

FINANCIAL STATEMENTS

CITY OF LANGDON
Langdon, North Dakota

For the Years Ended
DECEMBER 31, 2016 AND 2015

Prepared By

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CITY OF LANGDON
Langdon, North Dakota
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December 31, 2016 and 2015

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CITY OF LANGDON
Langdon, North Dakota
LIST OF OFFICIALS

Years Ended December 31, 2016 and 2015

December 31, 2016

Charles Downs	Mayor
Marty Tetrault	Council Member
Lawrence Henry	Council Member
Jim Rademacher	Council Member
Cody Schlittenhard	Council Member
RoxAnne Hoffarth	City Auditor
Quentin Wenzel	City Attorney

December 31, 2015

Charles Downs	Mayor
Marty Tetrault	Council Member
Lawrence Henry	Council Member
Jim Rademacher	Council Member
Cody Schlittenhard	Council Member
Connie Schrader/RoxAnne Hoffarth	City Auditor
Quentin Wenzel	City Attorney

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Langdon, North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of the City of Langdon, North Dakota, as of and for the years ended December 31, 2016 and 2015, 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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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of Langdon, North Dakota, as of December 31, 2016 and 2015, 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 42-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Information

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

The schedule of fund activity is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of fund activity is 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 November 27, 2017 on our consideration of the City of Langdon, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Langdon's internal control over financial reporting and compliance.



Mortenson & Rygh
Certified Public Accountants
Park River, North Dakota

November 27, 2017

**BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016**

CITY OF LANGDON
Langdon, North Dakota
Statement of Net Position – Modified Cash Basis
December 31, 2016

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		Airport
ASSETS:				
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 3,552,936	\$ 4,974,606	\$ 8,527,542	\$ 87,954
Total Current Assets	3,552,936	4,974,606	8,527,542	87,954
CAPITAL ASSETS:				
Capital Assets net of Accumulated Depreciation	2,351,546	2,387,784	4,739,330	681,783
Total Capital Assets	2,351,546	2,387,784	4,739,330	681,783
OTHER ASSETS:				
Loans Receivable	310,965	-	310,965	-
CDs Reserved for Debt Service	118,369	56,584	174,953	-
Total Other Assets	429,334	56,584	485,918	-
Total Assets	<u>\$ 6,333,816</u>	<u>\$ 7,418,974</u>	<u>\$ 13,752,790</u>	<u>\$ 769,737</u>
LIABILITIES AND NET POSITION:				
CURRENT LIABILITIES				
Current Maturity on Long Term Debt	\$ 263,769	\$ -	\$ 263,769	\$ -
Total Current Liabilities	263,769	-	263,769	-
NON CURRENT LIABILITIES				
Loans	504,580	-	504,580	-
Bonds Payable	1,440,000	4,806,000	6,246,000	-
Less Amounts Due Within One Year	(263,769)	-	(263,769)	-
Total Non Current Liabilities	1,680,811	4,806,000	6,486,811	-
Total Liabilities	1,944,580	4,806,000	6,750,580	-
NET POSITION				
Net Investment in Capital Assets	1,846,966	1,710,700	3,557,666	681,783
Restricted for:				
Debt Service	350,454	-	350,454	-
Economic Development	485,154	-	485,154	-
Capital Projects	442,322	698,495	1,140,817	-
Infrastructure	224,402	-	224,402	-
Special Purpose	846,365	-	846,365	-
Landfill Post Closure Costs	-	29,466	29,466	-
Unrestricted	193,573	174,312	367,886	87,954
Total Net Position	<u>4,389,236</u>	<u>2,612,974</u>	<u>7,002,210</u>	<u>769,737</u>
Total Liabilities & Net Position	<u>\$ 6,333,816</u>	<u>\$ 7,418,974</u>	<u>\$ 13,752,790</u>	<u>\$ 769,737</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, 2016

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	\$ 304,124	\$ 25,543	\$ -	\$ -	\$ (278,582)	\$ -	\$ (278,582)	
Public Safety	191,807	-	24,526	-	(167,281)	-	(167,281)	
Public Service	575,645	56,089	158,578	-	(360,978)	-	(360,978)	
Economic Development	38,907	-	-	-	(38,907)	-	(38,907)	
Interest Expense	54,884	-	-	-	(54,884)	-	(54,884)	
Total Government Activities	1,165,367	81,631	183,104	-	(900,632)	-	(900,632)	
Business Type Activities:								
Water Fund	734,227	678,397	-	-	-	(55,830)	(55,830)	
Garbage Fund	476,511	484,139	-	-	-	7,629	7,629	
Total Business Type Activities	1,210,737	1,162,536	-	-	-	(48,201)	(48,201)	
Total Primary Government	\$ 2,376,104	\$ 1,244,167	\$ 183,104	\$ -	\$ (900,632)	\$ (48,201)	\$ (948,833)	
Component Unit								
Airport	\$ 167,479	\$ 6,667	\$ -	\$ 109,246				\$ (51,567)
General Receipts:								
Taxes:								
Property taxes levied for general purpose					\$ 362,939	\$ -	\$ 362,939	\$ 44,444
Property taxes levied for debt service					119,952	-	119,952	
Property taxes levied for special purpose					78,770	-	78,770	
Sales Tax					410,563	-	410,563	
Special Assessments					8,549	-	8,549	
Other Taxes					42,096	-	42,096	
Federal & State Aid not restricted to special purposes					139,075	-	139,075	
Earnings on Investments					33,371	5,486	38,856	164
Other Receipts					21,975	-	21,975	4,633
Total General Receipts					\$ 1,217,291	\$ 5,486	\$ 1,222,776	\$ 49,240
Transfers (Net)					9,720	(9,720)	-	-
Change in Net Position					326,379	(52,436)	273,943	(2,327)
Net Position - January 1					4,062,858	2,665,410	6,728,268	772,063
Net Position - December 31					\$ 4,389,236	\$ 2,612,974	\$ 7,002,211	\$ 769,736

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, 2016

ASSETS:	General Fund	Sales Tax Tax	Street Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
CURRENT ASSETS						
Cash & Cash Equivalents	\$ 728,627	\$ 1,111,867	\$ 435,998	\$ 915,014	\$ 361,430	\$ 3,552,936
Total Current Assets	728,627	1,111,867	435,998	915,014	361,430	3,982,270
OTHER ASSETS & DEBITS						
Loans	-	310,965	-	-	-	310,965
CDs Reserved for Debt Service	-	-	-	118,369	-	118,369
Total Other Assets & Debits	-	310,965	-	118,369	-	429,334
Total Assets	\$ 728,627	\$ 1,422,832	\$ 435,998	\$ 1,033,383	\$ 361,430	\$ 3,982,270
LIABILITIES AND FUND BALANCE:						
CURRENT LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	-	-	-	-	-	-
FUND BALANCE						
Non-Spendable	-	310,965	-	-	-	310,965
Restricted for:						
Debt Service	-	270,954	-	79,500	-	350,454
Economic Development	-	174,190	-	-	-	174,190
Capital Projects	-	442,322	-	-	-	442,322
Infrastructure	-	224,402	-	-	-	224,402
Other Special Purpose	48,936	-	435,998	-	361,430	846,365
Assigned	80,000	-	-	953,883	-	1,033,883
Unassigned	679,690	-	-	-	-	679,690
Total Fund Balance	728,627	1,422,832	435,998	1,033,383	361,430	3,982,270
Total Liabilities & Fund Balance	\$ 728,627	\$ 1,422,832	\$ 435,998	\$ 1,033,383	\$ 361,430	\$ 3,982,270

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, 2016

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

Total Fund Balance - Governmental Funds	\$	3,982,270
Bonds Payable not recognized at fund level		(1,440,000)
Other Debt Payable not recognized at fund level		(504,580)
Capital Assets net of Accumulated Depreciation are not recognized at the fund level		2,351,546
Total Net Position - Governmental Activities	<u>\$</u>	<u>4,389,236</u>

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Receipts, Disbursements and Changes in Fund Balance – Modified Cash Basis
Governmental Funds
December 31, 2016

	General Fund	Sales Tax Fund	Street Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts:						
Property Tax	\$ 362,939	\$ -	\$ 50,116	\$ 119,952	\$ 28,654	\$ 561,662
Sales Tax	-	408,030	-	-	2,533	410,563
Special Assessments	-	-	-	-	8,549	8,549
Other Taxes	-	-	36,412	-	5,684	42,096
License, Permits & Fees	8,005	-	-	-	-	8,005
Charges for Services	25,543	-	11,290	-	44,798	81,631
Intergovernmental Sources	139,075	-	158,578	-	24,526	322,179
Earnings on Investments	8,327	4,982	1,961	3,468	14,633	33,371
Miscellaneous	11,719	-	976	-	1,275	13,970
Total Revenues	555,608	413,013	259,333	123,420	130,651	1,482,026
Disbursements:						
General Government	237,433	-	-	-	46,841	284,273
Public Safety	165,508	-	-	-	19,261	184,769
Public Service	14,031	-	346,306	-	121,957	482,294
Economic Development	-	38,907	-	-	-	38,907
Capital Outlay	-	-	59,000	-	5,900	64,900
Debt Service:						
Interest Expense	-	-	-	35,635	19,249	54,884
Principal	-	-	-	160,000	81,001	241,001
Total Disbursements	416,971	38,907	405,306	195,635	294,209	1,351,028
Excess Receipts over (under) Disbursements	138,637	374,106	(145,973)	(72,215)	(163,557)	130,998
Interfund Transfers In	-	-	80,000	252,840	93,000	425,840
Interfund Transfers (Out)	(160,000)	(256,120)	-	-	-	(416,120)
Net Change in Fund Balance	(21,363)	117,986	(65,973)	180,625	(70,557)	140,718
Fund Balance - January 1	749,990	1,304,846	501,971	852,758	431,988	3,841,552
Fund Balance - December 31	728,627	1,422,832	435,998	1,033,383	361,430	3,982,270

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, 2016

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

Net change in Fund Balance - Governmental Funds	\$	140,718
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Governmental funds report capital outlays as expenses. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital capital outlays exceeded depreciation in the current period.

Capital Outlays	64,900
Depreciation	(122,765)

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.

241,001

Change in Net Position of Governmental Activities	<u>\$</u>	<u>326,379</u>
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CITY OF LANGDON
Langdon, North Dakota
Statement of Net Position – Enterprise Funds – Modified Cash Basis
December 31, 2016

	Water Fund	Garbage Fund	Total Enterprise Funds
ASSETS:			
CURRENT ASSETS			
Cash & Cash Equivalents	\$ 4,973,111	\$ 1,495	\$ 4,974,606
Total Current Assets	4,973,111	1,495	4,974,606
NONCURRENT ASSETS			
Capital Assets net of			
Accumulated Depreciation	2,025,432	362,352	2,387,784
CDs Reserved for Debt Service	56,584	-	56,584
Total Noncurrent Assets	2,082,015	362,352	2,444,368
Total Assets	<u>\$ 7,055,127</u>	<u>\$ 363,848</u>	<u>\$ 7,418,974</u>
LIABILITIES AND NET POSITION:			
CURRENT LIABILITIES			
Current Portion of Long Term Debt	\$ -	\$ -	\$ -
Total Current Liabilities	-	-	-
NON CURRENT LIABILITIES			
Bonds Payable	4,806,000	-	4,806,000
Less Current Portion	-	-	-
Total Non Current Liabilities	4,806,000	-	4,806,000
Total Liabilities	4,806,000	-	4,806,000
NET POSITION:			
Invested in Capital Assets, net of related debt	1,348,348	362,352	1,710,700
Restricted for:			
Equipment & Projects	698,495	-	698,495
Landfill Post Closure Costs	-	29,466	29,466
Unrestricted Net Assets	202,284	(27,971)	174,312
Total Net Position	<u>2,249,127</u>	<u>363,848</u>	<u>2,612,974</u>
Total Liabilities & Net Position	<u>\$ 7,055,127</u>	<u>\$ 363,848</u>	<u>\$ 7,418,974</u>

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Receipts, Disbursements and Changes in Net Position – Enterprise Funds
Modified Cash Basis
Year Ended December 31, 2016

	Water Fund	Garbage Fund	Total Enterprise Funds
Operating Receipts:			
Utility Sales	\$ 672,390	\$ 387,010	\$ 1,059,400
Other Charges for Services	6,007	97,129	103,136
Total Operating Receipts	\$ 678,397	\$ 484,139	\$ 1,162,536
Operating Disbursements:			
Salaries & Benefits	175,707	162,610	338,317
Operating Expenses	246,194	283,365	529,560
Depreciation	254,923	29,474	284,397
Total Operating Disbursements	\$ 676,824	\$ 475,449	\$ 1,152,273
Operating Income (Loss)	\$ 1,573	\$ 8,690	\$ 10,263
Nonoperating Receipts (Disbursements):			
Investment Earnings	4,968	518	5,486
Interest Expense	(9,343)	(1,061)	(10,404)
Bond Issuance Costs	(48,060)	-	(48,060)
Total Nonoperating Receipts (Disbursements)	\$ (52,435)	\$ (544)	\$ (52,978)
Income (Loss) Before Transfers	\$ (50,862)	\$ 8,146	\$ (42,716)
Interfund Transfers (Out)	(9,720)	-	(9,720)
Change in Net Position	\$ (60,582)	\$ 8,146	\$ (52,436)
Net Position January 1	2,309,709	355,701	2,665,410
Net Position December 31	\$ 2,249,127	\$ 363,848	\$ 2,612,974

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, 2016

	Water Fund	Garbage Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from Customers	\$ 678,397	\$ 484,139	\$ 1,162,536
Payments to Employees	(175,707)	(162,610)	(338,317)
Payments to Suppliers	(246,194)	(283,365)	(529,560)
Total Cash Flows from Operating Act.	256,496	38,164	294,660
Cash Flows from Noncapital			
Financing Activities			
Transfers (Out)	(9,720)	-	(9,720)
Total Cash Flows from Noncapital			
Financial Activities	(9,720)	-	(9,720)
Cash Flows from Capital and Related			
Financing Activities			
Interest Expense	(9,343)	(1,061)	(10,404)
Bond Issuance Costs	(48,060)	-	(48,060)
Inc./Decrease in Loans Payable	-	(28,526)	(28,526)
Inc./Decrease in Bonds Payable	4,469,000	-	4,469,000
Total Cash Flows from Capital and Related Financing Activities	4,411,597	(29,588)	4,382,010
Cash Flows From Investing Activities			
Earnings on Investments	4,968	518	5,486
Decrease in CDs for Debt Service	1,727	-	1,727
Purchases of Capital Assets	(734,085)	(15,938)	(750,023)
Total Cash Flows From Investing Act.	(727,390)	(15,420)	(742,810)
Net Increase (Decrease) in Cash & Cash Equivalents	3,930,984	(6,844)	3,924,139
Cash and Cash Equivalents - January 1	\$ 1,042,128	\$ 8,339	\$ 1,050,467
Cash and Cash Equivalents - Dec. 31	\$ 4,973,111	\$ 1,495	\$ 4,974,606
Reconciliation of Operating Income to Net			
Cash Provided by Operating Activities			
Operating Income	\$ 1,573	\$ 8,690	\$ 10,264
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	254,923	29,474	284,397
Total Adjustments	\$ 254,923	\$ 29,474	\$ 284,397
Net Cash Provided/(Used) by			
Operating Activities	<u>\$ 256,496</u>	<u>\$ 38,164</u>	<u>\$ 294,660</u>

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

**BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

CITY OF LANGDON
Langdon, North Dakota
Statement of Net Position – Modified Cash Basis
December 31, 2015

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Airport
	Activities	Activities		
ASSETS:				
CURRENT ASSETS				
Cash & Cash Equivalents	\$ 3,426,075	\$ 1,050,466	\$ 4,476,542	\$ 62,418
Total Current Assets	3,426,075	1,050,466	4,476,542	62,418
CAPITAL ASSETS:				
Capital Assets net of Accumulated Depreciation	2,406,886	1,922,159	4,329,045	709,646
Total Capital Assets	2,406,886	1,922,159	4,329,045	709,646
OTHER ASSETS:				
Loans Receivable	297,991	-	297,991	-
CDs Reserved for Debt Service	117,486	58,311	175,797	-
Total Other Assets	415,477	58,311	473,788	-
Total Assets	<u>\$ 6,248,438</u>	<u>\$ 3,030,936</u>	<u>\$ 9,279,374</u>	<u>\$ 772,064</u>
LIABILITIES AND NET POSITION:				
CURRENT LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Current Maturity on Long Term Debt	234,582	63,526	298,108	-
Total Current Liabilities	234,582	63,526	298,108	-
NON CURRENT LIABILITIES				
Loans	585,581	28,526	614,107	-
Bonds Payable	1,600,000	337,000	1,937,000	-
Less Amounts Due Within One Year	(234,582)	(63,526)	(298,108)	-
Total Non Current Liabilities	1,950,999	302,000	2,252,999	-
Total Liabilities	2,185,581	365,526	2,551,107	-
NET POSITION				
Net Investment in Capital Assets	1,821,305	1,556,632	3,377,937	709,646
Restricted for:				
Debt Service	312,009	61,216	373,225	-
Economic Development	458,557	-	458,557	-
Capital Projects	389,758	695,799	1,085,556	-
Infrastructure	224,023	-	224,023	-
Special Purpose	989,802	-	989,802	-
Landfill Post Closure Costs	-	29,416	29,416	-
Unrestricted	(132,596)	322,347	189,751	62,418
Total Net Position	<u>4,062,857</u>	<u>2,665,410</u>	<u>6,728,267</u>	<u>772,064</u>
Total Liabilities & Net Position	<u>\$ 6,248,438</u>	<u>\$ 3,030,936</u>	<u>\$ 9,279,374</u>	<u>\$ 772,064</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, 2015

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	\$ 264,567	\$ 26,984	\$ -	\$ -	\$ (237,582)	\$ -	\$ (237,582)	
Public Safety	128,021	-	23,429	-	(104,592)	-	(104,592)	
Public Service	554,075	63,263	182,907	-	(307,904)	-	(307,904)	
Economic Development	15,258	-	-	-	(15,258)	-	(15,258)	
Interest Expense	60,618	-	-	-	(60,618)	-	(60,618)	
Total Government Activities	1,022,538	90,248	206,336	-	(725,955)	-	(725,955)	
Business Type Activities:								
Water Fund	794,080	662,024	-	-	-	(132,056)	(132,056)	
Garbage Fund	496,196	456,047	-	-	-	(40,149)	(40,149)	
Total Business Type Activities	1,290,276	1,118,071	-	-	-	(172,205)	(172,205)	
Total Primary Government	\$ 2,312,815	\$ 1,208,319	\$ 206,336	\$ -	\$ (725,955)	\$ (172,205)	\$ (898,160)	
Component Unit								
Airport	\$ 77,506	\$ 12,539	\$ -	\$ 99,046				\$ 34,080

General Receipts:

Taxes:

Property taxes levied for general purpose	\$ 286,534	\$ -	\$ 286,534	\$ 39,639
Property taxes levied for debt service	115,448	-	115,448	
Property taxes levied for special purpose	110,664	-	110,664	
Sales Tax	536,556	-	536,556	
Special Assessments	6,955	-	6,955	
Other Taxes	41,942	-	41,942	
Federal & State Aid not restricted to special purposes	217,519	-	217,519	
Earnings on Investments	31,180	4,449	35,629	137
Other Receipts	31,979	-	31,979	4,386
Total General Receipts	\$ 1,378,779	\$ 4,449	\$ 1,383,228	\$ 44,162
Transfers (Net)	25,040	(25,040)	(0)	-
Change in Net Position	677,864	(192,796)	485,068	78,242
Net Position - January 1	3,384,997	2,844,954	6,229,951	693,822
Restatements	-	13,252	13,252	-
Net Position - January 1 as Restated	3,384,997	2,858,205	6,243,203	693,822
Net Position - December 31	\$ 4,062,857	\$ 2,665,410	\$ 6,728,267	\$ 772,064

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, 2015

ASSETS:	General Fund	Sales Tax Tax	Street Fund	Fire Dept Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
CURRENT ASSETS							
Cash & Cash Equivalents	\$ 749,990	\$ 1,006,855	\$ 501,971	\$ 257,706	\$ 735,272	\$ 174,282	\$ 3,426,075
Total Current Assets	749,990	1,006,855	501,971	257,706	735,272	174,282	3,841,552
OTHER ASSETS							
Loans Receivable	-	297,991	-	-	-	-	297,991
CDs Reserved for Debt Service	-	-	-	-	117,486	-	117,486
Total Other Assets & Debits	-	297,991	-	-	117,486	-	415,477
Total Assets	\$ 749,990	\$ 1,304,846	\$ 501,971	\$ 257,706	\$ 852,758	\$ 174,282	\$ 3,841,552
LIABILITIES AND FUND BALANCE:							
CURRENT LIABILITIES							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	-	-	-	-	-	-	-
FUND BALANCE							
Non-Spendable	-	297,991	-	-	-	-	297,991
Restricted for:							
Debt Service	-	232,509	-	-	79,500	-	312,009
Economic Development	-	160,565	-	-	-	-	160,565
Capital Projects	-	389,758	-	-	-	-	389,758
Infrastructure	-	224,023	-	-	-	-	224,023
Special Purpose	55,843	-	501,971	257,706	-	174,282	989,802
Assigned, for Debt Service	-	-	-	-	773,258	-	773,258
Unassigned	694,147	-	-	-	-	-	694,147
Total Fund Balance	749,990	1,304,846	501,971	257,706	852,758	174,282	3,841,552
Total Liabilities & Fund Balance	\$ 749,990	\$ 1,304,846	\$ 501,971	\$ 257,706	\$ 852,758	\$ 174,282	\$ 3,841,552

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

CITY OF LANGDON
Langdon, North Dakota
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position
Modified Cash Basis
December 31, 2015

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

Total Fund Balance - Governmental Funds	\$	3,841,552
Bonds Payable not recognized at fund level		(1,600,000)
Other Debt Payable not recognized at fund level		(585,581)
Capital Assets net of Accumulated Depreciation are not recognized at the fund level		2,406,886
Total Net Position - Governmental Activities	<u>\$</u>	<u>4,062,857</u>

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Governmental Funds
For the Year Ended December 31, 2015

	General Fund	Sales Tax Fund	Street Fund	Fire Dept Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Receipts:							
Property Tax	\$ 286,534	\$ -	\$ 48,728	\$ 17,555	\$ 115,448	\$ 44,382	\$ 512,647
Sales Tax	-	533,383	-	-	-	3,173	536,556
Special Assessments	-	-	-	-	-	6,955	6,955
Other Taxes	-	-	35,847	-	-	6,095	41,942
License, Permits & Fees	8,380	-	-	-	-	-	8,380
Charges for Services	26,984	-	10,635	-	-	52,628	90,248
Intergovernmental Sources	215,327	-	182,907	25,621	-	-	423,856
Earnings on Investments	7,214	4,507	2,581	408	2,863	13,608	31,180
Miscellaneous	12,477	3,664	2,078	-	-	5,379	23,599
Total Revenues	556,918	541,554	282,776	43,584	118,311	132,220	1,675,362
Disbursements:							
General Government	197,671	-	-	-	-	47,045	244,716
Public Safety	97,934	-	-	23,050	-	-	120,983
Public Service	13,024	-	334,993	-	-	114,497	462,513
Economic Development	-	15,258	-	-	-	-	15,258
Capital Outlay	-	-	213,750	-	-	14,240	227,990
Debt Service:							
Interest Expense	-	-	-	22,613	38,005	-	60,618
Principal	-	-	-	122,387	165,000	-	287,387
Total Disbursements	308,628	15,258	548,743	168,050	203,005	175,781	1,419,464
Excess Receipts over (under) Disbursements	248,289	526,296	(265,967)	(124,465)	(84,694)	(43,561)	255,898
Interfund Transfers In	-	-	91,250	177,072	64,440	48,097	380,859
Interfund Transfers (Out)	(177,428)	(178,391)	-	-	-	-	(355,819)
Net Change in Fund Balance	70,861	347,905	(174,717)	52,607	(20,254)	4,536	280,938
Fund Balance - January 1	679,128	956,941	676,688	205,099	873,012	169,747	3,560,614
Fund Balance - December 31	749,990	1,304,846	501,971	257,706	852,758	174,282	3,841,552

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

CITY OF LANGDON
 Langdon, North Dakota
**Reconciliation of Statement of Revenues, Expenditures and Changes in
 Fund Balance Governmental Funds to Statement of Activities – Modified Cash Basis**
 December 31, 2015

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

Net change in Fund Balance - Governmental Funds	\$	280,938
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Governmental funds report capital outlays as expenses. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital capital outlays exceeded depreciation in the current period.

Capital Outlays	227,990
Depreciation	(118,452)

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.

287,387

Change in Net Position of Governmental Activities	<u>\$</u>	<u>677,864</u>
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CITY OF LANGDON
Langdon, North Dakota
Statement of Net Position – Enterprise Funds – Modified Cash Basis
December 31, 2015

	Water Fund	Garbage Fund	Total Enterprise Funds
ASSETS:			
CURRENT ASSETS			
Cash & Cash Equivalents	\$ 1,042,127	\$ 8,339	\$ 1,050,466
Total Current Assets	1,042,127	8,339	1,050,466
NONCURRENT ASSETS			
Capital Assets net of			
Accumulated Depreciation	1,546,270	375,888	1,922,159
Cash Reserved for Debt Service	58,311	-	58,311
Total Noncurrent Assets	1,604,581	375,888	1,980,470
Total Assets	<u>\$ 2,646,709</u>	<u>\$ 384,227</u>	<u>\$ 3,030,936</u>
LIABILITIES AND NET POSITION:			
CURRENT LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ -
Current Portion of Long Term Debt	35,000	28,526	63,526
Total Current Liabilities	35,000	28,526	63,526
NON CURRENT LIABILITIES			
Loans Payable	-	28,526	28,526
Bonds Payable	337,000	-	337,000
Less Current Portion	(35,000)	(28,526)	(63,526)
Total Non Current Liabilities	302,000	-	302,000
Total Liabilities	337,000	28,526	365,526
NET POSITION:			
Invested in Capital Assets, net of related debt	1,209,270	347,362	1,556,632
Restricted for:			
Debt Service	61,216	-	61,216
Equipment & Projects	695,799	-	695,799
Landfill Post Closure Costs	-	29,416	29,416
Unrestricted Net Assets	343,424	8,339	351,763
Total Net Position	2,309,709	355,701	2,665,410
Total Liabilities & Net Position	<u>\$ 2,646,709</u>	<u>\$ 384,227</u>	<u>\$ 3,030,936</u>

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Receipts, Disbursements and Changes in Net Position – Enterprise Funds
Modified Cash Basis
For the Year Ended December 31, 2015

	Water Fund	Garbage Fund	Total Enterprise Funds
Operating Receipts:			
Utility Sales	\$ 658,415	\$ 372,030	\$ 1,030,445
Other Charges for Services	3,609	84,017	87,626
Total Operating Receipts	\$ 662,024	\$ 456,047	\$ 1,118,071
Operating Disbursements:			
Salaries & Benefits	204,953	162,298	367,251
Operating Expenses	323,555	304,048	627,604
Depreciation	255,632	27,880	283,511
Total Operating Disbursements	\$ 784,140	\$ 494,226	\$ 1,278,366
Operating Income (Loss)	\$ (122,116)	\$ (38,179)	\$ (160,295)
Nonoperating Receipts (Disbursements):			
Investment Earnings	4,082	367	4,449
Interest Expense	(9,940)	(1,970)	(11,910)
Total Nonoperating Receipts (Disbursements)	\$ (5,858)	\$ (1,604)	\$ (7,461)
Income (Loss) Before Transfers	\$ (127,974)	\$ (39,783)	\$ (167,756)
Interfund Transfers (Out)	(19,440)	(5,600)	(25,040)
Change in Net Position	\$ (147,414)	\$ (45,383)	\$ (192,796)
Net Position January 1	2,443,870	401,084	2,844,954
Restatements	13,252	-	13,252
Net Position January 1 as Restated	2,457,122	401,084	2,858,206
Net Position December 31	\$ 2,309,709	\$ 355,701	\$ 2,665,410

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, 2015

	Water Fund	Garbage Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from Customers	\$ 662,024	\$ 456,047	\$ 1,118,071
Payments to Employees	(204,953)	(162,298)	(367,251)
Payments to Suppliers	(323,367)	(304,534)	(627,902)
Total Cash Flows from Operating Act.	133,703	(10,785)	122,919
Cash Flows from Noncapital			
Financing Activities			
Transfers (Out)	(19,440)	(5,600)	(25,040)
(Inc.)/Decrease in Due from Other Funds	-	5,600	5,600
Total Cash Flows from Noncapital			
Financial Activities	(19,440)	-	(19,441)
Cash Flows from Capital and Related			
Financing Activities			
Interest Expense	(9,940)	(1,970)	(11,910)
Inc./Decrease in Loans Payable	-	(27,620)	(27,620)
Inc./Decrease in Bonds Payable	(34,000)	-	(34,000)
Total Cash Flows from Capital and Related Financing Activities	(43,940)	(29,590)	(73,530)
Cash Flows From Investing Activities			
Earnings on Investments	4,082	367	4,449
Increase in CDs for Debt Service	(58,311)	-	(58,311)
Purchases of Capital Assets	(152,882)	-	(152,882)
Total Cash Flows From Investing Act.	(207,111)	367	(206,744)
Net Increase (Decrease) in Cash & Cash Equivalents	(136,787)	(40,008)	(176,797)
Cash and Cash Equivalents - January 1	\$ 1,178,915	\$ 48,347	\$ 1,227,262
Cash and Cash Equivalents - Dec. 31	\$ 1,042,128	\$ 8,339	\$ 1,050,466
Reconciliation of Operating Income to Net			
Cash Provided by Operating Activities			
Operating Income	\$ (122,116)	\$ (38,179)	\$ (160,294)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	255,632	27,880	283,511
Inc./Decrease in Accounts Payable	188	(486)	(298)
Total Adjustments	\$ 255,819	\$ 27,394	\$ 283,213
Net Cash Provided/(Used) by			
Operating Activities	\$ 133,703	\$ (10,785)	\$ 122,919

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, 2016 & 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

BLENDDED COMPONENT UNITS – None

DISCRETELY PRESENTED COMPONENT UNITS –

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

If the City utilized the basis of accounting recognized as generally accepted, the government-wide financials would be presented on the accrual basis of accounting. The fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for business-like fund types would use the accrual basis of accounting. As a result of the use of this modified cash basis of accounting, certain asset and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and

expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The City reports the following major governmental funds:

Governmental funds

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

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

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

Debt Service Fund – This fund is used to accumulate resources dedicated to debt service and to retire corresponding debt issues as the interest and principal come due.

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 Investments

Cash includes amounts in demand deposits, money market accounts and certificates of deposit with maturity of three months or less. The investments consist of certificates of deposit, with a maturity date in excess of 90 days, stated at cost.

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

E. Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	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 intends to be used for a specific purpose but are neither restricted nor committed. This intent is expressed by written approval of the City's administration comprised of the City administrative council.

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

H. Interfund Transactions

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

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

I. Use of Estimates in Preparing Financial Statements

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

NOTE 2 LEGAL COMPLIANCE - BUDGETS

Budget Amendments

The City's governing board did not amend the budget during 2016 or 2015.

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, 2016, the City's carrying amount of deposits and CDs totaled \$8,794,004 and the bank balances totaled \$9,509,085. Of the bank balances, \$818,132 was covered by Federal Depository Insurance. The remaining bank balances totaling \$8,690,953 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2015, the City's carrying amount of deposits and CDs totaled \$4,714,657 and the bank balances totaled \$4,755,382. Of the bank balances, \$819,548 was covered by Federal Depository Insurance. The remaining bank balances totaling \$3,935,834 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 PENSION PLAN

The City of Langdon provides a Fortis/simplified employee pension (SEP) plan for the benefit of its employees. The plan is administered by Ameriprise Financial.

Description of Plan

Current terms of the plan provide that the City will contribute, as determined by the Governing Board, 6% of gross salaries for all full-time employees. There is no employee match requirement as it is the City's policy to be the sole contributor to the plan. Employees are immediately 100% vested. The plan is a defined contribution plan, and the district is only liable for current contributions.

The City of Langdon's contributions to the SEP for the fiscal years ending December 31, 2016, 2015, and 2014 were \$24,828, \$28,860, and \$27,466, 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, 2016, the following charges occurred in long-term liabilities:

	Balance 01/01/16	Paid	Borrowed	Balance 12/31/16	Due Within One Year
Governmental Activities:					
Sales Tax Rev Refunding Bonds, Series 2012	\$ 530,000	(90,000)	-	\$ 440,000	\$ 90,000
Refunding Improvement Bonds, Series 2012	1,070,000	(70,000)	-	1,000,000	70,000
Other Debt	585,581	(81,001)	-	504,580	103,769
Total Governmental Activities	\$ 2,185,581	\$ (241,001)	\$ -	\$ 1,944,580	\$ 263,769
Business-Type Activities					
Water Revenue Bonds, Series 2002	\$ 211,000	\$ (211,000)	\$ -	\$ -	\$ -
Wastewater Revenue Bonds, Series 2010	126,000	(126,000)	-	-	-
Loan Anticipation Revenue Bonds 2016	-	-	4,806,000	4,806,000	-
Other Debt	28,526	(28,526)	-	-	-
Total Business-Type Activities	\$ 365,526	\$ (365,526)	\$ 4,806,000	\$ 4,806,000	\$ -

During the year ended December 31, 2015, the following charges occurred in long-term liabilities:

	Balance 01/01/15	Paid	Borrowed	Balance 12/31/15	Due Within One Year
Governmental Activities:					
Sales Tax Rev Refunding Bonds, Series 2012	\$ 620,000	(90,000)	-	\$ 530,000	\$ 90,000
Refunding Improvement Bonds, Series 2012	1,145,000	(75,000)	-	1,070,000	70,000
Other Debt	707,968	(122,387)	-	585,581	74,582
Total Governmental Activities	\$ 2,472,968	\$ (287,387)	\$ -	\$ 2,185,581	\$ 234,582
Business-Type Activities					
Water Revenue Bonds, Series 2002	\$ 238,000	\$ (27,000)	\$ -	\$ 211,000	\$ 28,000
Wastewater Revenue Bonds, Series 2010	133,000	(7,000)	-	126,000	7,000
Other Debt	56,146	(27,620)	-	28,526	28,526
Total Business-Type Activities	\$ 427,146	\$ (61,620)	\$ -	\$ 365,526	\$ 63,526

Governmental Activities:

Special Assessment Bonds

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

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

Total Special Assessment Bonds

\$1,000,000

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%

Total Revenue Bonds \$440,000

Other Debt

Farmers & Merchants Bank Loan

The city borrowed funds for the construction & remodel of the fire department shop. Interest rate at 3.5%

Total Other Debt \$504,580

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%.

\$0

\$240,000 Wastewater Revenue Bonds, Series 2010

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

\$0

\$4,806,000 Loan Anticipation Temporary Revenue Bonds, Series 2016

Loan anticipation bond is from Starion Bond Services for temporary funding of ongoing water projects. Full principal and interest of 1.5% will be due May 1, 2018, at which time the City will receive a \$4,806,000 loan from the United States Department of Agriculture. See Note 16, subsequent event for estimated amortizations.

\$4,806,000

Total Revenue Bonds \$4,806,000

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%

Total Other Debt \$0

The annual debt service requirements for all long-term debt outstanding as of December 31, 2016 are as follows:

Governmental Activities						
Year Ending	Special Assessment Bonds		Sales Tax Bonds		Other Debt	
December 31	Principal	Interest	Principal	Interest	Principal	Interest
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	65,000	22,700	95,000	2,573	115,240	4,760
2021	65,000	21,725	75,000	788	66,829	893
2022-2026	310,000	87,250	-	-	-	-
2027-2031	300,000	42,050	-	-	-	-
2032-2036	55,000	2,200	-	-	-	-
2037-2041	-	-	-	-	-	-
Total	\$ 1,000,000	\$ 249,575	\$ 440,000	\$ 21,675	\$ 504,580	\$ 43,142

Business-Type Activities		
Year Ending	Revenue Bonds	
December 31	Principal	Interest
2017	-	-
2018	4,806,000	98,161
2019	-	-
2020	-	-
2021	-	-
2022-2026	-	-
2027-2031	-	-
2032-2036	-	-
2037-2041	-	-
Total	\$ 4,806,000	\$ 98,161

NOTE 8 RISK MANAGEMENT

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

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

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

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

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

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

NOTE 9 COMPENSATED ABSENCES

Each continuous full-time employee is granted vacation benefits from 40 hours to 176 hours per year based on years of service. An employee must complete the first twelve months of continuous service prior to taking vacation. The maximum number of vacation hours that can be carried over at year-end is the total sum of hours earned that year to be used the following year. If an employee, through no fault of his/her own, cannot take vacation prior to December 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 10**CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2016:

Governmental Activities	01/01/2016			12/31/2016
	Balance	Additions	Disposals	Balance
Land	\$ 70,300	\$ -	\$ -	\$ 70,300
Buildings	2,764,980	-	-	2,764,980
Furniture & Equipment	607,941	64,900	-	672,841
Vehicles & Machinery	1,075,665	-	-	1,075,665
Total	\$ 4,518,886	\$ 64,900	\$ -	\$ 4,583,786
Less: Accumulated Depreciation				
Buildings	\$(1,218,135)	\$ (40,673)	\$ -	\$(1,258,808)
Furniture & Equipment	(147,686)	(29,084)	-	(176,770)
Vehicles & Machinery	(746,179)	(50,483)	-	(796,662)
Total	\$(2,112,000)	\$(120,240)	\$ -	\$(2,232,240)
Capital Assets, Net	\$ 2,406,886	\$ (55,340)	\$ -	\$ 2,351,546
Business-type Activities	1/1/2016			12/31/2016
	Balance	Additions	Disposals	Balance
Land	\$ 80,020	\$ -	\$ -	\$ 80,020
Construction in Progress	64,999	734,085	-	799,084
Buildings	2,445,125	-	-	2,445,125
Furniture & Equipment	4,395,326	-	-	4,395,326
Vehicles & Machinery	523,797	15,938	-	539,735
Total	\$ 7,509,267	\$ 750,022	\$ -	\$ 8,259,289
Less: Accumulated Depreciation				
Buildings	\$(1,710,222)	\$ (48,103)	\$ -	\$(1,758,325)
Furniture & Equipment	(3,454,317)	(214,891)	-	(3,669,208)
Vehicles & Machinery	(422,569)	(21,404)	-	(443,973)
Total	\$(5,587,108)	\$(284,397)	\$ -	\$(5,871,505)
Capital Assets, Net	\$ 1,922,159	\$ 465,626	\$ -	\$ 2,387,784
Total Capital Assets	\$ 4,329,045	\$ 410,285	\$ -	\$ 4,739,330

Langdon Airport Authority	1/1/2016			12/31/2016
	Balance	Additions	Disposals	Balance
Equipment	48,173	-	-	48,173
Improvements	726,392	-	-	726,392
Total	\$ 774,564	\$ -	\$ -	\$ 774,564
Less: Accumulated Depreciation				
Equipment	\$ (10,439)	\$ (3,649)	\$ -	\$ (14,088)
Improvements	(54,479)	(24,213)	-	(78,692)
Total	\$ (64,919)	\$ (27,862)	\$ -	\$ (92,781)
Capital Assets, Net	\$ 709,646	\$ (27,862)	\$ -	\$ 681,783

During 2016, depreciation expense was charged to the functions/programs of the City as follows:

	Government	Business
General Government	\$ 19,851	\$ -
Public Safety	7,038	-
Public Service	93,351	-
Water	-	254,923
Garbage	-	29,474
Total Depreciation Expense	\$ 120,240	\$ 284,397

The following is a summary of changes in capital assets for the year ended December 31, 2015.

Governmental Activities	1/1/2015			12/31/2015
	Balance	Additions	Disposals	Balance
Land	\$ 70,300	\$ -	\$ -	\$ 70,300
Construction in Progress	-	-	-	-
Buildings	2,764,980	-	-	2,764,980
Furniture & Equipment	593,701	14,240	-	607,941
Vehicles & Machinery	944,915	213,750	(83,000)	1,075,665
Total	\$ 4,373,896	\$ 227,990	\$ (83,000)	\$ 4,518,886
Less: Accumulated Depreciation				
Buildings	\$(1,177,463)	\$ (40,673)	\$ -	\$(1,218,135)
Furniture & Equipment	(120,765)	(26,921)	-	(147,686)
Vehicles & Machinery	(778,320)	(50,858)	83,000	(746,179)
Total	\$(2,076,548)	\$(118,452)	\$ 83,000	\$(2,112,000)
Capital Assets, Net	\$ 2,297,348	\$ 109,538	\$ -	\$ 2,406,886

Business-type Activities	1/1/2015			12/31/2015
	Balance	Additions	Disposals	Balance
Land	\$ 80,020	\$ -	\$ -	\$ 80,020
Construction in Progress	-	64,999	-	64,999
Buildings	2,445,125	-	-	2,445,125
Furniture & Equipment	4,307,443	87,883	-	4,395,326
Vehicles & Machinery	523,797	-	-	523,797
Total	<u>\$ 7,356,385</u>	<u>\$ 152,882</u>	<u>\$ -</u>	<u>\$ 7,509,267</u>
Less: Accumulated Depreciation				
Buildings	\$(1,662,120)	\$ (48,103)	\$ -	\$(1,710,222)
Furniture & Equipment	(3,238,718)	(215,599)	-	(3,454,317)
Vehicles & Machinery	(402,759)	(19,810)	-	(422,569)
Total	<u>\$(5,303,597)</u>	<u>\$(283,511)</u>	<u>\$ -</u>	<u>\$(5,587,108)</u>
Capital Assets, Net	<u>\$ 2,052,788</u>	<u>\$(130,630)</u>	<u>\$ -</u>	<u>\$ 1,922,159</u>
Total Capital Assets	<u>\$ 4,350,136</u>	<u>\$ (21,091)</u>	<u>\$ -</u>	<u>\$ 4,329,045</u>

Langdon Airport Authority	1/1/2015			12/31/2015
	Balance	Additions	Disposals	Balance
Equipment	48,173	-	-	48,173
Improvements	726,392	-	-	726,392
Total	<u>\$ 774,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 774,564</u>
Less: Accumulated Depreciation				
Equipment	\$ (6,790)	\$ (3,649)	\$ -	\$(10,439)
Improvements	(30,266)	(24,213)	-	(54,479)
Total	<u>\$ (37,056)</u>	<u>\$ (27,862)</u>	<u>\$ -</u>	<u>\$(64,919)</u>
Capital Assets, Net	<u>\$ 737,508</u>	<u>\$ (27,862)</u>	<u>\$ -</u>	<u>\$ 709,646</u>

During 2015, depreciation expense was charged to the functions/programs of the City as follows:

	Government	Business
General Government	\$ 19,851	\$ -
Public Safety	7,038	-
Public Service	91,562	-
Water	-	255,632
Garbage	-	27,880
Total Depreciation Expense	<u>\$ 118,452</u>	<u>\$ 283,511</u>

NOTE 11 TRANSFERS

The operating transfers were as follows:

For the Year Ended: Fund	December 31, 2016		December 31, 2015	
	In	Out	In	Out
General	\$ -	\$ 165,000	\$ -	\$ 187,428
General Fund Reserve	-	-	5,000	-
Police Reserve Fund	5,000	-	5,000	-
Street Fund	80,000	43,000	200,984	-
Street Equipment Reserve Fund	10,000	-	-	109,734
Street Maintenance Fund	30,000	-	-	-
Street Light Reserve Fund	3,000	-	-	-
Activity Center Fund	45,000	2,000	48,097	-
Activity Center Equipment Fund	2,000	-	-	-
Capital Improvement City Sales Tax	-	15,000	-	15,000
Economic Development City Sales Tax	-	15,000	-	15,000
Tax Relief City Sales Tax	-	28,000	-	43,747
Langdon Infrastructure Sales Tax	-	99,060	-	-
Langdon Community Development Sales Tax	-	99,060	-	104,644
Phase IV SRF Bond Fund 2002	35,000	66,844	75,612	-
Phase IV SRF Bond Reserve Fund	-	49,538	19,440	-
Main Street District 2005 Sinking Fund	-	11,828	45,000	-
Main Street W&S Emergency Reserve Fund 2005	9,720	-	-	-
Main Street Project Payoff Reserve	45,000	-	10,990	-
15th Ave Bond Sinking Fund	209,948	-	-	-
Sewer SRF 2010 Bond Fund	127,163	-	-	-
Water Fund	-	55,500	-	106,042
Garbage Fund	-	29,588	-	55,289
Landfill Operations & Closure Reserve	-	-	20,099	-
Sanitation Reserve	29,588	-	29,590	-
Fire Department Fund	125,898	15,000	142,428	-
Fire Department Addition	-	10,250	-	-
Fire Department Reserve Fund	15,000	-	15,000	-
Fire Department Sales Tax Fund	-	72,648	104,644	85,000
Fire Truck Reserve	5,000	-	-	-
	<u>\$ 777,316</u>	<u>\$ 777,316</u>	<u>\$ 721,884</u>	<u>\$ 721,884</u>

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

NOTE 12 INTERFUND RECEIVABLES/PAYABLES

The City did not have interfund balances on December 31, 2016. Interfund balances on December 31, 2015 were as follows:

Fund Name	Due (To) From 1/1/2015	Increases	Decreases	Due (To) From 12/31/15
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)	\$ -

NOTE 13 ECONOMIC DEVELOPMENT LOANS

The city provides loans and grants to businesses for either startup costs or expansion costs. The Economic Development Corporation (EDC) receives application from various businesses. The EDC screens the applications then brings the applications to the governing board that either approves or denies the application. The city sets up a payment schedule with interest for the loans to be repaid. No allowance has been established for estimated uncollectible loans.

The following summarizes loan activity for the year ended December 31, 2016:

	Balance 1/1/2016	Loans Issued	Payment Received	Balance 12/31/2016
Economic Development Loans	\$ 297,991	\$ 75,000	\$ (62,027)	\$ 310,965

The following summarizes loan activity for the year ended December 31, 2015:

	Balance 1/1/2015	Loans Issued	Payment Received	Balance 12/31/2015
Economic Development Loans	\$ 216,684	\$ 139,566	\$ (58,259)	\$ 297,991

NOTE 14 CONSTRUCTION IN PROCESS

The City began the first phase of a water project estimated to cost \$12,191,044. The project will to hook up the City of Langdon to the Devils Lake Water Treatment Plant and pipe water to the City of Langdon. The project also encompasses water system improvements within the City of Langdon.

Funding for the project will be as follows:

USDA Rural Development loan	\$4,806,000
USDA Rural Development grant	145,820
North Dakota State Water Commission grant	<u>7,239,224</u>
Total	\$12,191,044

As of December 31, 2016, construction in process relating to the project is \$799,084.

NOTE 15 PRIOR PERIOD ADJUSTMENT

On January 1, 2015 the Water Fund’s net position has been restated by \$13,252 to correctly report cash held by the Langdon Beautification Fund.

NOTE 16 SUBSEQUENT EVENT

In 2018, the City will refinance the \$4,806,000 Loan Anticipation Temporary Revenue Bonds in Note 6 with a \$4,806,000 loan from the United States Department of Agriculture (USDA) Rural Development (RD). The loan is anticipated to have a 1.625 percent interest rate, payable in annual payments of \$164,366 over 40 years.

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2019	86,269	78,098
2020	87,670	76,696
2021	89,095	75,271
2022	90,543	73,823
2023	92,014	72,352
2024-2028	482,991	338,839
2029-2033	523,530	298,300
2034-2038	567,472	254,358
2039-2043	615,102	206,728
2044-2044	666,730	155,100
2049-2053	722,692	99,138
2054-2058	781,892	39,938
Total	\$ 4,806,000	\$ 1,768,640

REQUIRED SUPPLEMENTARY INFORMATION

2016 Budget To Actual Comparisons

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual - General Fund
December 31, 2016

	<u>General Fund</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 277,100	\$ 362,939	\$ 85,839
Licenses & Permits	7,580	8,005	425
Intergovernmental Sources	211,514	139,075	(72,439)
Earnings on Investments	3,820	8,327	4,507
Other Sources	28,168	37,262	9,094
Total Receipts	528,182	555,608	27,426
Disbursements:			
General Government	279,472	237,433	42,039
Public Safety	131,884	165,508	(33,624)
Public Service	7,000	14,031	(7,031)
Total Disbursements	418,356	416,971	1,385
Excess Receipts over (under) Disbursements	109,826	138,637	28,811
Interfund Transfers In (Out)	(155,000)	(160,000)	(5,000)
Excess Receipts over (under) Disbursements after Interfund Transfers	\$ (45,174)	\$ (21,363)	\$ 23,811
Fund Balance - January 1	749,990	749,990	
Fund Balance - December 31	\$ 704,816	\$ 728,627	

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

CITY OF LANGDON
 Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Sales Tax Fund
 December 31, 2016

	<u>Sales Tax Fund</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 377,000	\$ 408,030	\$ 31,030
Earnings on Investments	2,080	4,982	2,902
Total Receipts	<u>379,080</u>	<u>413,013</u>	<u>33,933</u>
Disbursements:			
Economic Development	153,500	38,907	114,593
Total Disbursements	<u>153,500</u>	<u>38,907</u>	<u>114,593</u>
Excess Receipts over (under) Disbursements	<u>225,580</u>	<u>374,106</u>	<u>148,526</u>
Interfund Transfers In (Out)	(256,120)	(256,120)	-
Excess Receipts over (under) Disbursements after Interfund Transfers	<u>(30,540)</u>	<u>117,986</u>	<u>148,526</u>
Fund Balance - January 1	1,304,846	1,304,846	
Fund Balance - December 31	<u>\$ 1,274,306</u>	<u>\$ 1,422,832</u>	

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Street Fund
December 31, 2016

	<u>Street Fund</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 50,000	\$ 86,528	\$ 36,528
Charges for Services	11,790	11,290	(500)
Intergovernmental Sources	239,132	158,578	(80,554)
Earnings on Investments	1,840	1,961	121
Other Sources	2,250	976	(1,274)
Total Revenues	305,012	259,333	(45,679)
Disbursements:			
Public Service	339,874	346,306	(6,432)
Capital Outlay		59,000	(59,000)
Total Disbursements	339,874	405,306	(65,432)
Excess Receipts over (under) Disbursements	(34,862)	(145,973)	(111,111)
Interfund Transfers In (Out)	83,000	80,000	(3,000)
Excess Receipts over (under) Disbursements after Interfund Transfers	48,138	(65,973)	(114,111)
Fund Balance - January 1	501,971	501,971	
Fund Balance - December 31	\$ 550,109	\$ 435,998	

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Debt Service
December 31, 2016

	<u>Debt Service</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 120,000	\$ 119,952	\$ (48)
Earnings on Investments	1,870	3,468	1,598
Total Revenues	<u>121,870</u>	<u>123,420</u>	<u>1,550</u>
Disbursements:			
Debt Service	195,185	195,635	(450)
Total Disbursements	<u>195,185</u>	<u>195,635</u>	<u>(450)</u>
Excess Receipts over (under) Disbursements	<u>(73,315)</u>	<u>(72,215)</u>	<u>1,100</u>
Interfund Transfers In	253,560	252,840	(720)
Excess Receipts over (under) Disbursements after Interfund Transfers	<u>180,245</u>	<u>180,625</u>	<u>380</u>
Fund Balance - January 1	852,758	852,758	
Fund Balance - December 31	<u>\$ 1,033,003</u>	<u>\$ 1,033,383</u>	

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

2015 Budget To Actual Comparisons

CITY OF LANGDON
Langdon, North Dakota
Statement of Receipts, Disbursements and Changes in Fund Balance – Modified Cash Basis
Budget & Actual - General Fund
December 31, 2015

	<u>General Fund</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 294,957	\$ 286,534	\$ (8,423)
Licenses & Permits	9,800	8,380	(1,420)
Intergovernmental Sources	217,400	215,327	(2,073)
Earnings on Investments	2,824	7,214	4,390
Other Sources	25,118	39,462	14,344
Total Receipts	550,099	556,918	6,819
Disbursements:			
General Government	188,150	197,671	(9,521)
Public Safety	130,578	97,934	32,645
Public Service	13,000	13,024	(24)
Total Disbursements	331,728	308,628	23,100
Excess Receipts over (under) Disbursements	218,371	248,289	29,918
Interfund Transfers (Out)	(143,830)	(177,428)	(33,598)
Excess Receipts over (under) Disbursements after Interfund Transfers	\$ 74,541	\$ 70,861	\$ (3,680)
Fund Balance - January 1	679,128	679,128	
Fund Balance - December 31	\$ 753,670	\$ 749,990	

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Receipts, Disbursements and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Sales Tax Fund
December 31, 2015

	<u>Sales Tax Fund</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 376,000	\$ 533,383	\$ 157,383
Earnings on Investments	1,950	4,507	2,557
Other Sources	-	3,664	3,664
Total Receipts	<u>377,950</u>	<u>541,554</u>	<u>163,604</u>
Disbursements:			
Economic Development	154,000	15,258	138,742
Total Disbursements	<u>154,000</u>	<u>15,258</u>	<u>138,742</u>
Excess Receipts over (under) Disbursements	<u>223,950</u>	<u>526,296</u>	<u>302,346</u>
Interfund Transfers (Out)	(151,105)	(178,391)	(27,286)
Excess Receipts over (under) Disbursements after Interfund Transfers	<u>72,845</u>	<u>347,905</u>	<u>275,060</u>
Fund Balance - January 1	956,941	956,941	
Fund Balance - December 31	<u>\$ 1,029,786</u>	<u>\$ 1,304,846</u>	

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Street Fund
December 31, 2015

	<u>Street Fund</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 86,500	\$ 84,575	\$ (1,925)
Charges for Services	11,700	10,635	(1,065)
Intergovernmental Sources	195,654	182,907	(12,747)
Earnings on Investments	1,013	2,581	1,567
Other Sources	2,250	2,078	(172)
Total Revenues	297,117	282,776	(14,341)
Disbursements:			
Public Service	327,181	334,993	(7,811)
Capital Outlay	5,000	213,750	(208,750)
Total Disbursements	332,181	548,743	(216,561)
Excess Receipts over (under) Disbursements	(35,064)	(265,967)	(230,902)
Interfund Transfers In	83,000	91,250	8,250
Excess Receipts over (under) Disbursements after Interfund Transfers	47,936	(174,717)	(222,652)
Fund Balance - January 1	676,688	676,688	
Fund Balance - December 31	\$ 724,623	\$ 501,971	

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Fire Department Fund
December 31, 2015

	<u>Fire Department</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 36,100	\$ 17,555	\$ (18,545)
Intergovernmental Sources	8,640	25,621	16,981
Earnings on Investments	1,000	408	(592)
Other Sources	450	-	(450)
	<hr/>	<hr/>	<hr/>
Total Revenues	46,190	43,584	(2,606)
Disbursements:			
Public Safety	51,200	23,050	28,150
Capital Outlay	6,000	-	6,000
Debt Service	-	145,000	(145,000)
	<hr/>	<hr/>	<hr/>
Total Disbursements	57,200	168,050	(110,850)
Excess Receipts over (under) Disbursements	<hr/>	<hr/>	<hr/>
	(11,010)	(124,465)	(113,455)
Interfund Transfers In (Out)	49,740	177,072	127,332
Excess Receipts over (under) Disbursements after Interfund Transfers	<hr/>	<hr/>	<hr/>
	38,730	52,607	13,877
Fund Balance - January 1	205,099	205,099	
Fund Balance - December 31	<hr/> <hr/>	<hr/> <hr/>	
	\$ 243,829	\$ 257,706	

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

CITY OF LANGDON
Langdon, North Dakota
Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Debt Service Fund
December 31, 2015

	<u>Debt Service</u>		
	Original & Final Budget	Actual	Variance
Receipts:			
Taxes	\$ 126,335	\$ 115,448	\$ (10,887)
Earnings on Investments	1,800	2,863	1,063
Total Revenues	<u>128,135</u>	<u>118,311</u>	<u>(9,824)</u>
Disbursements:			
Debt Service	202,105	203,005	(900)
Total Disbursements	<u>202,105</u>	<u>203,005</u>	<u>(900)</u>
Excess Receipts over (under) Disbursements	<u>(73,970)</u>	<u>(84,694)</u>	<u>(10,724)</u>
Interfund Transfers In	54,720	64,440	9,720
Excess Receipts over (under) Disbursements after Interfund Transfers	<u>(19,250)</u>	<u>(20,254)</u>	<u>(1,004)</u>
Fund Balance - January 1	873,012	873,012	
Fund Balance - December 31	<u>\$ 853,762</u>	<u>\$ 852,758</u>	

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

CITY OF LANGDON
Langdon, North Dakota
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016 & 2015

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 2016 year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Street Fund	\$339,874	\$405,306	\$(65,432)
Debt Service Fund	195,185	195,635	(450)

The City of Langdon overspent their budget in the following funds for the 2015 year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Street Fund	\$332,181	\$548,743	\$(216,561)
Fire Department Fund	57,200	168,050	(110,850)
Debt Service Fund	202,105	203,005	(900)

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

SUPPLEMENTARY INFORMATION

CITY OF LANGDON
Langdon, North Dakota
Schedule of Fund Activity
December 31, 2016

Governmental Funds	Balance 01/01/16	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12/31/16
Major Funds							
General	\$ 749,990	\$ 555,608	\$ -	\$ -	\$ (160,000)	\$ (416,971)	\$ 728,627
Sales Tax Fund	1,304,846	413,013	-	-	(256,120)	(38,907)	1,422,832
Street Fund	501,971	259,333	80,000	-	-	(405,306)	435,998
Debt Service Fund	852,758	123,420	252,840	-	-	(195,635)	1,033,383
Total Major Funds	\$ 3,409,565	\$ 1,351,375	\$ 332,840	\$ -	\$ (416,120)	\$ (1,056,820)	\$ 3,620,840
Non-major Funds							
Social Security	\$ 39,005	\$ 1,665	\$ -	\$ -	\$ -	\$ (38,504)	\$ 2,166
Special Assessments	14,135	8,549	-	-	-	(4,887)	17,798
Advertising Fund	1,617	-	-	-	-	(2,850)	(1,233)
Unemployment Reserve	4,204	-	-	-	-	(600)	3,604
Activity Center	8,953	68,226	47,000	-	(2,000)	(127,857)	(5,677)
Forestry Fund	16,365	208	-	-	-	-	16,573
Emergency Snow Removal	16,734	4,244	-	-	-	-	20,978
Fire Department	257,706	47,739	48,000	-	-	(119,511)	233,933
125th Celebration Fund	73,268	20	-	-	-	-	73,288
Total Non-major Funds	\$ 431,988	\$ 130,651	\$ 95,000	\$ -	\$ (2,000)	\$ (294,209)	\$ 361,430
Total Governmental Funds	\$ 3,841,552	\$ 1,482,026	\$ 427,840	\$ -	\$ (418,120)	\$ (1,351,028)	\$ 3,982,270
Enterprise Funds							
Major Funds							
Water Fund	\$ 2,309,709	\$ 683,365	\$ -	\$ -	\$ (9,720)	\$ (734,227)	\$ 2,249,127
Garbage Fund	355,701	484,657	-	-	-	(476,511)	363,848
Total Major Funds	\$ 2,665,410	\$ 1,168,022	\$ -	\$ -	\$ (9,720)	\$ (1,210,737)	\$ 2,612,974
Total Enterprise Funds	\$ 2,665,410	\$ 1,168,022	\$ -	\$ -	\$ (9,720)	\$ (1,210,737)	\$ 2,612,974
Component Units							
Airport	\$ 772,063	\$ 165,153	\$ -	\$ -	\$ -	\$ (167,479)	\$ 769,736
Total Component Units	\$ 772,063	\$ 165,153	\$ -	\$ -	\$ -	\$ (167,479)	\$ 769,736
Total Reporting Entity	\$ 7,279,025	\$ 2,815,201	\$ 427,840	\$ -	\$ (427,840)	\$ (2,729,245)	\$ 7,364,981

CITY OF LANGDON
Langdon, North Dakota
Schedule of Fund Activity
December 31, 2015

Governmental Funds	Balance 01/01/15	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12/31/15
Major Funds							
General	\$ 679,128	\$ 556,918	\$ -	\$ -	\$ (177,428)	\$ (308,628)	\$ 749,990
Sales Tax Fund	956,941	541,554	-	-	(178,391)	(15,258)	1,304,846
Street Fund	676,688	282,776	91,250	-	-	(548,743)	501,971
Fire Department	205,099	43,584	177,072	-	-	(168,050)	257,706
Debt Service Fund	873,012	118,311	64,440	-	-	(203,005)	852,758
Total Major Funds	\$ 3,390,868	\$ 1,543,142	\$ 332,762	\$ -	\$ (355,819)	\$ (1,243,683)	\$ 3,667,270
Non-major Funds							
Social Security	\$ 43,480	\$ 34,696	\$ -	\$ -	\$ -	\$ (39,170)	\$ 39,005
Special Assessments	12,205	6,955	-	-	-	(5,024)	14,135
Advertising Fund	1,338	3,129	-	-	-	(2,850)	1,617
Unemployment Reserve	4,204	-	-	-	-	-	4,204
Activity Center	8,815	80,779	48,097	-	-	(128,737)	8,953
Forestry Fund	13,070	3,295	-	-	-	-	16,365
Emergency Snow Removal	13,473	3,262	-	-	-	-	16,734
125th Celebration Fund	73,163	105	-	-	-	-	73,268
Total Non-major Funds	\$ 169,747	\$ 132,220	\$ 48,097	\$ -	\$ -	\$ (175,781)	\$ 174,282
Total Governmental Funds	\$ 3,560,614	\$ 1,675,362	\$ 380,859	\$ -	\$ (355,819)	\$ (1,419,464)	\$ 3,841,552
Enterprise Funds							
Major Funds							
Water Fund	\$ 2,457,122	\$ 666,107	\$ -	\$ -	\$ (19,440)	\$ (794,080)	\$ 2,309,709
Garbage Fund	401,084	456,413	-	-	(5,600)	(496,196)	355,701
Total Major Funds	\$ 2,858,206	\$ 1,122,520	\$ -	\$ -	\$ (25,040)	\$ (1,290,276)	\$ 2,665,410
Total Enterprise Funds	\$ 2,858,206	\$ 1,122,520	\$ -	\$ -	\$ (25,040)	\$ (1,290,276)	\$ 2,665,410
Component Units							
Airport	\$ 693,822	\$ 155,748	\$ -	\$ -	\$ -	\$ (77,506)	\$ 772,063
Total Component Units	\$ 693,822	\$ 155,748	\$ -	\$ -	\$ -	\$ (77,506)	\$ 772,063
Total Reporting Entity	\$ 7,112,642	\$ 2,953,630	\$ 380,859	\$ -	\$ (380,859)	\$ (2,787,247)	\$ 7,279,026



Accounting For Success

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

To the City Commission
City of Langdon, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Langdon, North Dakota, as of and for the years ended December 31, 2016 and 2015, 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 November 27, 2017.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiencies (2016-1, 2016-2 and 2016-3) 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

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 finding 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

November 27, 2017

CITY OF LANGDON
Langdon, North Dakota
SCHEDULE OF FINDINGS
December 31, 2016 and 2015

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

2016-1 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.

2016-2 Approval of Final 2016 Budget

Condition

A motion adopting the final 2016 budget was not present in the official minutes of the City of Langdon, ND.

Effect

Without an adopted budget, the City is not authorized to spend money or incur liabilities.

Cause

The City was transitioning city auditors during the time frame that the budget was required to be prepared and adopted. This resulted in a disjoint of responsibilities and duties.

Criteria

The North Dakota Century Code (NDCC) 40-40-06 requires that the governing body adopt a final budget and make an annual tax levy no later than October 7, 2015. The City is not legally authorized to spend money if the budget has not been adopted.

Recommendation

We recommend that the City approve the annual budget by October 7th of each year to ensure compliance with the NDCC.

Client Response

The governing board agrees with the recommendation. The board has properly approved and adopted budgets in the years since the instance of noncompliance.

2016-3 Board Approval of Bids

Condition

The governing board of the City of Langdon, ND did not document approval and awarding a winning bid for the water project prior to beginning the project and paying for the project.

Effect

The board improperly entered into a contract for the water project.

Cause

The board properly bid the project and selected the lowest bidder, but failed to properly document such in the board minutes.

Criteria

The North Dakota Century Code (NDCC) 48-01.2 requires that the governing body go out for public bid for construction of public improvements over \$150,000. The board is then required to award the contract to the lowest responsible bidder, if the bids are satisfactory. These actions are then required to be formally documented in the board minutes.

Recommendation

We recommend that the City review all future contracts for bid requirements and act in accordance with the requirements of NDCC.

Client Response

The governing board agrees with the recommendation. The board has reviewed NDCC 48-01.2 regarding public improvement bids and contracts.