

FINANCIAL STATEMENTS

CITY OF LARIMORE
Larimore, North Dakota

For the Years Ended

DECEMBER 31, 2014 and 2013

Prepared By

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Certified Public Accountants
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CITY OF LARIMORE
Larimore, North Dakota

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CITY OF LARIMORE
Larimore, North Dakota

List of Officials
December 31, 2014

Ray Fegter

Mayor

Sarah Steffen

Council Member

Bill Schroeder

Council Member

Dave Garton

Council Member

Susan Christiansen

Council Member

Bill Fairbridge

Council Member

Dusty Huntley

Council Member

Deb Matheson

Auditor

Joseph Quinn

Attorney

Accounting For Success

INDEPENDENT AUDITOR'S REPORT

Governing Board
City of Larimore
Larimore, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Larimore, North Dakota, as of and for the year ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

CAVALIER

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Cavalier, ND 58220
(701) 265-8644

PARK RIVER

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Park River, ND 58270
(701) 284-7616

LANGDON

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

STEPHEN

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

Opinion

As discussed in Note 1, the City of Larimore, North Dakota, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Larimore, North Dakota, as of December 31, 2014 and 2013, and the respective changes in financial position – modified cash basis, and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Other Matters

Required Supplementary Information

Management has not presented the “Managements 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 42 through 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.

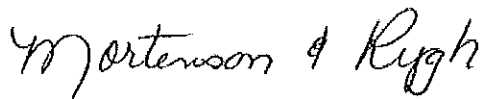
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Larimore, North Dakota’s financial statements as a whole. The *schedules of fund activity – modified cash basis* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2016, on our consideration of the City of Larimore, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Mortenson and Rygh
Certified Public Accountant

April 26, 2016

**BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014**

CITY OF LARIMORE
Larimore, North Dakota

Statement of Net Position -- Modified Cash Basis
December 31, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Airport	Library
ASSETS:					
CURRENT ASSETS					
Cash & Cash Equivalents	\$ 1,510,162	\$ 1,951,749	\$ 3,461,911	\$ 8,045	\$ 12,487
Certificates of Deposit	-	273,105	273,105	8,462	-
Accounts Receivable	9,264	3,754	13,018	-	-
Total Current Assets	<u>1,519,427</u>	<u>2,228,608</u>	<u>3,748,035</u>	<u>16,507</u>	<u>12,487</u>
CAPITAL ASSETS					
Land	53,667	1,000	54,667	-	-
Construction in Progress	-	-	-	369,987	-
Buildings	194,616	36,555	231,171	-	-
Equipment & Vehicles	54,818	68,793	123,611	-	-
Water Treatment Plant	-	1,461,265	1,461,265	-	-
Total Capital Assets	<u>303,101</u>	<u>1,567,613</u>	<u>1,870,714</u>	<u>369,987</u>	<u>-</u>
OTHER ASSETS					
Loans Receivable	148,990	-	148,990		
Interfund Balances	-	-	-		
Total Other Assets	<u>148,990</u>	<u>-</u>	<u>148,990</u>		
Total Assets	<u>\$ 1,971,517</u>	<u>\$ 3,796,221</u>	<u>\$ 5,767,739</u>	<u>\$ 386,494</u>	<u>\$ 12,487</u>
LIABILITIES AND FUND BALANCE:					
CURRENT LIABILITIES					
Payroll Liabilities	\$ 0	\$ 216	\$ 216		
Current Maturity on Long Term Debt	-	118,281	118,281		
Total Current Liabilities	<u>0</u>	<u>118,497</u>	<u>118,497</u>		
NON CURRENT LIABILITIES					
Bonds Payable	-	900,000	900,000		
Capital Lease Payable	-	18,281	18,281		
Less Amounts Due Within One Year	-	(118,281)	(118,281)		
Total Non Current Liabilities	<u>-</u>	<u>800,000</u>	<u>800,000</u>		
Total Liabilities	<u>0</u>	<u>918,498</u>	<u>918,498</u>		
NET POSITION					
Net investment in capital assets	303,101	649,332	952,432		
Restricted For:					
Capital Projects	23,410	-	23,410		
Debt service	-	567,245	567,245		
Economic Development	479,494	-	479,494		
Equipment Replacement	-	208,128	208,128		
Infrasstructure	174,436	-	174,436		
Public Works/Streets	321,311	-	321,311		
Special purpose	1,514	-	1,514		
Unrestricted	668,252	1,453,020	2,121,271	386,494	12,487
Total Net Position	<u>1,971,517</u>	<u>2,877,724</u>	<u>4,849,241</u>	<u>386,494</u>	<u>12,487</u>
Total Liabilities & Net Position	<u>\$ 1,971,517</u>	<u>\$ 3,796,221</u>	<u>\$ 5,767,739</u>	<u>\$ 386,494</u>	<u>\$ 12,487</u>

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

CITY OF LARIMORE
Larimore, North Dakota

Statement of Activities – Modified Cash Basis
For The Year Ended December 31, 2014

Functions/Programs:	Program Receipts			Net (Disbursements) Receipts and Change in Net Position			Component Units	
	Disbursements	Charges for Services	Operating Grants and Contributions	Primary Government			Airport	Library
				Governmental Activities	Business Type Activities	Total		
Government Activities:								
General Government	\$ 126,005	\$ 30,332	\$ -	\$ (95,673)	\$ -	\$ (95,673)	\$ -	\$ -
Public Safety	176,788	-	-	(176,788)	-	(176,788)	-	-
Public Works	196,501	-	96,505	(99,996)	-	(99,996)	-	-
Total Government Activities	499,294	30,332	96,505	(372,457)	-	(372,457)	-	-
Business Type Activities:								
Water and Sewer	178,978	207,317	-	-	28,340	28,340		
Sewer	52,367	108,511	-	-	56,144	56,144		
Sanitation	186,471	210,689	-	-	24,218	24,218		
Debt Service Fund	29,750	166,782	-	-	137,032	137,032		
Equipment	16,242	57,043	-	-	40,801	40,801		
Other Enterprise Funds	6,409	17,366	-	-	10,958	10,958		
Total Business Type Activities	470,216	767,710	-	-	297,493	297,493		
Total Primary Government	\$ 969,511	\$ 798,042	\$ 96,505	\$ (372,457)	\$ 297,493	\$ (74,964)		
Component Units								
Airport	14,892	25,036	307,149				317,294	-
Library	32,963	-	1,027				-	(31,936)
Total Component Units	47,855	25,036	308,177				317,294	(31,936)
General Receipts:								
Property Tax Levies for General Purposes				\$ 263,093	\$ 10,084	\$ 273,178	\$ 6,500	\$ 6,500
Sales Taxes				77,324	-	77,324	-	-
Other Taxes				22,039	-	22,039	-	-
Non-restricted Grants and Contributions				136,872	-	136,872	-	15,998
Interest Income				2,302	8,097	10,399	14	10
Miscellaneous Receipts				18,311	6,605	24,916	1,514	26
Total General Receipts				519,941	24,786	544,727	8,028	22,534
Interfund Transfers				(10,000)	10,000	-	-	-
Change in Net Position				137,484	332,279	469,764	325,321	(9,402)
Net Position - January 1				1,834,033	2,539,639	4,373,672	61,172	21,889
Net Position - December 31				\$ 1,971,517	\$ 2,871,919	\$ 4,843,436	\$ 386,493	\$ 12,487

CITY OF LARIMORE
Larimore, North Dakota

Balance Sheet - Governmental Fund Types – Modified Cash Basis
December 31, 2014

	Major Funds				
	General Fund	Highway Fund	Sales Tax Fund	Other Gov't Funds	Total Gov't Funds
ASSETS:					
CURRENT ASSETS					
Cash & Cash Equivalents	\$ 669,512	\$ 320,326	\$ 504,940	\$ 15,384	\$ 1,510,162
Certificates of Deposit	-	-	-	-	-
Accounts Receivable	-	985	-	8,279	9,264
Total Current Assets	669,512	321,311	504,940	23,664	1,519,427
OTHER ASSETS					
Loans Receivable	-	-	148,990	-	148,990
Interfund Balances	-	-	-	-	-
Total Other Assets	-	-	148,990	-	148,990
Total Assets	\$ 669,512	\$ 321,311	\$ 653,930	\$ 23,664	\$ 1,668,417
LIABILITIES AND FUND BALANCE:					
CURRENT LIABILITIES					
Payroll Liabilities	\$ 1	\$ (0)	\$ -	\$ -	\$ 0
Total Current Liabilities	1	(0)	-	-	0
FUND BALANCE					
Nonspendable	-	-	148,990	-	148,990
Restricted For:					
Capital Projects	-	-	-	23,410	23,410
Economic Development	-	-	330,504	-	330,504
Infrastructure	-	-	174,436	-	174,436
Public Works/Streets	-	321,311	-	-	321,311
Special Revenue Fund	-	-	-	1,514	1,514
Unassigned, Reported In:					
General Fund	669,512	-	-	-	669,512
Negative Fund Balances	-	-	-	(1,260)	(1,260)
Total Fund Balance	669,512	321,311	653,930	23,664	1,668,416
Total Liabilities & Fund Balance	\$ 669,512	\$ 321,311	\$ 653,930	\$ 23,664	\$ 1,668,417

CITY OF LARIMORE
Larimore, North Dakota

**Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position - Modified
Cash Basis**
December 31, 2014

Total *Fund Balances* for Governmental Funds \$ 1,668,416

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

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

Cost of Capital Assets	\$ 722,838	
Less: Accumulated Depreciation	<u>(419,738)</u>	
Net Capital Assets		<u>303,101</u>

Total Net Position of Governmental Activities \$ 1,971,517

CITY OF LARIMORE
Larimore, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Governmental Funds
For The Year Ended December 31, 2014

	Major Funds				Total Gov't Funds
	General Fund	Highway Fund	Sales Tax Fund	Other Gov't Funds	
Receipts					
Property Tax	\$ 263,018	\$ 75	\$ -	\$ -	\$ 263,093
Sales Taxes	-	-	77,324	-	77,324
Other Taxes	22,039	-	-	-	22,039
Intergovernmental Sources	136,872	96,505	-	-	233,377
Licenses, Permits and Fees	5,723	-	-	-	5,723
Charges for Services	30,332	-	-	-	30,332
Fines and Forfeits	3,625	-	-	-	3,625
Interest	85	178	2,040	-	2,302
Other Sources	7,885	437	-	642	8,964
Total Receipts	469,578	97,195	79,363	642	646,779
Disbursements:					
Current:					
General Government	125,363	-	-	642	126,005
Public Safety	165,494	-	-	-	165,494
Public Works	45,004	104,180	29,074	-	178,259
Economic Development	-	-	10,000	-	10,000
Capital Outlays	18,247	-	-	-	18,247
Total Disbursements	354,109	104,180	39,074	642	498,005
Excess Receipts over (under) Disbursements	115,469	(6,985)	40,289	-	148,773
Interfund Transfers In	-	20,000	-	-	20,000
Interfund Transfers (Out)	(10,000)	-	(20,000)	-	(30,000)
Excess Receipts over (under) Disbursements after Interfund Transfers	\$ 105,469	\$ 13,015	\$ 20,289	\$ -	\$ 138,773
Fund Balance - January 1	564,042	308,296	633,641	23,664	1,529,643
Fund Balance - December 31	\$ 669,512	\$ 321,311	\$ 653,930	\$ 23,664	\$ 1,668,416

CITY OF LARIMORE
Larimore, North Dakota

**Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balance Governmental Funds to Statement of Activities – Modified Cash Basis**
December 31, 2014

Net change in *Fund Balance* - Total Governmental Funds \$ 138,773

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

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

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

Capital Asset Additions	18,247
Current Year Depreciation Expense	(19,536)

Change in *Net Position* of Governmental Activities \$ 137,484

CITY OF LARIMORE
Larimore, North Dakota

Statement of Net Position – Proprietary Funds – Modified Cash Basis
December 31, 2014

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Major Funds					Other Enterprise Funds	
	Water & Sewer	Sewer Fund	Sanitation Fund	Bond Fund	Equipment Fund		
ASSETS:							
CURRENT ASSETS							
Cash	\$ 177,306	\$ 608,317	\$ 134,028	\$ 414,954	\$ 208,128	\$ 409,017	\$ 1,951,749
Certificates of Deposit	19,794	193,327	-	-	-	59,984	273,105
Accounts Receivable	3,754	-	-	-	-	-	3,754
Total Current Assets	<u>200,854</u>	<u>801,644</u>	<u>134,028</u>	<u>414,954</u>	<u>208,128</u>	<u>469,001</u>	<u>2,228,608</u>
NONCURRENT ASSETS							
Land	-	-	1,000	-	-	-	1,000
Buildings	-	7,341	-	-	29,214	-	36,555
Equipment and Vehicles	15,282	7,072	-	-	46,439	-	68,793
Water Project	1,461,265	-	-	-	-	-	1,461,265
Total Noncurrent Assets	<u>1,476,547</u>	<u>14,413</u>	<u>1,000</u>	<u>-</u>	<u>75,652</u>	<u>-</u>	<u>1,567,613</u>
OTHER ASSETS							
Interfund Balances	-	-	-	-	-	-	-
Total Other Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$1,677,401</u>	<u>\$816,057</u>	<u>\$135,028</u>	<u>\$414,954</u>	<u>\$283,780</u>	<u>\$469,001</u>	<u>\$3,796,221</u>
LIABILITIES AND NET POSITION:							
CURRENT LIABILITIES							
Payroll Liabilities Payable	\$ 0	\$ 0	\$ 216	\$ -	\$ -	\$ -	\$ 216
Current Maturities of LT Debt	-	-	-	118,281	-	-	118,281
Total Current Liabilities	<u>0</u>	<u>0</u>	<u>216</u>	<u>118,281</u>	<u>-</u>	<u>-</u>	<u>118,497</u>
NON CURRENT LIABILITIES							
Bonds Payable	-	-	-	900,000	-	-	900,000
Capital Lease Payable	-	-	-	-	18,281	-	18,281
Less: Current Maturities of LT Debt	-	-	-	(118,281)	-	-	(118,281)
Total Non Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>781,719</u>	<u>18,281</u>	<u>-</u>	<u>800,000</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>216</u>	<u>900,000</u>	<u>18,281</u>	<u>-</u>	<u>918,498</u>
NET POSITION							
Net investment in capital assets	1,476,547	14,413	1,000	(900,000)	57,371	-	649,332
Restricted for:							
Debt service	-	-	-	414,954	-	152,291	567,245
Equipment replacement	-	-	-	-	208,128	-	208,128
Unrestricted	200,854	801,644	133,813	-	-	316,709	1,453,020
Total Net Position	<u>\$ 1,677,401</u>	<u>\$ 816,057</u>	<u>\$ 134,813</u>	<u>\$ (485,046)</u>	<u>265,499</u>	<u>\$ 469,001</u>	<u>\$ 2,877,724</u>

CITY OF LARIMORE
Larimore, North Dakota

Statement of Receipts, Disbursements and Changes in Net Position – Proprietary Funds
Modified Cash Basis
For The Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Major Funds					Other Enterprise Funds	
	Water & Sewer	Sewer Fund	Sanitation	Bond	Equipment		
Receipts:							
Charges for Sales and Services:							
Utility Sales	200,463	108,511	210,689	166,782	57,043	12,902	756,391
Fines & Penalties	2,939	-	-	-	-	-	2,939
Other Operating Revenue	6,855	-	-	-	-	4,464	11,319
Total Revenues	210,257	108,511	210,689	166,782	57,043	17,366	770,649
Operating Disbursements:							
Salaries & Wages	56,500	34,173	13,130	-	-	-	103,803
Benefits & Insurance	14,214	11,439	3,915	-	-	-	29,569
Contracted Services	804	-	164,130	-	-	-	164,934
Chemicals	12,210	-	-	-	-	-	12,210
Dues and Travel	1,451	-	-	-	-	-	1,451
Supplies	4,235	-	-	-	5,376	-	9,610
Office Expense	4,354	-	3,102	-	-	-	7,456
Repairs & Maintenance	15,408	4,616	520	-	-	130	20,673
Telephone	1,486	-	-	-	-	-	1,486
Uniforms	2,474	-	-	-	-	-	2,474
Utilities	22,721	1,581	-	-	-	-	24,301
Depreciation	42,942	558	-	-	9,432	-	52,932
Miscellaneous	-	-	1,675	-	-	6,279	7,954
Total Operating Expense	178,978	52,367	186,471	-	14,808	6,409	439,032
Net Operating Income	31,279	56,144	24,218	166,782	42,236	10,958	331,616
Non-Operating Receipts (Disbursements)							
Tax Revenue	10,084	-	-	-	-	-	10,084
Interest Income	2,971	5,100	-	-	-	27	8,097
Other Sources	6,600	-	-	-	-	5	6,605
Interest Expense	-	-	-	(29,750)	(1,434)	-	(31,184)
Total Non-operating Receipts (Disbursements)	19,655	5,100	-	(29,750)	(1,434)	32	(6,398)
Income (Loss) Before Transfers	50,934	61,244	24,218	137,032	40,801	10,989	325,218
Interfund Transfers In (Out)	-	-	-	-	10,000	-	10,000
Change in Net Position	50,934	61,244	24,218	137,032	50,801	10,989	335,218
Net Position - January 1	1,626,467	751,947	110,595	(622,079)	214,698	458,012	2,539,639
Net Position - December 31	\$ 1,677,401	\$ 813,191	\$ 134,813	\$ (485,046)	\$ 265,499	\$ 469,001	\$ 2,874,858

CITY OF LARIMORE
Larimore, North Dakota

Statement of Cash Flows – Proprietary Funds – Modified Cash Basis
For The Year Ended December 31, 2014

	Major Funds					Other Enterprise Funds	Total Enterprise Funds
	Water & Sewer	Sewer	Sanitation	Bond	Equipment		
Cash Flows from Operating Activities							
Receipts from Customers	\$ 210,257	\$ 108,511	\$ 210,689	\$ 166,782	\$ 57,043	\$ 17,366	\$ 770,649
Payments to Suppliers	(65,321)	(6,197)	(169,426)	-	(5,376)	(6,409)	(252,728)
Payments to Employees	(67,686)	(46,929)	(16,963)	-	-	-	(131,579)
Total Cash Flows from Operating Activities	77,250	55,385	24,299	166,782	51,668	10,958	386,341
Cash Flows from Noncapital							
Financing Activities							
Transfers In/(Out)	-	-	-	-	10,000	-	10,000
Other Sources/(Uses)	19,655	5,100	-	-	-	32	24,786
Debt Proceeds	-	-	-	-	-	-	-
Total Cash Flows from Noncapital Financing Activities	19,655	5,100	-	-	10,000	32	34,786
Cash Flows from Capital and Related							
Financing Activities							
Interest on Debt	-	-	-	(29,750)	(1,434)	-	(31,184)
Purchases of Capital Assets	-	(7,380)	-	-	(6,575)	-	(13,955)
Principle on Debt	-	-	-	(100,000)	(17,579)	-	(117,579)
Total Cash Flows from Capital and Related Financing Activities	-	(7,380)	-	(129,750)	(25,588)	0	(162,718)
Net Increase (Decrease) in Cash & Cash Equivalents	93,151	55,971	24,299	37,033	36,079	10,990	257,522
Cash and Cash Equivalents - January 1	103,949	745,673	109,729	377,921	172,049	458,011	1,967,332
Cash and Cash Equivalents - December 31	<u>\$ 197,100</u>	<u>\$ 801,644</u>	<u>\$ 134,028</u>	<u>\$ 414,954</u>	<u>\$ 208,128</u>	<u>\$ 469,001</u>	<u>\$ 2,224,854</u>
Reconciliation of Operating Income to Net							
Cash Provided by Operating Activities							
(Loss) to Net Cash Provided							
(Used) by Operating Activities	31,279	56,144	24,218	166,782	42,236	10,958	331,616
Adjustments to Reconcile Operating Income							
to Net Cash Provided by Operating Activities							
Depreciation Expense	42,942	558	-	-	9,432	-	52,932
Payroll Liabilities	3,028	(1,317)	81	-	-	-	1,793
Adjustment to Miscellaneous Expense							
Total Adjustments	45,970	(759)	81	-	9,432	-	54,725
Net Cash Provided/(Used)							
by Operating Activities	<u>\$ 77,250</u>	<u>\$ 55,385</u>	<u>\$ 24,299</u>	<u>\$ 166,782</u>	<u>\$ 51,668</u>	<u>\$ 10,958</u>	<u>\$ 386,341</u>

**BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013**

CITY OF LARIMORE
Larimore, North Dakota

Statement of Net Position – Modified Cash Basis
December 31, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Airport	Library
ASSETS:					
CURRENT ASSETS					
Cash & Cash Equivalents	\$ 1,451,100	\$ 1,702,298	\$ 3,153,398	\$ 52,811	\$ 21,889
Certificates of Deposit	-	265,035	265,035	8,362	-
Accounts Receivable	980	3,028	4,008	-	-
Total Current Assets	<u>1,452,080</u>	<u>1,970,361</u>	<u>3,422,441</u>	<u>61,172</u>	<u>21,889</u>
CAPITAL ASSETS					
Land	53,667	1,000	54,667		
Buildings	186,373	30,376	216,749		
Equipment & Vehicles	64,350	73,074	137,424		
Water Treatment Plant	-	1,502,140	1,502,140		
Total Capital Assets	<u>304,390</u>	<u>1,606,590</u>	<u>1,910,980</u>		
OTHER ASSETS					
Loans Receivable	78,387	-	78,387		
Interfund Balances	-	-	-		
Total Other Assets	<u>78,387</u>	<u>-</u>	<u>78,387</u>		
Total Assets	<u>\$ 1,834,856</u>	<u>\$ 3,576,951</u>	<u>\$ 5,411,807</u>	<u>\$ 61,172</u>	<u>\$ 21,889</u>
LIABILITIES AND FUND BALANCE:					
CURRENT LIABILITIES					
Payroll Liabilities	\$ 824	\$ 1,451	\$ 2,275		
Current Maturity on Long Term Debt	-	117,579	117,579		
Total Current Liabilities	<u>824</u>	<u>119,030</u>	<u>119,854</u>		
NON CURRENT LIABILITIES					
Bonds Payable	-	1,000,000	1,000,000		
Capital Lease Payable	-	35,860	35,860		
Less Amounts Due Within One Year	-	(117,579)	(117,579)		
Total Non Current Liabilities	<u>-</u>	<u>918,281</u>	<u>918,281</u>		
Total Liabilities	<u>824</u>	<u>1,037,312</u>	<u>1,038,136</u>		
NET POSITION					
Net investment in capital assets	304,390	570,730	875,119		
Restricted For:					
Capital Projects	23,410	-	23,410		
Debt service	-	530,212	530,212		
Economic Development	421,322	-	421,322		
Equipment Replacement	-	172,049	172,049		
Infrastructure	212,319	-	212,319		
Public Works/Streets	308,296	-	308,296		
Special purpose	1,514	-	1,514		
Unrestricted	<u>562,783</u>	<u>1,266,649</u>	<u>1,829,431</u>	<u>61,172</u>	<u>21,889</u>
Total Net Position	<u>1,834,033</u>	<u>2,539,639</u>	<u>4,373,672</u>	<u>61,172</u>	<u>21,889</u>
Total Liabilities & Net Position	<u>\$ 1,834,856</u>	<u>\$ 3,576,951</u>	<u>\$ 5,411,807</u>	<u>\$ 61,172</u>	<u>\$ 21,889</u>

CITY OF LARIMORE
Larimore, ND

Statement of Activities – Modified Cash Basis
For The Year Ended December 31, 2013

Functions/Programs:	Program Receipts			Net (Disbursements) Receipts and Change in Net Position				
	Disbursements	Charges for Services	Operating Grants and Contributions	Primary Government			Component Units	
				Governmental Activities	Business Type Activities	Total	Airport	Library
Government Activities:								
General Government	\$ 108,585	\$ 29,668	\$ -	\$ (78,918)	\$ -	\$ (78,918)	\$ -	\$ -
Public Safety	158,792	-	16,624	(142,168)	-	(142,168)	-	-
Public Works	164,839	-	157,131	(7,708)	-	(7,708)	-	-
Economic Development	12,128	-	-	(12,128)	-	(12,128)	-	-
Total Government Activities	444,344	29,668	173,755	(240,922)	-	(240,922)	-	-
Business Type Activities:								
Water and Sewer	158,861	177,713	-	-	18,852	18,852		
Sewer	47,874	108,297	-	-	60,423	60,423		
Sanitation	200,407	212,693	-	-	12,286	12,286		
Debt Service Fund	32,750	168,563	-	-	135,813	135,813		
Equipment	13,896	57,369	-	-	43,473	43,473		
Other Enterprise Funds	2,058	47,159	-	-	45,101	45,101		
Total Business Type Activities	455,845	771,793	-	-	315,948	315,948		
Total Primary Government	\$ 900,190	\$ 801,461	\$ 173,755	\$ (240,922)	\$ 315,948	\$ 75,026		
Component Units								
Airport	1,266	-	-				(1,266)	-
Library	14,137	-	1,179				-	(12,958)
Total Component Units	15,403	-	1,179				(1,266)	(12,958)
General Receipts:								
Property Tax Levies for General Purposes				\$ 235,199	\$ 959	\$ 236,158	\$ -	\$ 6,500
Sales Taxes				75,382	-	75,382	7,518	-
Other Taxes				16,933	-	16,933	-	-
Non-restricted Grants and Contributions				127,653	-	127,653	-	11,789
Interest Income				2,073	3,234	5,307	112	8
Miscellaneous Receipts				20,916	6,400	27,316	-	91
Total General Receipts				478,156	10,593	488,749	7,630	18,388
Transfers To & From Other Funds				(6,225)	6,225	-	-	-
Change in Net Position				231,009	332,766	563,775	6,364	5,430
Net Position - January 1				1,144,199	2,430,504	3,574,703	54,808	16,458
Restatements				458,825	(223,631)	235,194	-	-
Net Position - December 31				\$ 1,834,033	\$ 2,539,639	\$ 4,373,672	\$ 61,172	\$ 21,890

CITY OF LARIMORE
Larimore, North Dakota

Balance Sheet - Governmental Fund Types – Modified Cash Basis
December 31, 2013

	Major Funds			Other Gov't Funds	Total Gov't Funds
	General Fund	Highway Fund	Sales Tax Fund		
ASSETS:					
CURRENT ASSETS					
Cash & Cash Equivalents	\$ 564,866	\$ 279,816	\$ 582,754	\$ 23,664	\$ 1,451,100
Total Current Assets	564,866	280,796	582,754	23,664	1,452,080
OTHER ASSETS					
Loans Receivable	-	-	78,387	-	78,387
Interfund Balances	-	27,500	(27,500)	-	-
Total Other Assets	-	27,500	50,887	-	78,387
Total Assets	<u>\$ 564,866</u>	<u>\$ 308,296</u>	<u>\$ 633,641</u>	<u>\$ 23,664</u>	<u>\$ 1,530,467</u>
LIABILITIES AND FUND BALANCE:					
CURRENT LIABILITIES					
Payroll Liabilities	824	-	-	-	824
Total Current Liabilities	824	-	-	-	824
FUND BALANCE					
Nonspendable	-	-	78,387	-	78,387
Restricted For:					
Capital Projects	-	-	-	23,410	23,410
Economic Development	-	-	342,935	-	342,935
Infrastructure	-	-	212,319	-	212,319
Public Works/Streets	-	308,296	-	-	308,296
Special Revenue Fund	-	-	-	1,514	1,514
Unassigned, Reported in:					
General Fund	564,042	-	-	-	564,042
Negative Fund Balances	-	-	-	(1,260)	(1,260)
Total Fund Balance	<u>564,042</u>	<u>308,296</u>	<u>633,641</u>	<u>23,664</u>	<u>1,529,643</u>
Total Liabilities & Fund Balance	<u>\$ 564,866</u>	<u>\$ 308,296</u>	<u>\$ 633,641</u>	<u>\$ 23,664</u>	<u>\$ 1,530,467</u>

CITY OF LARIMORE
Larimore, North Dakota

**Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position - Modified
Cash Basis**
December 31, 2013

Total *Fund Balances* for Governmental Funds \$ 1,529,643

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

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

Cost of Capital Assets	\$ 714,591	
Less: Accumulated Depreciation	<u>(410,202)</u>	
Net Capital Assets		<u>304,390</u>

Total Net Position of Governmental Activities \$ 1,834,033

CITY OF LARIMORE
Larimore, North Dakota

Statement of Receipts, Disbursements and Changes in Fund Balance – Modified Cash Basis
Governmental Funds
For The Year Ended December 31, 2013

	Major Funds				Total Gov't Funds
	General Fund	Highway Fund	Sales Tax Fund	Other Gov't Funds	
Receipts					
Property Tax	\$ 235,119	\$ 80	\$ -	\$ -	\$ 235,199
Sales Taxes	-	-	75,382	-	75,382
Other Taxes	16,933	-	-	-	16,933
Intergovernmental Sources	127,653	157,131	-	-	284,784
Licenses, Permits and Fees	5,215	-	-	-	5,215
Charges for Services	29,668	-	-	-	29,668
Fines and Forfeits	4,376	-	-	-	4,376
Interest	602	285	1,187	-	2,073
Other Sources	27,895	-	-	54	27,949
Total Receipts	447,460	157,496	76,569	54	681,578
Disbursements:					
Current:					
General Government	108,531	-	-	54	108,585
Public Safety	158,145	-	-	-	158,145
Public Works	56,347	68,597	18,110	-	143,054
Economic Development	-	-	12,128	-	12,128
Capital Outlays	29,652	-	-	-	29,652
Total Disbursements	352,675	68,597	30,238	54	451,565
Excess Receipts over (under) Disbursements	94,785	88,898	46,331	-	230,014
Interfund Transfers In	34,066	27,500	-	-	61,566
Interfund Transfers (Out)	(6,225)	(24,000)	(27,500)	(10,066)	(67,791)
Excess Receipts over (under) Disbursements after Interfund Transfers	\$ 122,625	\$ 92,398	\$ 18,831	\$ (10,066)	\$ 223,789
Fund Balance - January 1	479,800	30,194	304,821	33,729	848,543
Restatements	(38,383)	185,704	309,989	-	457,311
Fund Balance - January 1 as Restated	441,417	215,898	614,810	33,729	1,305,854
Fund Balance - December 31	\$ 564,042	\$ 308,296	\$ 633,641	\$ 23,664	\$ 1,529,643

CITY OF LARIMORE
Larimore, North Dakota

**Reconciliation of Statement of Receipts, Disbursements and Changes in
Fund Balance Governmental Funds to Statement of Activities – Modified Cash Basis**
December 31, 2013

Net change in *Fund Balance* - Total Governmental Funds \$ 223,789

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

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

	Capital Asset Additions	25,878
	Current Year Depreciation Expense	(18,657)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>231,009</u>

CITY OF LARIMORE
Larimore, North Dakota

Statement of Net Position – Proprietary Funds – Modified Cash Basis
December 31, 2013

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Major Funds				Other Enterprise Funds		
	Water & Sewer	Sewer Fund	Sanitation Fund	Bond Fund			
ASSETS:							
CURRENT ASSETS							
Cash	\$ 87,126	\$ 557,446	\$ 109,729	\$ 377,921	\$ 172,049	\$ 398,028	\$ 1,702,298
Certificates of Deposit	16,823	188,228	-	-	-	59,984	265,035
Accounts Receivable	3,028	-	-	-	-	-	3,028
Total Current Assets	106,977	745,673	109,729	377,921	172,049	458,012	1,970,361
NONCURRENT ASSETS							
Land	-	-	1,000	-	-	-	1,000
Buildings	-	7,591	-	-	22,785	-	30,376
Equipment and Vehicles	17,349	-	-	-	55,725	-	73,074
Water Project	1,502,140	-	-	-	-	-	1,502,140
Total Noncurrent Assets	1,519,489	7,591	1,000	-	78,509	-	1,606,590
OTHER ASSETS							
Interfund Balances	-	-	-	-	-	-	-
Total Other Assets	-	-	-	-	-	-	-
Total Assets	\$1,626,467	\$753,264	\$110,729	\$377,921	\$250,558	\$458,012	\$3,576,951
LIABILITIES AND NET POSITION:							
CURRENT LIABILITIES							
Payroll Liabilities Payable	\$ (0)	\$ 1,317	\$ 134	\$ -	\$ -	\$ -	\$ 1,451
Current Maturities of LT Debt	-	-	-	100,000	17,579	-	117,579
Total Current Liabilities	(0)	1,317	134	100,000	17,579	-	119,030
NON CURRENT LIABILITIES							
Bonds Payable	-	-	-	1,000,000	-	-	1,000,000
Capital Lease Payable	-	-	-	-	35,860	-	35,860
Less: Current Maturities of LT Debt	-	-	-	(100,000)	(17,579)	-	(117,579)
Total Non Current Liabilities	-	-	-	900,000	18,281	-	918,281
Total Liabilities	(0)	1,317	134	1,000,000	35,860	-	1,037,312
NET POSITION							
Net investment in capital assets	1,519,489	7,591	1,000	(1,000,000)	42,649	-	570,730
Restricted for:							
Debt service	-	-	-	377,921	-	152,291	530,212
Equipment replacement	-	-	-	-	172,049	-	172,049
Unrestricted	106,978	744,356	109,595	-	-	305,720	1,266,649
Total Net Position	\$ 1,626,467	\$ 751,947	\$ 110,595	\$ (622,079)	214,698	\$ 458,012	\$ 2,539,639

CITY OF LARIMORE
Larimore, North Dakota

Statement of Receipts, Disbursements and Changes in Net Position – Proprietary Funds
Modified Cash Basis
For The Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds						Total Enterprise Funds
	Major Funds					Other Enterprise Funds	
	Water & Sewer	Sewer Fund	Sanitation	Bond	Equipment		
Receipts:							
Charges for Sales and Services:							
Utility Sales	165,237	108,297	212,693	168,563	57,369	38,514	750,673
Fines & Penalties	1,704	-	-	-	-	-	1,704
Other Operating Revenue	10,773	-	-	-	-	8,644	19,417
Total Revenues	177,713	108,297	212,693	168,563	57,369	47,159	771,793
Operating Disbursements:							
Salaries & Wages	56,434	32,087	31,292	-	-	-	119,813
Benefits & Insurance	16,368	10,488	10,297	-	-	-	37,152
Contracted Services	1,508	-	157,600	-	-	-	159,108
Chemicals	13,621	-	-	-	-	-	13,621
Dues and Travel	715	-	-	-	-	-	715
Gas/Diesel/Fuel	80	-	-	-	-	-	80
Supplies	608	-	-	-	2,572	-	3,180
Office Expense	5,744	-	149	-	-	-	5,892
Repairs & Maintenance	1,169	2,956	520	-	-	-	4,645
Telephone	1,070	-	-	-	-	-	1,070
Uniforms	1,849	-	-	-	-	-	1,849
Utilities	20,369	1,563	-	-	-	-	21,932
Depreciation	39,326	250	-	-	9,213	-	48,789
Miscellaneous	-	530	550	-	-	2,058	3,138
Total Operating Expense	158,861	47,874	200,407	-	11,785	2,058	420,984
Net Operating Income	18,852	60,423	12,286	168,563	45,584	45,101	350,809
Non-Operating Receipts (Disbursements)							
Tax Revenue	959	-	-	-	-	-	959
Interest Income	-	3,207	-	-	-	27	3,234
Other Sources	6,400	-	-	-	-	-	6,400
Interest Expense	-	-	-	(32,750)	(2,111)	-	(34,861)
Total Non-operating Receipts (Disbursements)	7,359	3,207	-	(32,750)	(2,111)	27	(24,268)
Income (Loss) Before Transfers	26,211	63,630	12,286	135,813	43,473	45,128	326,541
Interfund Transfers In	29,710	-	-	-	6,225	-	35,935
Interfund Transfers (Out)	-	-	-	-	-	(29,710)	(29,710)
Change in Net Position	55,921	63,630	12,286	135,813	49,698	15,418	332,766
Net Position - January 1	1,569,277	862,649	98,309	(742,393)	159,397	483,265	2,430,504
Restatements	1,269	(174,332)	-	(15,499)	5,603	(40,671)	(223,631)
Net Position - December 31	\$ 1,626,467	\$ 751,947	\$ 110,595	\$ (622,079)	\$ 214,698	\$ 458,012	\$ 2,539,639

CITY OF LARIMORE
Larimore, North Dakota

Statement of Cash Flows – Proprietary Funds – Modified Cash Basis
For The Year Ended December 31, 2013

	Major Funds					Other Enterprise Funds	Total Enterprise Funds
	Water & Sewer	Sewer	Sanitation	Bond	Equipment		
Cash Flows from Operating Activities							
Receipts from Customers	\$ 177,713	\$ 108,297	\$ 212,693	\$ 168,563	\$ 57,369	\$ 47,159	\$ 771,793
Payments to Suppliers	(46,733)	(5,049)	(158,819)	-	(2,572)	(2,058)	(215,230)
Payments to Employees	(68,973)	(41,258)	(41,487)	-	-	-	(151,717)
Total Cash Flows from Operating Activities	62,007	61,990	12,387	168,563	54,797	45,101	404,846
Cash Flows from Noncapital Financing Activities							
Transfers In/(Out)	29,710	-	-	-	6,225	(29,710)	6,225
Other Sources/(Uses)	7,359	3,207	-	-	-	27	10,593
Total Cash Flows from Noncapital Financing Activities	37,069	3,207	-	-	6,225	(29,683)	16,818
Cash Flows from Capital and Related Financing Activities							
Interest on Debt	-	-	-	(32,750)	(2,111)	-	(34,861)
Purchases of Capital Assets	(144,665)	-	-	-	-	-	(144,665)
Principle on Debt	-	-	-	(100,000)	(16,902)	-	(116,902)
Adjustments	22,273	(130,691)	-	(15,499)	(31,004)	(9,313)	(164,234)
Total Cash Flows from Capital and Related Financing Activities	(122,392)	(130,691)	-	(148,249)	(50,017)	(9,313)	(460,661)
Net Increase (Decrease) in Cash & Cash Equivalents	(26,344)	(65,494)	12,387	20,314	11,006	6,105	(42,025)
Cash and Cash Equivalents - January 1	130,293	811,167	97,342	357,607	161,043	451,906	2,009,358
Cash and Cash Equivalents - December 31	<u>\$ 103,949</u>	<u>\$ 745,673</u>	<u>\$ 109,729</u>	<u>\$ 377,921</u>	<u>\$ 172,049</u>	<u>\$ 458,012</u>	<u>\$ 1,967,333</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities							
(Loss) to Net Cash Provided (Used) by Operating Activities	18,852	60,423	12,286	168,563	45,584	45,101	350,809
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities							
Depreciation Expense	39,326	250	-	-	9,213	-	48,789
Payroll Liabilities	3,829	1,317	102	-	-	-	5,248
Adjustment to Miscellaneous Expense	-	-	-	-	-	-	0
Total Adjustments	43,155	1,567	102	-	9,213	-	54,037
Net Cash Provided/(Used) by Operating Activities	<u>\$ 62,007</u>	<u>\$ 61,990</u>	<u>\$ 12,387</u>	<u>\$ 168,563</u>	<u>\$ 54,797</u>	<u>\$ 45,101</u>	<u>\$ 404,846</u>

CITY OF LARIMORE
Larimore, North Dakota

Notes To The Financial Statements
December 31, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

Larimore Airport Authority – The members of the governing board of the Larimore Airport Authority are appointed by the City's governing board. The City's governing board has the authority to approve, modify or disapprove the airport's operational budget. The City's governing board must approve the tax levy established by the airport.

Edna Ralston Library – The members of the governing board of the Edna Ralston Library are appointed by the City's governing board. The City's governing board has the authority to approve, modify or disapprove the library's operation budget. The City's governing board must approve the tax levy established by the library.

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

Governmental Funds

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

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

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

Proprietary Funds

Enterprise Funds - This account group provides basic utility service to the City residents. The fund group operates utility systems and borrows money for capital improvements through revenue bonds. Enterprise funds use the modified cash basis of accounting as defined below. The city applies all GASB (Governmental Accounting Standards Board) pronouncements as well as the FASB (Financial Accounting Standards Board) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

Measurement Focus

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, within the limitations of the modified cash basis of accounting, as defined below:

- a) Governmental funds utilize a “current financial resources”. Only current financial assets and liabilities are generally included on their balance sheets. 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.
- b) Proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recover), financial position, and cash flows. Only cash and cash equivalents, capital assets, long term debt and inter-fund balances are generally included on their balance sheets, however, the utility funds do recognize accounts receivable and associated revenues. Short term liabilities for payroll withholding are also recognized. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide statement of net position and statement of activities and the fund financial statements, governmental, and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions in the government-wide statements and proprietary fund statements, with a provision for depreciation in the government-wide statements, and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. However, the enterprise funds do recognize accounts receivable and associated revenues.

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

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 fund’s normal ongoing operations. The principal operating receipts of the City’s proprietary funds are charges to customers for goods and services. Operating disbursements include the cost of sales and services, administrative expenses and depreciation on capital assets. All other receipts or disbursements are recorded 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 and cash equivalents include amounts in demand deposits, money market accounts, and certificates of deposit with maturities of less than 90 days.

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

E. Capital Assets

Capital assets include land, buildings and improvements, furniture and equipment. Capital assets are reported in the government-wide financial statements and in the proprietary funds. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Equipment and Vehicles	5-10
Infrastructure and Projects	50

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 Balance and Net Position

Fund Financial Statement

Prior to GASB Statement 54, in the fund financial statements, the governmental funds reported reservations of fund balances for amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Designations of fund balances represented tentative management plans that were subject to change. GASB Statement No. 54 established new fund balance classifications that comprise a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the city is bound to honor them. The City first determines and reports non-spendable balances, then restricted, then committed, and so forth. The City's governmental fund balances have been restated to reflect the below classifications. Fund balance classifications are summarized as follows:

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

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

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

Assigned fund balance – This category includes Governmental Fund balance that the town 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.

Net Position

Prior to GASB 63, amounts were reported as equity on the statement of net assets in two primary categories (restricted and unrestricted). Subsequent to GASB 63, the statement of net assets was changed to the statement of net position, and net assets equity was changed to net position. Net position is shown in two primary categories (restricted and unrestricted), outlined in further detail as follows:

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

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

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 City's budget during 2014 or 2013:

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

State statutes authorize the City of Larimore to invest in:

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

The City's deposits at December 31, 2014 and 2013 were entirely covered by federal depository insurance or by collateral held by the pledging financial institutions' trust department or agent in the city's name (category 2). For the purpose of credit-risking, all cash deposits and certificates are considered to be deposits.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. State law requires local governments to deposit funds in financial institutions carrying federal deposit insurance and a pledge of governmental securities for deposits in excess of deposit insurance coverage. All city funds were adequately insured or collateralized by governmental securities throughout the years 2014 and 2013.

B. Investments

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

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

At year ended December 31, 2013, the City's carrying amount of deposits totaled \$3,418,433 and the bank balances totaled \$3,409,573. Of the bank balances, \$500,000 was covered by Federal Depository Insurance. The remaining bank balances totaling \$2,909,573 were collateralized with securities held by the pledging financial institution's agent in the government's name.

At year ended December 31, 2014, the City's carrying amount of deposits totaled \$3,735,016 and the bank balances totaled \$3,714,851. Of the bank balances, \$500,000 was covered by Federal Depository

Insurance. The remaining bank balances totaling \$3,214,851 were collateralized with securities held by the pledging financial institution's agent in the government's name.

NOTE 4 ACCOUNTS RECEIVABLE

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

NOTE 5 INTERFUND RECEIVABLES/PAYABLES & TRANSFERS

Inter-fund Receivables

On December 31, 2013 the Highway Fund recorded an inter-fund receivable of \$27,500 from the Sales Tax Fund. This amount is a transfer of cash budgeted and approved for 2013 that occurred after year end.

Inter-fund Transfers

Transfers were made for cash management, fixed asset management needs, debt reserve requirements and debt service requirements. The following is a reconciliation of cash transfers in and transfers out as reported in the basic financial statements for the years ended December 31, 2014 and 2013.

For the Year Ended December 31, 2014

Fund	Transfers In	Transfers (Out)
General	\$ -	\$ (10,000)
Highway Fund	20,000	-
Sales Tax Fund	-	(20,000)
Equipment Fund	10,000	-
	<u>\$ 30,000</u>	<u>\$ (30,000)</u>

For the Year Ended December 31, 2013

Fund	Transfers In	Transfers Out
General	\$ 34,066	\$ (6,225)
Highway Fund	27,500	(24,000)
Sales Tax Fund	-	(27,500)
Advertising Fund		(5,702)
Social Security Fund		(4,364)
Water & Sewer Fund	29,710	-
Bond Reserve Fund	-	(29,710)
Equipment Fund	6,225	-
	<u>\$ 97,501</u>	<u>\$ (97,501)</u>

NOTE 6 ECONOMIC DEVELOPMENT LOANS RECEIVABLE

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

Borrower	Balance 12/31/2012	2013		2014			Balance 12/31/2014
		Principal Payments	Loan Forgiveness	Principal Payments	Loan Forgiveness	New Loans Awarded	
B&C Inc.	107,572	(107,572)	-	-	-	-	-
HE Everson	14,542	(4,858)	-	(5,019)	-	-	4,665
Darlene's Beauty Salon	14,301	(3,888)	-	(4,127)	-	-	6,286
Will Craft Construction	8,079	(1,887)	-	(2,003)	-	-	4,189
Kyle Sather	26,113	(4,015)	-	(4,148)	-	-	17,950
Terry Trosen Co.	-	-	-	-	-	60,000	60,000
Valley Community Health Centers	35,000	-	(5,000)	-	(5,000)	-	25,000
Northwood Deaconess Health Center	-	-	-	-	-	30,900	30,900
Total	\$ 205,607	\$ (122,220)	\$ (5,000)	\$ (15,297)	\$ (5,000)	\$ 90,900	\$ 148,990

NOTE 7 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 8 LONG-TERM LIABILITIES

During the years ended December 31, 2014 and 2013, the following changes occurred in long-term liabilities of the city:

Long-term debt	Balance 01/01/14	Increases	Decreases	Balance 12/31/14	Due Within One Year
Water Revenue Bonds of 2002	\$ 1,000,000	\$ -	\$ (100,000)	\$ 900,000	\$ 100,000
Lease Payable	35,861	-	(17,579)	18,282	18,281
Total Long Term Debt	\$ 1,035,861	\$ -	\$ (117,579)	\$ 918,282	\$ 118,281

Long-term debt	Balance 01/01/13	Increases	Decreases	Balance 12/31/13	Due Within One Year
Water Revenue Bonds of 2002	\$ 1,100,000	\$ -	\$ (100,000)	\$ 1,000,000	\$ 100,000
Lease Payable	52,763	-	(16,902)	35,861	17,579
Total Long Term Debt	\$ 1,152,763	\$ -	\$ (116,902)	\$ 1,035,861	\$ 117,579

REVENUE BONDS

The city issues bonds where the city pledges income derived from operations to pay debt service. The proceeds of the bonds are used to finance various capital improvement projects. Larimore is obligated to the following revenue bond:

Water Revenue Bonds of 2002

Water project construction bonds due in annual installments of \$80,000 to \$120,000 through September 1, 2022; interest at 2.5%

\$1,100,000

Total Bonds Payable

\$1,100,000

Future bond payments are as follows:

Year	Principle	Interest	Total
2015	100,000	22,500	122,500
2016	110,000	20,000	130,000
2017	110,000	17,250	127,250
2,018	110,000	14,500	124,500
2,019	110,000	11,750	121,750
2020-2024	360,000	18,000	378,000
	\$ 900,000	\$ 104,000	\$ 1,004,000

NOTE 9 CAPITALIZED LEASE PAYABLE

During 2010, the city completed lease payments for the John Deere tractor and entered into a new lease agreement for financing the acquisition of a John Deere wheel loader. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014 were as follows:

Future lease payments are as follows:

Year	Principle	Interest	Total
2015	18,282	731	19,013
2016	-	-	-
	<u>\$ 18,282</u>	<u>\$ 731</u>	<u>\$ 19,013</u>

NOTE 10 PENSION PLAN

The City of Larimore participates in the North Dakota Public Employees Retirement System (NDPERS) administered by the State of North Dakota.

DESCRIPTION OF PLAN:

NDPERS is a cost sharing multiple-employer defined benefit pension plan covering substantially all classified employees of the city. The plan provides retirement, disability and death benefits. If an active employee dies with less than five years of credited service, a death benefit equal to the value of the employees' accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than five years of credited service, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred (or, effective August 1, 1995, monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death). If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2% of their final average salary for each year of service beginning when the sum age and years of credited service equal or exceed 85, or at normal retirement age (65). The plan permits early retirement at ages 55-64, with 5 or more years of service. NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E. Broadway, Suite 505, P.O. Box 1214, Bismarck, ND 58502-1214.

Funding Policy:

NDPERS is funded by employee contributions (set by statute) of 5% of regular compensation. Employer contributions of 5.12% of covered compensation are set by statute. In addition to the 5.12% employer contribution, the employer is required to contribute 1.14% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. Benefit and contribution provisions are administered in accordance with Chapter 54-52 of the North Dakota Century Code. The City of Larimore's share of pension costs, or retirement expense, for the years ended December 31, 2014, 2013, and 2012, were \$9,564, \$9,110, and \$6,232 respectively.

NOTE 11 RISK MANAGEMENT

The City of Larimore is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile coverage and to \$1,040,915 for inland marine coverage.

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

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

NOTE 12 COMPENSATED ABSENCES

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

NOTE 13 CAPITAL ASSETS

Following is a summary of changes in capital assets for the years ended December 31, 2014:

	2014			Balance 12/31/14
	Balance 01/01/14	Increases	Decreases	
Governmental Activities				
Non-depreciated assets				
Land	\$ 53,667	\$ -	\$ -	\$ 53,667
Total non-depreciated assets	53,667	-	-	53,667
Depreciable assets				
Buildings	236,009	12,790	-	248,799
Equipment & Vehicles	424,915	5,457	(10,000)	420,373
Total depreciable assets	660,924	18,247	(10,000)	669,171
Less: accumulated depreciation				
Buildings	(49,636)	(4,547)	-	(54,183)
Equipment & Vehicles	(360,566)	(14,989)	10,000	(365,555)
Total accumulated depreciation	(410,202)	(19,536)	10,000	(419,738)
Net depreciable assets	250,723	(1,289)	-	249,434
Net Government Assets	\$ 304,390	\$ (1,289)	\$ -	\$ 303,101
Enterprise Activities				
Non-depreciated assets				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total non-depreciated assets	1,000	-	-	1,000
Depreciable assets				
Buildings	38,951	-	-	38,951
Equipment & Vehicles	169,235	13,955	-	183,190
Water Project	1,826,750	-	-	1,826,750
Total depreciable assets	2,034,936	13,955	-	2,048,891
Less: accumulated depreciation				
Buildings	(8,575)	(1,307)	-	(9,882)
Equipment & Vehicles	(96,161)	(10,750)	-	(106,911)
Water Project	(324,610)	(40,875)	-	(365,485)
Total Accumulated Depreciation	(429,346)	(52,932)	-	(482,278)
Net Enterprise Assets	\$ 1,606,590	\$ (38,977)	\$ -	\$ 1,567,613
Component Units				
Non-depreciated assets				
Construction in Progress	\$ -	\$ 369,987	\$ -	\$ 369,987
Total non-depreciated assets	-	369,987	-	369,987
Net Component Unit Assets	\$ -	\$ 369,987	\$ -	\$ 369,987
Total Net Capital Assets	\$ 1,910,979	\$ 329,721	\$ -	\$ 2,240,700

Following is a summary of changes in capital assets for the years ended December 31, 2013:

	2013			Balance 12/31/13
	Balance 01/01/13	Increases	Decreases	
Governmental Activities				
Non-depreciated assets				
Land	\$ 53,667	\$ -	\$ -	\$ 53,667
Total non-depreciated assets	53,667	-	-	53,667
Depreciable assets				
Buildings	236,009	-	-	236,009
Equipment & Vehicles	399,038	25,877	-	424,915
Total depreciable assets	635,047	25,877	-	660,924
Less: accumulated depreciation				
Buildings	(45,515)	(4,121)	-	(49,636)
Equipment & Vehicles	(346,030)	(14,536)	-	(360,566)
Total accumulated depreciation	(391,545)	(18,657)	-	(410,202)
Net depreciable assets	243,502	7,220	-	250,723
Net Government Assets	\$ 297,169	\$ 7,220	\$ -	\$ 304,390
Enterprise Activities				
Non-depreciated assets				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total non-depreciated assets	1,000	-	-	1,000
Depreciable assets				
Buildings	38,951	-	-	38,951
Equipment & Vehicles	169,235	-	-	169,235
Water Project	1,682,085	144,665	-	1,826,750
Total depreciable assets	1,890,271	144,665	-	2,034,936
Less: accumulated depreciation				
Buildings	(7,576)	(999)	-	(8,575)
Equipment & Vehicles	(85,630)	(10,531)	-	(96,161)
Water Project	(287,351)	(37,259)	-	(324,610)
Total Accumulated Depreciation	(380,557)	(48,789)	-	(429,346)
Net Enterprise Assets	\$ 1,510,714	\$ 95,876	\$ -	\$ 1,606,590
Total Net Capital Assets	\$ 1,807,883	\$ 103,096	\$ -	\$ 1,910,979

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

2014		
Depreciation	Government	Enterprise
Public Safety	\$ 1,294	\$ -
Public Works	18,242	-
Water & Sewer Operations	-	52,932
Total Depreciation Expense	\$ 19,536	\$ 52,932

2013		
Depreciation	Government	Enterprise
Public Safety	\$ 647	\$ -
Public Works	18,010	-
Water & Sewer Operations	-	48,789
Total Depreciation Expense	\$ 18,657	\$ 48,789

NOTE 14 FUND DEFICITS

The following funds had negative balances as of December 31, 2014 and 2013:

Primary Government	12/31/14	12/31/13
<u>Governmental Funds:</u>		
Highway Fund	\$ -	\$ -
Fire Department Fund	(1,260)	(1,260)
<u>Enterprise Funds:</u>		
Construction Fund	(21,115)	(21,115)
Bond Fund	(485,046)	(606,580)

It is anticipated that fund revenue will exceed expenditures in future periods and will restore these fund balances to positive amounts.

NOTE 15 RESTATEMENTS

Prior period adjustments were made to the following Governmental and Enterprise funds. These adjustments were necessary to adjust interfund balances and cash balances, and to record economic development loans.

	Cash	Interfund	EDC	
	Restatements	Balance	Loans	Total
Governmental Funds	Restatements	Restatement	Restatement	Restatement
Major Funds				
General	\$ (48,811)	\$ 10,428	\$ -	\$ (38,383)
Highway	(62,633)	248,337	-	185,704
Sales Tax	303,751	(199,368)	205,607	309,989
Total Major Funds	192,307	59,397	205,607	457,311
Non-major Funds				
Non-City Purchases	1,514	-	-	1,514
Total Non-major Funds	1,514	-	-	1,514
Total Governmental Funds	\$ 193,821	\$ 59,397	\$ 205,607	\$ 458,825
Enterprise Funds				
Major Funds				
Water & Sewer	\$ 22,273	\$ (21,004)	\$ -	\$ 1,269
Sewer	(130,691)	(43,641)	-	(174,332)
Bond	(15,499)	-	-	(15,499)
Equipment	(31,004)	36,607	-	5,603
Total Major Funds	\$ (154,921)	\$ (28,039)	\$ -	\$ (182,959)
Non-major Funds				
Bond Reserve	(5,190)	-	-	(5,190)
Net Revenue	(102)	-	-	(102)
Sanitation Surcharge	-	(5,647)	-	(5,647)
Spraying	(4,021)	(1,590)	-	(5,610)
Well	-	(24,122)	-	(24,122)
Total Non-major Funds	(9,313)	(31,359)	-	(40,671)
Total Enterprise Funds	\$ (164,233)	\$ (59,397)	\$ -	\$ (223,631)

**REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014 and 2013**

CITY OF LARIMORE
Larimore, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – General Fund
For The Year Ended December 31, 2014

	<u>General Fund</u>		
	Original & Final Budget	Actual	Variance
Revenues:			
Taxes	\$ 265,735	\$ 285,057	19,322
Licenses, Permits and Fees	4,350	5,723	1,373
Intergovernmental Sources	115,500	136,872	21,372
Charges for Services	23,500	30,332	6,832
Fines, Forfeitures and Penalties	2,000	3,625	1,625
Interest	-	85	85
Other Sources	6,600	7,885	1,285
Total Revenues	<u>417,685</u>	<u>469,578</u>	<u>51,893</u>
Expenditures:			
General Government	150,810	125,363	25,447
Public Safety	193,675	183,741	9,934
Public Works	73,200	45,004	28,196
Total Expenditures	<u>417,685</u>	<u>354,109</u>	<u>63,576</u>
Excess Revenues over (under) Expenditures	<u>-</u>	<u>115,469</u>	<u>115,469</u>
Interfund Transfers In (Out)	(10,000)	(10,000)	-
Excess Revenues over (under) Disbursements after Interfund Transfers	<u>(10,000)</u>	<u>105,469</u>	<u>115,469</u>
Fund Balance - January 1	564,042	564,042	
Fund Balance - December 31	<u>\$ 554,042</u>	<u>\$ 669,512</u>	

The notes to the required supplementary information are an integral part of this statement.

CITY OF LARIMORE
Larimore, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Highway Fund
For The Year Ended December 31, 2014

	<u>Highway Fund</u>		
	Original & Final Budget	Actual	Variance
Revenues:			
Taxes	\$ -	\$ 75	\$ 75
Intergovernmental Sources	110,000	96,505	(13,495)
Interest	-	178	178
Other Sources	-	437	437
Total Revenues	<u>110,000</u>	<u>97,195</u>	<u>(12,805)</u>
Expenditures:			
Public Works	106,770	104,180	2,590
Total Expenditures	<u>106,770</u>	<u>104,180</u>	<u>2,590</u>
Excess Revenues over (under) Expenditures	<u>3,230</u>	<u>(6,985)</u>	<u>(10,215)</u>
Interfund Transfers In (Out)	20,000	20,000	-
Excess Revenues over (under) Disbursements after Interfund Transfers	<u>23,230</u>	<u>13,015</u>	<u>(10,215)</u>
Fund Balance - January 1	308,296	308,296	
Fund Balance - December 31	<u>\$ 331,526</u>	<u>\$ 321,311</u>	

CITY OF LARIMORE
Larimore, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Sales Tax Fund
For The Year Ended December 31, 2014

	<u>Sales Tax Fund</u>		
	Original & Final Budget	Actual	Variance
Revenues:			
Sales Taxes	\$ 40,000	\$ 77,324	\$ 37,324
Interest	-	2,040	2,040
Total Revenues	40,000	79,363	39,363
Expenditures:			
Economic Development	25,000	10,000	15,000
Infrastructure		29,074	(29,074)
Total Expenditures	25,000	39,074	(14,074)
Excess Revenues over (under) Expenditures	15,000	40,289	25,289
Interfund Transfers In (Out)	(20,000)	(20,000)	-
Excess Revenues over (under) Disbursements after Interfund Transfers	(5,000)	20,289	25,289
Fund Balance - January 1	633,641	633,641	
Fund Balance - December 31	\$ 628,641	\$ 653,930	

The notes to the required supplementary information are an integral part of this statement.

CITY OF LARIMORE
Larimore, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – General Fund
For The Year Ended December 31, 2013

	<u>General Fund</u>		
	Original & Final Budget	Actual	Favorable (Unfavorable)
Revenues:			
Taxes	\$ 279,075	\$ 252,052	(27,023)
Licenses, Permits and Fees	4,550	5,215	665
Intergovernmental Sources	90,000	127,653	37,653
Charges for Services	23,500	29,668	6,168
Fines, Forfeitures and Penalties	1,700	4,376	2,676
Interest	-	602	602
Other Sources	6,000	27,895	21,895
Total Revenues	404,825	447,460	42,635
Expenditures:			
General Government	135,100	108,531	26,569
Public Safety	196,225	187,797	8,428
Public Works	73,500	56,347	17,153
Total Expenditures	404,825	352,675	52,150
Excess Revenues over (under) Expenditures	-	94,785	94,785
Interfund Transfers In	34,066	34,066	-
Interfund Transfers (Out)	-	(6,225)	(6,225)
Excess Revenues over (under) Disbursements after Interfund Transfers	34,066	122,625	88,560
Fund Balance - January 1	441,417	441,417	
Fund Balance - December 31	\$ 475,482	\$ 564,042	

CITY OF LARIMORE
Larimore, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Highway Fund
For The Year Ended December 31, 2013

	<u>Highway Fund</u>		
	Original & Final Budget	Actual	Favorable (Unfavorable)
Revenues:			
Taxes	\$ -	\$ 80	\$ 80
Intergovernmental Sources	75,000	157,131	82,131
Interest	-	285	285
Total Revenues	<u>75,000</u>	<u>157,496</u>	<u>82,496</u>
Expenditures:			
Public Works	102,428	68,597	33,830
Total Expenditures	<u>102,428</u>	<u>68,597</u>	<u>33,830</u>
Excess Revenues over (under) Expenditures	<u>(27,428)</u>	<u>88,898</u>	<u>116,326</u>
Interfund Transfers In	27,500	27,500	-
Interfund Transfers (Out)	-	(24,000)	(24,000)
Excess Revenues over (under) Disbursements after Interfund Transfers	<u>73</u>	<u>92,398</u>	<u>92,326</u>
Fund Balance - January 1	215,898	215,898	
Fund Balance - December 31	<u>\$ 215,970</u>	<u>\$ 308,296</u>	

The notes to the required supplementary information are an integral part of this statement.

CITY OF LARIMORE
Larimore, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis
Budget & Actual – Sales Tax Fund
For The Year Ended December 31, 2013

	<u>Sales Tax Fund</u>		
	Original & Final Budget	Actual	Favorable (Unfavorable)
Revenues:			
Sales Taxes	\$ 55,000	\$ 75,382	\$ 20,382
Interest	-	1,187	1,187
Total Revenues	<u>55,000</u>	<u>76,569</u>	<u>21,569</u>
Expenditures:			
Economic Development	25,000	12,128	12,872
Infrastructure	-	18,110	(18,110)
Total Expenditures	<u>25,000</u>	<u>30,238</u>	<u>(5,238)</u>
Excess Revenues over (under) Expenditures	<u>30,000</u>	<u>46,331</u>	<u>16,331</u>
Interfund Transfers In (Out)	(27,500)	(27,500)	-
Excess Revenues over (under) Disbursements after Interfund Transfers	<u>2,500</u>	<u>18,831</u>	<u>16,331</u>
Fund Balance - January 1	614,810	614,810	
Fund Balance - December 31	<u>\$ 617,310</u>	<u>\$ 633,641</u>	

The notes to the required supplementary information are an integral part of this statement.

CITY OF LARIMORE
Larimore, North Dakota

Notes To The Required Supplementary Information
December 31, 2014 and 2013

NOTE 1 BUDGETS

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

The city auditor prepares a preliminary budget for the general and some of the special revenue funds on the modified cash basis of accounting. Because not all special revenue funds are budgeted, a budget to actual comparison of special revenue funds is not done. The preliminary budget includes proposed expenditures and the means of financing them. The governing body reviews the preliminary budget, may make revisions and approve it on or before September 10. On or before October 7, a public hearing is held for taxpayers to discuss any budgeted items.

The governing body reviews the preliminary budget at the hearing, and may make revisions that do not increase the total budget and prepares the final budget. The governing board adopts an ordinance approving the tax levy requested in the final budget. The final budget is sent to the county auditor by October 10.

No expenditure shall be made or liability incurred in excess of the appropriation, except for transfers as authorized by North Dakota Century Code Section 40-40-21. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10.

At year-end, the balance of each appropriation becomes a part of the unappropriated fund balance, except for a special appropriation that does not lapse until the work is completed.

The City has some special revenue funds that do not have a tax levy and very minimal expenditures that are not budgeted. Management therefore does not prepare budget to actual comparisons for the special revenue fund groups.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax Fund	\$25,000	\$39,074	\$(14,074)

The City of Larimore overspent the budget in the following funds for the 2013 year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sales Tax Fund	\$25,000	\$30,238	\$(5,238)

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
DECEMBER 31, 2014 and 2013

CITY OF LARIMORE
Larimore, North Dakota

Schedule of Fund Activity – Arising from Cash Transactions – Modified Cash Basis
December 31, 2014

	Balance 01/01/14	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12/31/14
Governmental Funds							
Major Funds							
General	\$ 564,044	\$ 469,578	\$ -	\$ -	\$ (10,000)	\$ (354,109)	\$ 669,513
Highway	308,296	97,195	20,000	-	-	(104,180)	321,311
Sales Tax	633,641	79,363	-	-	(20,000)	(39,074)	653,930
Total Major Funds	\$ 1,505,981	\$ 646,136	\$ 20,000	\$ -	\$ (30,000)	\$ (497,363)	\$ 1,644,754
Non-major Funds							
Non-City Purchases	\$ 1,514	\$ 642	\$ -	\$ -	\$ -	\$ (642)	\$ 1,514
Fire Department	(1,260)	-	-	-	-	-	(1,260)
SRT Fund	23,410	-	-	-	-	-	23,410
Total Non-major Funds	\$ 23,664	\$ 642	\$ -	\$ -	\$ -	\$ (642)	\$ 23,664
Total Governmental Funds	\$ 1,529,645	\$ 646,779	\$ 20,000	\$ -	\$ (30,000)	\$ (498,005)	\$ 1,668,418
Enterprise Funds							
Major Funds							
Water & Sewer	\$ 1,626,468	\$ 229,912	\$ -	\$ -	\$ -	\$ (178,978)	\$ 1,677,402
Sewer	751,947	113,611	-	-	-	(52,367)	813,191
Sanitation	110,595	210,689	-	-	-	(186,471)	134,813
Bond	(622,079)	166,782	-	-	-	(29,750)	(485,047)
Equipment	214,698	57,043	10,000	-	-	(16,242)	265,499
Total Major Funds	\$ 2,081,629	\$ 778,037	\$ 10,000	\$ -	\$ -	\$ (463,808)	\$ 2,405,858
Non-major Funds							
Bond Reserve	\$ 152,291	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 152,291
Construction	(21,115)	-	-	-	-	-	(21,115)
Net Revenue	447	5	-	-	-	-	452
Sanitation Surcharge	56,121	4,464	-	-	-	-	60,585
Special #5 Revenue Bond	16,143	-	-	-	-	-	16,143
Spraying	47,597	8,994	-	-	-	(6,279)	50,313
Water Treatment	88,463	27	-	-	-	-	88,490
Well	118,063	3,908	-	-	-	(130)	121,841
Total Non-major Funds	\$ 458,010	\$ 17,398	\$ -	\$ -	\$ -	\$ (6,409)	\$ 468,999
Total Enterprise Funds	\$ 2,539,640	\$ 795,435	\$ 10,000	\$ -	\$ -	\$ (470,216)	\$ 2,874,857
Agency Funds							
Park	(8,626)	31,413	-	-	-	(31,413)	(8,626)
Total Agency Funds	\$ (8,626)	\$ 31,413	\$ -	\$ -	\$ -	\$ (31,413)	\$ (8,626)
Component Units							
Airport	\$ 61,172	\$ 340,214	\$ -	\$ -	\$ -	\$ (14,892)	\$ 386,493
Library	21,888	23,561	-	-	-	(32,963)	12,486
Total Component Units	\$ 83,060	\$ 363,775	\$ -	\$ -	\$ -	\$ (47,855)	\$ 398,980
Total Reporting Entity	\$ 4,143,719	\$ 1,837,402	\$ 30,000	\$ -	\$ (30,000)	\$ (1,047,490)	\$ 4,933,629

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

CITY OF LARIMORE
Larimore, North Dakota

Schedule of Fund Activity – Arising from Cash Transactions – Modified Cash Basis
December 31, 2013

Governmental Funds	Balance 01/01/13	Restatements	Receipts	Transfers In	Debt Proceeds	Transfers Out	Disbursements	Balance 12/31/13
Major Funds								
General	\$ 479,801	\$ (38,383)	\$ 447,460	\$ 34,066	\$ -	\$ (6,225)	\$ (352,675)	\$ 564,044
Highway	30,194	185,704	157,496	27,500	-	(24,000)	(68,597)	308,296
Sales Tax	304,821	309,989	76,569	-	-	(27,500)	(30,238)	633,641
Total Major Funds	\$ 814,816	\$ 457,311	\$ 681,524	\$ 61,566	\$ -	\$ (57,725)	\$ (451,510)	\$ 1,505,981
Non-major Funds								
Advertising	\$ 5,702	\$ -	\$ -	\$ -	\$ -	\$ (5,702)	\$ -	\$ 0
Non-City Purchases	1,514	-	54	-	-	-	(54)	1,514
Fire Department	(1,260)	-	-	-	-	-	-	(1,260)
Social Security	4,364	-	-	-	-	(4,364)	-	(0)
SRT Fund	23,410	-	-	-	-	-	-	23,410
Total Non-major Funds	\$ 33,730	\$ -	\$ 54	\$ -	\$ -	\$ (10,066)	\$ (54)	\$ 23,664
Total Governmental Funds	\$ 848,546	\$ 457,311	\$ 681,578	\$ 61,566	\$ -	\$ (67,791)	\$ (451,565)	\$ 1,529,646
Enterprise Funds								
Major Funds								
Water & Sewer	\$ 1,569,278	\$ 1,269	\$ 185,072	\$ 29,710	\$ -	\$ -	\$ (158,861)	\$ 1,626,468
Sewer	862,649	(174,332)	111,504	-	-	-	(47,874)	751,947
Sanitation	98,309	-	212,693	-	-	-	(200,407)	110,595
Bond	(742,393)	(15,499)	168,563	-	-	-	(32,750)	(622,079)
Equipment	159,397	5,603	57,369	6,225	-	-	(13,896)	214,698
Total Major Funds	\$ 1,947,240	\$ (182,959)	\$ 735,200	\$ 35,935	\$ -	\$ -	\$ (453,788)	\$ 2,081,628
Non-major Funds								
Bond Reserve	\$ 157,481	\$ (5,190)	\$ 29,710	\$ -	\$ -	\$ (29,710)	\$ -	\$ 152,291
Construction	(21,115)	-	-	-	-	-	-	(21,115)
Net Revenue	549	(102)	-	-	-	-	-	447
Sanitation Surcharge	56,893	(5,647)	4,875	-	-	-	-	56,121
Special #5 Revenue Bond	16,143	-	-	-	-	-	-	16,143
Spraying	46,621	(5,610)	8,644	-	-	-	(2,058)	47,597
Water Treatment	88,436	-	27	-	-	-	-	88,463
Well	138,256	(24,122)	3,929	-	-	-	-	118,063
Total Non-major Funds	\$ 483,264	\$ (40,671)	\$ 47,186	\$ -	\$ -	\$ (29,710)	\$ (2,058)	\$ 458,011
Total Enterprise Funds	\$ 2,430,504	\$ (223,631)	\$ 782,386	\$ 35,935	\$ -	\$ (29,710)	\$ (455,845)	\$ 2,539,639
Agency Funds								
Park	5,921	(14,547)	29,575	-	-	-	(29,575)	(8,626)
Total Agency Funds	\$ 5,921	\$ (14,547)	\$ 29,575	\$ -	\$ -	\$ -	\$ (29,575)	\$ (8,626)
Component Units								
Airport	\$ 54,808	\$ -	\$ 7,630	\$ -	\$ -	\$ -	\$ (1,266)	\$ 61,172
Library	16,458	-	19,567	-	-	-	(14,137)	21,888
Total Component Units	\$ 71,266	\$ -	\$ 27,197	\$ -	\$ -	\$ -	\$ (15,403)	\$ 83,060
Total Reporting Entity	\$ 3,356,237	\$ 219,133	\$ 1,520,737	\$ 97,501	\$ -	\$ (97,501)	\$ (952,388)	\$ 4,143,719

Accounting For Success

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

Governing Board
City of Larimore
Larimore, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Larimore, North Dakota, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise City of Larimore, North Dakota's basic financial statements and have issued our report thereon dated April 26, 2016.

Internal Control Over Financial Reporting

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

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 responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (2014-1 and 2014-2)

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

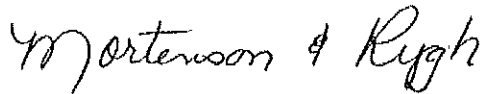
As part of obtaining reasonable assurance about whether City of Larimore, North Dakota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a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

City of Larimore, North Dakota's Response to Findings

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

Purpose of this Report

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



Mortenson and Rygh
Certified Public Accountants
April 26, 2016

CITY OF LARIMORE
Larimore, North Dakota

Schedule of Findings and Responses
For The Years Ended December 31, 2014 and 2013

FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2014-1 Segregation of Duties

Condition

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

Effect

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

Cause

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

Criteria

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

Recommendation

Due to the size and funding limitations of the City, 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 do so. We further recommend that the City of Larimore implement any controls possible to separate the functions of approval, posting of transactions, reconciliation, and custody of assets.

Client Response

No response is considered necessary.

2014-2 Improper Breakdown of Cash by Fund on Bank Reconciliations

Condition:

The City's bank reconciliations lists total cash and a breakdown of cash held in each fund. Although total cash was properly stated, the reconciled cash balances by fund did not tie to the City's balance sheet by fund.

Criteria:

A strong system of internal control includes the accurate completion of monthly or periodic bank reconciliations by personnel who are independent of handling and recording cash receipts and

disbursements. The bank reconciliation ensures the cash values on the balance sheet are the same balance as the bank after considering outstanding items.

Effect:

The City's ability to detect material misstatements to the financial statements in a timely manner could be adversely affected by the lack of accurately prepared bank reconciliations. Management may have relied on misstated amounts while planning or making financial decisions.

Recommendation:

We recommend the City and its management implement a policy that each bank reconciliation breakdown by fund tie to the balance sheet breakdown by fund.

Client Response:

In the future, the City and its management will review each bank reconciliation for accuracy.