6,939)</u>
Excess Receipts over (under) Disbursements	<u>152,077</u>	<u>303,461</u>	<u>151,384</u>
Interfund Transfers (Out)	(105,000)	(145,000)	(40,000)
Excess Receipts over (under) Disbursements after Interfund Transfers	<u>\$ 47,077</u>	<u>\$ 158,461</u>	<u>\$ 111,384</u>
Fund Balance - January 1	520,668	520,668	
Fund Balance - December 31	<u>\$ 567,745</u>	<u>\$ 679,128</u>	

CITY OF LANGDON
 Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Sales Tax Fund
 December 31, 2014

	<u>Sales Tax Fund</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 291,000	\$ 433,850	\$ 142,850
Earnings on Investments	1,950	3,843	1,893
Total Receipts	<u>292,950</u>	<u>437,693</u>	<u>144,743</u>
Disbursements:			
Economic Development	154,000	42,441	111,559
Total Disbursements	<u>154,000</u>	<u>42,441</u>	<u>111,559</u>
Excess Receipts over (under) Disbursements	<u>138,950</u>	<u>395,253</u>	<u>256,303</u>
Interfund Transfers (Out)	(166,105)	(364,603)	(198,498)
Excess Receipts over (under) Disbursements after Interfund Transfers	<u>(27,155)</u>	<u>30,649</u>	<u>57,804</u>
Fund Balance - January 1	926,292	926,292	
Fund Balance - December 31	<u>\$ 899,137</u>	<u>\$ 956,941</u>	

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Street Fund
December 31, 2014

	<u>Street Fund</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 83,022	\$ 97,225	\$ 14,203
Charges for Services	11,700	13,079	1,379
Intergovernmental Sources	172,672	194,838	22,166
Earnings on Investments	-	2,657	2,657
Other Sources	2,250	2,881	631
	269,644	310,680	41,036
Disbursements:			
Public Service	306,232	295,399	10,833
Capital Outlay	-	152,100	(152,100)
	306,232	447,499	(141,267)
Excess Receipts over (under) Disbursements	(36,588)	(136,819)	(100,231)
Interfund Transfers In	83,000	110,000	27,000
Excess Receipts over (under) Disbursements after Interfund Transfers	46,412	(26,819)	(73,231)
Fund Balance - January 1	703,506	703,506	
Fund Balance - December 31	\$ 749,918	\$ 676,688	

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Fire Department Fund Fund
December 31, 2014

	<u>Fire Department</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 16,550	\$ 19,548	\$ 2,998
Intergovernmental Sources	8,640	16,671	8,031
Earnings on Investments	500	405	(95)
Other Sources	450	16,100	15,650
Total Revenues	26,140	52,725	26,585
Disbursements:			
Public Safety	31,000	25,797	5,203
Capital Outlay	5,000	59,613	(54,613)
Debt Service	-	51,764	(51,764)
Total Disbursements	36,000	137,174	(101,174)
Excess Receipts over (under) Disbursements	(9,860)	(84,450)	(74,590)
Loan Proceeds	27,000	27,000	-
Interfund Transfers In	4,360	117,351	112,991
Excess Receipts over (under) Disbursements after Interfund Transfers	21,500	59,901	38,401
Fund Balance - January 1	145,198	145,198	
Fund Balance - December 31	\$ 166,698	\$ 205,099	

CITY OF LANGDON
Langdon, North Dakota
Notes to Required Supplementary Information
December 31, 2014

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

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

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

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

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

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

The City of Langdon overspent their budget in the following funds for the 2014 year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$290,141	\$297,080	\$(6,939)
Street Fund	306,232	447,499	(141,267)
Fire Department Fund	36,000	137,174	(101,174)

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

SUPPLEMENTARY INFORMATION

CITY OF LANGDON
Langdon, North Dakota
Schedule of Fund Activity
Year Ended December 31, 2014

	Balance 01/01/14	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12/31/14
Governmental Funds							
Major Funds							
General	\$ 520,668	\$ 600,541	\$ -	\$ -	\$ (145,000)	\$ (297,080)	\$ 679,128
Sales Tax Fund	926,292	437,693	-	-	(364,603)	(42,441)	956,941
Street Fund	703,506	310,680	153,000	-	(43,000)	(447,499)	676,688
Fire Department	145,198	52,725	169,115	27,000	(51,764)	(137,174)	205,099
Total Major Funds	\$ 2,295,664	\$ 1,401,639	\$ 322,115	\$ 27,000	\$ (604,368)	\$ (924,194)	\$ 2,517,856
Non-major Funds							
Social Security	\$ 36,990	\$ 42,847	\$ -	\$ -	\$ -	\$ (36,357)	\$ 43,480
Special Assessments	3,530	13,161	-	-	-	(4,487)	12,205
Advertising Fund	1,002	3,686	-	-	-	(3,350)	1,338
Unemployment Reserve	4,204	-	-	-	-	-	4,204
Activity Center	12,000	79,638	48,258	-	(2,000)	(129,081)	8,815
Forestry Fund	9,845	3,686	-	-	-	(461)	13,070
Emergency Snow Removal	9,786	3,686	-	-	-	-	13,473
Main Street Dist 2005 Sinking Fund	253,337	121,666	-	-	-	(102,700)	272,303
Main Street W&S Emergency Reserve	74,930	322	19,440	-	-	-	94,692
Main Street Project Reserve	292,445	1,642	45,000	-	-	-	339,087
15th Ave Bond Sinking	72,490	-	190,995	-	-	(96,555)	166,930
125th Celebration Fund	71,820	1,343	-	-	-	-	73,163
Total Non-major Funds	\$ 842,378	\$ 271,679	\$ 303,693	\$ -	\$ (2,000)	\$ (372,991)	\$ 1,042,759
Total Governmental Funds	\$ 3,138,042	\$ 1,673,318	\$ 625,808	\$ 27,000	\$ (606,368)	\$ (1,297,185)	\$ 3,560,614
Enterprise Funds							
Major Funds							
Water Fund	\$ 2,630,571	\$ 752,690	\$ 108,202	\$ -	\$ (127,642)	\$ (919,951)	\$ 2,443,870
Garbage Fund	452,151	410,851	37,945	-	(37,945)	(461,919)	401,084
Total Major Funds	\$ 3,082,723	\$ 1,163,541	\$ 146,148	\$ -	\$ (165,588)	\$ (1,381,870)	\$ 2,844,954
Total Enterprise Funds	\$ 3,082,723	\$ 1,163,541	\$ 146,148	\$ -	\$ (165,588)	\$ (1,381,870)	\$ 2,844,954
Component Units							
Airport	\$ 650,146	\$ 99,791	\$ -	\$ -	\$ -	\$ (56,116)	\$ 693,822
Total Component Units	\$ 650,146	\$ 99,791	\$ -	\$ -	\$ -	\$ (56,116)	\$ 693,822
Total Reporting Entity	\$ 6,870,911	\$ 2,936,650	\$ 771,955	\$ 27,000	\$ (771,955)	\$ (2,735,171)	\$ 7,099,390

Accounting For Success

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Commission
City of Langdon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of City of Langdon, North Dakota, as of and for the year ended December 31, 2011, and the related notes to the financial statements, which collectively comprise City of Langdon, North Dakota's basic financial statements and have issued our report thereon dated July 14, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

CAVALIER

206 Dakota Street West
P.O. BOX 33
Cavalier, ND 58220
(701) 265-8644

PARK RIVER

1203 Park Street East
P.O. BOX 287
Park River, ND 58270
(701) 284-7616

LANGDON

817 3rd Street
FM Mall
Langdon, ND 58249
(701) 256-3559

STEPHEN

413 5th Street
P.O. BOX 45
Stephen, MN 56757
(218) 478-2880

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. We consider the findings 2014-1, described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

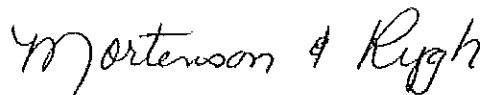
As part of obtaining reasonable assurance about whether City of Langdon, North Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Langdon, North Dakota's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

July 14, 2016

CITY OF LANGDON
Langdon, North Dakota
Schedule of Findings
December 31, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of Report Issued:

Governmental-Type Activities	Unmodified
Business-Type Activities	Unmodified
Major Governmental-Type Fund	Unmodified
Major Business-Type Fund	Unmodified

Internal control over financial reporting:

Material weaknesses identified? X Yes No

Significant deficiencies identified not considered

To be material weaknesses? Yes X No

Noncompliance material to financial

Statements noted? Yes X No

Section II – Financial Statement Findings

2014-1 Segregation of Duties

Condition:

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

Effect:

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

Cause:

There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the City of Langdon, North Dakota’s financial condition.

Criteria:

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

Recommendation:

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

Client Response:

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