

AUDIT REPORT

CITY OF MILNOR
Milnor, North Dakota

Basic Financial Statements As of
December 31, 2015
December 31, 2014
And Independent Auditor's Report

V. NELSON CPA, LTD.



CITY OF MILNOR

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CITY OF MILNOR
Milnor, North Dakota

CITY OFFICIALS

January 1, 2014

Harrison McCleery

Mayor

Jesse Arth
Merril Decker
Terry Dusek
Randall Edison
Dana Jacobson
Jay McCleery

Council Member
Council Member
Vice President
President
Council Member
Council Member

Janice Bixby

Auditor

July 7, 2014

Harrison McCleery

Mayor

Richard Bryant
Merril Decker
Terry Dusek
Randall Edison (passed away July 24, 2014)
Edwin "Bud" Heinert (appointed September 8, 2014)
Jay McCleery
Nannette Severson

Council Member
Vice President
President
Council Member
Council Member
Council Member
Council Member

Janice Bixby

Auditor



V. NELSON CPA LTD.

INDEPENDENT AUDITOR'S REPORT

516 Main Avenue
Oakes, ND 58474
(701)742-3375
fax(701)742-3376

To the City Council
City of Milnor
Milnor, North Dakota

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note C; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

CITY OF MILNOR
INDEPENDENT AUDITOR'S REPORT-CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Milnor, North Dakota, as of December 31, 2015 and 2014, and the respective changes in modified cash basis financial position and where applicable, cash flows thereof for the years then ended in accordance with the modified cash basis of accounting described in Note C.

Basis of Accounting

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

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider 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 35 to 40 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 statement. 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 Milnor's basic financial statements. The *schedule of fund activity arising from cash transactions* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

CITY OF MILNOR
INDEPENDENT AUDITOR'S REPORT-CONTINUED

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the City of Milnor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Milnor's internal control over financial reporting and compliance.

Versella Nelson

Versella Nelson
V. Nelson CPA, Ltd.

December 16, 2016

CITY OF MILNOR
Milnor, North Dakota

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Milnor Library	Milnor Airport Authority
ASSETS:					
Cash and Investments	\$ 707,299	\$ 679,025	\$ 1,386,324	\$ 5,560	\$ 4,442
LIABILITIES:					
<u>Current Liabilities</u>					
Due Within One Year:					
Refunding Bonds Payable	\$ 146,200	\$ 113,800	\$ 260,000	\$	\$
<u>Noncurrent Liabilities</u>					
Refunding Bonds Payable	1,720,600	1,199,400	2,920,000		
Total Liabilities	\$ 1,866,800	\$ 1,313,200	\$ 3,180,000	\$	\$
NET POSITION:					
Restricted for:					
Streets	\$ 94,652	\$	\$ 94,652	\$	\$
Other Special Purposes	593,946		593,946		
Unrestricted	(1,848,099)	(634,175)	(2,482,274)	5,560	4,442
Total Net Position	\$ (1,159,501)	\$ (634,175)	\$ (1,793,676)	\$ 5,560	\$ 4,442

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

CITY OF MILNOR
Milnor, North Dakota

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Units Milnor Library	Milnor Airport
Primary Government:								
Governmental Activities:								
General Government	\$ 206,210	\$ 951	\$	\$ (205,259)	\$	\$ (205,259)	\$	\$
Public Safety	24,002			(24,002)		(24,002)		
Public Works/Highway	58,464	5,848	60,988	8,372		8,372		
Conser. of Natural Resources	9,664	325	1,015	(8,324)		(8,324)		
Economic Development	22,522			(22,522)		(22,522)		
Capital Outlay	1,267,087			(1,267,087)		(1,267,087)		
Interest & Fees on Long Term Debt	52,972			(52,972)		(52,972)		
Total Governmental Activities	\$1,640,921	\$ 7,124	\$ 62,003	\$ (1,571,794)	\$	\$ (1,571,794)	\$	\$
Business-Type Activities:								
Water	\$ 88,564	\$124,508	\$	\$	\$ 35,944	\$ 35,944	\$	\$
Sewer	64,537	61,058			(3,479)	(3,479)		
Garbage	76,739	76,655			(84)	(84)		
Total Business-Type Activities	\$ 229,840	\$262,221	\$ 0	\$	\$ 32,381	\$ 32,381	\$	\$
Total Primary Government	\$1,870,761	\$269,345	\$ 62,003	\$ (1,571,794)	\$ 32,381	\$ (1,539,413)	\$	\$
Component Units:								
Milnor Library	\$ 0	\$ 0	\$ 0			\$ 0	\$ 0	\$
Milnor Airport	32,225	1,600	20,709			0		(9,916)
Total Component Units	\$ 32,225	\$ 1,600	\$ 20,709			\$ 0	\$ 0	\$ (9,916)
General Revenues:								
Taxes:								
Property Taxes; Levied for General Purposes	\$ 54,577	\$	\$	\$ 54,577	\$	\$ 54,577	\$	\$ 4,888
Property Taxes; Levied for Debt Services	158,334			158,334	160,392	318,726		
Property Taxes; Levied for Special Purposes	140,534			140,534		140,534		
Non restricted grants and contributions	63,512			63,512		63,512		681
Earnings on investments	769			769	730	1,499		0
Miscellaneous Revenue	10,170			10,170	0	10,170	10	7,799
Sale of equipment & assets	6,200			6,200		6,200		
Total General Revenues	\$ 434,096	\$ 161,122	\$ 595,218	\$ 10	\$ 13,368	\$ 10	\$ 13,368	\$ 10
Change in Net Position	\$ (1,137,698)	\$ 193,503	\$ (944,195)	\$ 10	\$ 3,452	\$ 10	\$ 3,452	\$ 10
Net Position-January 1	\$ (21,803)	\$ (827,678)	\$ (849,481)	\$ 5,550	\$ 990	\$ 5,550	\$ 990	\$ 990
Net Position-December 31	\$ (1,159,501)	\$ (634,175)	\$ (1,793,676)	\$ 5,560	\$ 4,442	\$ 5,560	\$ 4,442	\$ 4,442

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

CITY OF MILNOR
Milnor, North Dakota

BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2015

	Major Funds					Other Govern- mental Funds	Total Govern- mental Funds
	General	Highway	City Sales Tax	Street Improve- ment #01	Street Improve- ment #15		
ASSETS							
Cash and Investments	\$18,701	\$94,652	\$120,148	\$163,888	\$201,214	\$108,696	\$707,299
LIABILITIES AND FUND BALANCES							
Liabilities	\$	\$	\$	\$	\$	\$	\$
Fund Balances:							
Restricted							
Restricted for Debt Service	\$	\$	\$	\$163,888	\$ 52,148	\$	\$216,036
Assigned							
Assigned for Highway		94,652					94,652
Assigned for Sales Tax							
Purposes			120,148				120,148
Assigned for Street							
Improvement					149,066		149,066
Assigned for Special							
Revenues						108,696	108,696
Unassigned	18,701						18,701
Total Fund Balances	\$18,701	\$94,652	\$120,148	\$163,888	\$201,214	\$108,696	\$707,299
Total Liabilities and Fund Balances	\$18,701	\$94,652	\$120,148	\$163,888	\$201,214	\$108,696	\$707,299

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

CITY OF MILNOR
Milnor, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2015

Total Fund Balances for Governmental Funds \$ 707,299

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

Long-term liabilities applicable to the City's
governmental activities are not due and payable
in the current period and accordingly are not
reported as fund liabilities. All liabilities-
both current and long-term are reported in the
statement of net position. Balances at
December 31, 2015 are:

Refunding Bonds Payable	<u>\$ (1,866,800)</u>	
Total Long-Term Liabilities		<u>(1,866,800)</u>
Total Net Position of Governmental Activities		<u>\$ (1,159,501)</u>

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

CITY OF MILNOR
Milnor, North Dakota

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2015

	Major Funds					Other Govern- mental Funds	Total Govern- mental Funds
	General	Highway	City Sales Tax	Street Improve- ment #01	Street Improve- ment #15		
Revenues:							
Taxes	\$ 54,577	\$	\$ 47,227	\$ 92,177	\$ 66,157	\$ 93,307	\$ 353,445
Licenses, Permits & Fees	3,610						3,610
Intergovernmental Charges for Services	63,512	60,988				1,015	125,515
Fines & Forfeitures	951	5,848				325	7,124
Interest Income	125			269	169	0	125
Miscellaneous	290					41	769
	4,753	1,682				0	6,435
Total Revenues	\$127,818	\$ 68,518	\$ 47,227	\$ 92,446	\$ 66,326	\$ 94,688	\$ 497,023
Expenditures:							
Current:							
General Government	\$140,757	\$	\$	\$	\$	\$ 65,453	\$ 206,210
Public Safety	24,002						24,002
Public Works		58,464					58,464
Conser. of Natural Resources			7,084	0		2,580	9,664
Economic Development			22,522				22,522
Capital Outlay			22,059	1,400	1,232,878	10,750	1,267,087
Debt Service:							
Principal				64,800		0	64,800
Interest & Service Charges				10,738	14,009	0	24,747
Total Expenditures	\$164,759	\$ 58,464	\$ 51,665	\$ 76,938	\$ 1,246,887	\$ 78,783	\$ 1,677,496
Excess (Deficiency) of Revenues Over Expenditures	\$ (36,941)	\$ 10,054	\$ (4,438)	\$ 15,508	\$ (1,180,561)	\$ 15,905	\$ (1,180,473)
Other Financing Sources (Uses):							
Bond Proceeds	\$	\$	\$	\$	\$ 1,410,000	\$	\$ 1,410,000
Bond Premium					7,835		7,835
Bond Issuance Costs					(36,060)		(36,060)
Sale of Land & Equipment	4,350		0			1,850	6,200
Transfers In						2,967	2,967
Transfers Out	(2,967)		0		0		(2,967)
Total Other Financing Sources and Uses	\$ 1,383	\$ 0	\$ 0	\$ 0	\$ 1,381,775	\$ 4,817	\$ 1,387,975
Net Change in Fund Balances	\$ (35,558)	\$ 10,054	\$ (4,438)	\$ 15,508	\$ 201,214	\$ 20,722	\$ 207,502
Fund Balance- January 1	\$ 54,259	\$ 84,598	\$124,586	\$148,380	\$ 0	\$ 87,974	\$ 499,797
Fund Balance- December 31	\$ 18,701	\$ 94,652	\$120,148	\$163,888	\$ 201,214	\$108,696	\$ 707,299

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

CITY OF MILNOR
Milnor, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
-MODIFIED CASH BASIS

For the Year Ended December 31, 2015

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 207,502
The change in net position reported for governmental activities in the statement of activities is different because:	
The issuance of long-term obligations provides current financial resources to government funds, but issuing debt or entering into lease purchase obligations also increases long-term liabilities in the Statement of Net Position.	
	(1,410,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the repayment of debt.	<u>64,800</u>
Change in Net Position of Governmental Activities	<u><u>\$(1,137,698)</u></u>

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

CITY OF MILNOR
Milnor, North Dakota

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Garbage	Total
ASSETS:				
<u>Current Assets:</u>				
Cash	\$ 329,730	\$ 340,378	\$ 8,917	\$ 679,025
LIABILITIES:				
<u>Current Liabilities:</u>				
Refunding Bonds Payable	\$	\$ 113,800	\$	\$ 113,800
Total Current Liabilities	\$	\$ 113,800	\$	\$ 113,800
<u>Noncurrent Liabilities:</u>				
Refunding Bonds Payable	\$	\$ 1,199,400	\$	\$ 1,199,400
Total Noncurrent Liabilities	\$	\$ 1,199,400	\$	\$ 1,199,400
Total Liabilities	\$	\$ 1,313,200	\$	\$ 1,313,200
NET POSITION:				
Unrestricted	\$ 329,730	\$ (972,822)	\$ 8,917	\$ (634,175)
Total Net Position	\$ 329,730	\$ (972,822)	\$ 8,917	\$ (634,175)

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

CITY OF MILNOR
Milnor, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Garbage	Total
<u>Operating Revenues:</u>				
Charges for Services	\$ 124,508	\$ 61,058	\$76,655	\$ 262,221
<u>Operating Expenses:</u>				
Salaries	\$ 21,504	\$ 21,504	\$21,504	\$ 64,512
Medical Insurance	15,087	13,190		28,277
Electricity	3,819	1,032		4,851
Repairs & Maintenance	1,847	3,133		4,980
Water Contract	43,494			43,494
New Hook-up Expense	143	357		500
Garbage Contract			54,124	54,124
Miscellaneous	2,670	6,232	1,111	10,013
Total Operating Expenses	\$ 88,564	\$ 45,448	\$76,739	\$ 210,751
Operating Income (Loss)	\$ 35,944	\$ 15,610	\$ (84)	\$ 51,470
<u>Nonoperating Revenues (Expenses):</u>				
Miscellaneous Revenue	\$	\$	\$	\$
Interest Income	272	458		730
Special Assessments	11,461	148,931		160,392
Bond Discount				
Debt Service:				
Interest		(18,309)		(18,309)
Bank Service Charges		(780)		(780)
Total Nonoperating Revenues (Expenses)	\$ 11,733	\$ 130,300	\$ 0	\$ 142,033
Change in Net Position	\$ 47,677	\$ 145,910	\$ (84)	\$ 193,503
Net Position-January 1	\$ 282,053	\$(1,118,732)	\$ 9,001	\$ (827,678)
Net Position-December 31	\$ 329,730	\$ (972,822)	\$ 8,917	\$ (634,175)

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

CITY OF MILNOR
Milnor, North Dakota

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS

For the Year Ended December 31, 2015

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>Cash Flows from Operating Activities:</u>				
Receipts from Customers	\$124,508	\$ 61,058	\$ 76,655	\$ 262,221
Payments to Suppliers	(67,060)	(23,944)	(55,235)	(146,239)
Payments to Employees	(21,504)	(21,504)	(21,504)	(64,512)
Net Cash Provided (Used) by Operating Activities	<u>\$ 35,944</u>	<u>\$ 15,610</u>	<u>\$ (84)</u>	<u>\$ 51,470</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Special Assessments	\$ 11,461	\$ 148,931	\$	\$ 160,392
Miscellaneous Revenues				
Net Cash Provided by Noncapital Financing Activities	<u>\$ 11,461</u>	<u>\$ 148,931</u>	<u>\$</u>	<u>\$ 160,392</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Principal Paid on Long-Term Debt	\$	\$ (115,200)	\$	\$ (115,200)
Interest Paid		(18,309)		(18,309)
Bank Service Charges Paid		(780)		(780)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$</u>	<u>\$ (134,289)</u>	<u>\$</u>	<u>\$ (134,289)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest Income	\$ 272	\$ 458	\$	\$ 730
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ 47,677</u>	<u>\$ 30,710</u>	<u>\$ (84)</u>	<u>\$ 78,303</u>
Cash and Cash Equivalents, January 1	<u>\$282,053</u>	<u>\$ 309,668</u>	<u>\$ 9,001</u>	<u>\$ 600,722</u>
Cash and Cash Equivalents, December 31	<u>\$329,730</u>	<u>\$ 340,378</u>	<u>\$ 8,917</u>	<u>\$ 679,025</u>

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

CITY OF MILNOR
Milnor, North Dakota

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
December 31, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Milnor Library	Milnor Airport Authority
<u>ASSETS:</u>					
Cash and Investments	\$ 499,797	\$ 600,722	\$ 1,100,519	\$ 5,550	\$ 990
<u>LIABILITIES:</u>					
<u>Current Liabilities</u>					
Due Within One Year:					
Bonds Payable	\$ 64,800	\$ 115,200	\$ 180,000	\$	\$
<u>Noncurrent Liabilities</u>					
Bonds Payable	456,800	1,313,200	1,770,000		
Total Liabilities	\$ 521,600	\$ 1,428,400	\$ 1,950,000	\$	\$
<u>NET POSITION:</u>					
Restricted for:					
Streets	\$ 84,598	\$	\$ 84,598	\$	\$
Other Special Purposes	360,940		360,940		
Unrestricted	(467,341)	(827,678)	(1,295,019)	5,550	990
Total Net Position	\$ (21,803)	\$ (827,678)	\$ (849,481)	\$ 5,550	\$ 990

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

CITY OF MILNOR
Milnor, North Dakota

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For the Year Ended December 31, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Component Units Milnor Library	Milnor Airport
<u>Primary Government:</u>								
<u>Governmental Activities:</u>								
General Government	\$203,810	\$	\$	\$ (203,810)	\$	\$ (203,810)	\$	\$
Public Safety	23,213			(23,213)		(23,213)		
Public Works/Highway	79,374	3,430	64,320	(11,624)		(11,624)		
Conser. of Natural Resources	6,722	325		(6,397)		(6,397)		
Economic Development	5,000			(5,000)		(5,000)		
Capital Outlay	102,805			(102,805)		(102,805)		
Interest & Fees on Long Term Debt	11,011			(11,011)		(11,011)		
Total Governmental Activities	\$431,935	\$ 3,755	\$ 64,320	\$ (363,860)	\$	\$ (363,860)	\$	\$
<u>Business-Type Activities:</u>								
Water	\$ 85,288	\$117,072	\$	\$	\$ 31,784	\$ 31,784	\$	\$
Sewer	59,715	57,744			(1,971)	(1,971)		
Garbage	73,949	74,419			470	470		
Total Business-Type Activities	\$218,952	\$249,235	\$ 0	\$	\$ 30,283	\$ 30,283	\$	\$
Total Primary Government	\$650,887	\$252,990	\$ 64,320	\$ (363,860)	\$ 30,283	\$ (333,577)	\$	\$
<u>Component Units:</u>								
Milnor Library	\$ 6,214	\$ 0	\$ 784			\$ 0	\$ (5,430)	\$
Milnor Airport	57,724	1,800	14,676			0		(41,248)
Total Component Units	\$ 63,938	\$ 1,800	\$ 15,460			\$ 0	\$ (5,430)	\$ (41,248)
<u>General Revenues:</u>								
<u>Taxes:</u>								
Property Taxes; Levied for General Purposes	\$	\$ 73,220	\$	\$ 73,220	\$	\$ 73,220	\$ 3,961	\$11,930
Property Taxes; Levied for Debt Services		101,584		151,379		252,963		
Property Taxes; Levied for Special Purposes		146,124		146,124		146,124		
Non restricted grants and contributions		61,682		61,682		61,682		660
Earnings on investments		575		681		1,256		0
Miscellaneous Revenue		13,664		1,719		15,383	2,704	21,684
Sale of capital assets		73,374		73,374		73,374		
Total General Revenues		\$ 470,223		\$ 153,779		\$ 624,002	\$ 6,665	\$ 34,274
Change in Net Position		\$ 106,363		\$ 184,062		\$ 290,425	\$ 1,235	\$ (6,974)
Net Position-January 1		\$ (128,166)		\$ (1,011,740)		\$ (1,139,906)	\$ 4,315	\$ 7,964
Net Position-December 31		\$ (21,803)		\$ (827,678)		\$ (849,481)	\$ 5,550	\$ 990

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

CITY OF MILNOR
Milnor, North Dakota

BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2014

	<u>Major Funds</u>					Other Govern- mental Funds	Total Govern- mental Funds
	General	Highway	City Sales Tax	Equipment Reserve	Street Improve- ment #01		
<u>ASSETS</u>							
Cash and Investments	\$54,259	\$84,598	\$124,586	\$ 18,462	\$148,380	\$69,512	\$499,797
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities	\$	\$	\$	\$	\$	\$	\$
<u>Fund Balances:</u>							
Restricted							
Restricted for Debt Service	\$	\$	\$	\$	\$148,380	\$	\$148,380
Assigned							
Assigned for Highway		84,598					84,598
Assigned for Sales Tax Purposes			124,586				124,586
Assigned for Equipment				18,462			18,462
Assigned for Street Improvement					0		0
Assigned for Special Revenues						69,512	69,512
Unassigned	54,259						54,259
Total Fund Balances	\$54,259	\$84,598	\$124,586	\$ 18,462	\$148,380	\$69,512	\$499,797
Total Liabilities and Fund Balances	\$54,259	\$84,598	\$124,586	\$ 18,462	\$148,380	\$69,512	\$499,797

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

CITY OF MILNOR
Milnor, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
December 31, 2014

Total *Fund Balances* for Governmental Funds \$ 499,797

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

Long-term liabilities applicable to the City's
governmental activities are not due and payable
in the current period and accordingly are not
reported as fund liabilities. All liabilities-
both current and long-term are reported in the
statement of net position. Balances at
December 31, 2014 are:

Refunding Bonds Payable	<u>\$ (521,600)</u>
Total Long-Term Liabilities	<u>(521,600)</u>
Total Net Position of Governmental Activities	<u>\$ (21,803)</u>

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

CITY OF MILNOR
Milnor, North Dakota

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2014

	Major Funds					Other Govern- mental Funds	Total Govern- mental Funds
	General	Highway	City Sales Tax	Equipment Reserve	Street Improve- ment #01		
Revenues:							
Taxes	\$ 73,220	\$	\$ 42,239	\$ 21,116	\$101,584	\$ 82,769	\$ 320,928
Licenses, Permits & Fees	5,617						5,617
Intergovernmental	61,682	64,320					126,002
Charges for Services	0	3,430				325	3,755
Fines & Forfeitures	111					0	111
Interest Income	280				262	33	575
Miscellaneous	5,567	2,369				0	7,936
Total Revenues	\$146,477	\$ 70,119	\$ 42,239	\$ 21,116	\$101,846	\$ 83,127	\$ 464,924
Expenditures:							
Current:							
General Government	\$143,895	\$	\$	\$	\$	\$ 59,915	\$ 203,810
Public Safety	23,213						23,213
Public Works		79,374					79,374
Conser. of Natural Resources			6,336			386	6,722
Economic Development			5,000				5,000
Capital Outlay			0	102,805			102,805
Debt Service:							
Principal					68,400		68,400
Interest & Service Charges					11,011		11,011
Total Expenditures	\$167,108	\$ 79,374	\$ 11,336	\$102,805	\$ 79,411	\$ 60,301	\$ 500,335
Excess (Deficiency) of Revenues Over Expenditures	\$ (20,631)	\$ (9,255)	\$ 30,903	\$ (81,689)	\$ 22,435	\$ 22,826	\$ (35,411)
Other Financing Sources (Uses):							
Sale of Land & Equipment	\$ 11,134	\$	\$	\$ 62,240	\$	\$	\$ 73,374
Transfer In	209						209
Transfer Out	0		0			(209)	(209)
Total Other Financing Sources and Uses	\$ 11,343	\$ (0)	\$ (0)	\$ 62,240	\$	\$ (209)	\$ 73,374
Net Change in Fund Balances	\$ (9,288)	\$ (9,255)	\$ 30,903	\$ (19,449)	\$ 22,435	\$ 22,617	\$ 37,963
Fund Balance- January 1	\$ 63,547	\$ 93,853	\$ 93,683	\$ 37,911	\$125,945	\$ 46,895	\$ 461,834
Fund Balance- December 31	\$ 54,259	\$ 84,598	\$124,586	\$ 18,462	\$148,380	\$ 69,512	\$ 499,797

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

CITY OF MILNOR
Milnor, North Dakota

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
-MODIFIED CASH BASIS
For the Year Ended December 31, 2014

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 37,963
The change in net position reported for governmental activities in the statement of activities is different because:	
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the repayment of debt.	<u>68,400</u>
Change in Net Position of Governmental Activities	<u>\$ 106,363</u>

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

CITY OF MILNOR
Milnor, North Dakota

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
December 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
ASSETS:				
<u>Current Assets:</u>				
Cash	\$ 282,053	\$ 309,668	\$ 9,001	\$ 600,722
LIABILITIES:				
<u>Current Liabilities:</u>				
Revenue Bonds Payable	\$ 0	\$ 115,200	\$	\$ 115,200
Total Current Liabilities	\$ 0	\$ 115,200	\$	\$ 115,200
<u>Noncurrent Liabilities:</u>				
Revenue Bonds Payable	\$ 0	\$ 1,313,200	\$	\$ 1,313,200
Total Noncurrent Liabilities	\$ 0	\$ 1,313,200	\$	\$ 1,313,200
Total Liabilities	\$ 0	\$ 1,428,400	\$	\$ 1,428,400
NET POSITION:				
Unrestricted	\$ 282,053	\$(1,118,732)	\$ 9,001	\$ (827,678)
Total Net Position	\$ 282,053	\$(1,118,732)	\$ 9,001	\$ (827,678)

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

CITY OF MILNOR
Milnor, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS

For the Year Ended December 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>Operating Revenues:</u>				
Charges for Services	\$ 117,072	\$ 57,744	\$74,419	\$ 249,235
<u>Operating Expenses:</u>				
Salaries	\$ 18,306	\$ 18,306	\$18,306	\$ 54,918
Medical Insurance	3,346	8,688		12,034
Electricity	3,898	1,070		4,968
Repairs & Maintenance	2,674	5,192		7,866
Water Contract	43,014			43,014
Garbage Contract			54,579	54,579
Miscellaneous	14,050	6,884	1,064	21,998
Total Operating Expenses	\$ 85,288	\$ 40,140	\$73,949	\$ 199,377
Operating Income (Loss)	\$ 31,784	\$ 17,604	\$ 470	\$ 49,858
<u>Nonoperating Revenues (Expenses):</u>				
Miscellaneous Revenue	\$ 1,658		\$ 61	\$ 1,719
Interest Income	230	451		681
Special Assessments	14,529	136,850		151,379
Construction Expenses & Contingencies				
Debt Service:				
Interest		(18,840)		(18,840)
Bank Service Charges		(735)		(735)
Total Nonoperating Revenues	\$ 16,417	\$ 117,226	\$ 61	\$ 134,204
Change in Net Position	\$ 48,201	\$ 135,330	\$ 531	\$ 184,062
Net Position-January 1	\$ 233,852	\$(1,254,062)	\$ 8,470	\$(1,011,740)
Net Position-December 31	\$ 282,053	\$(1,118,732)	\$ 9,001	\$ (827,678)

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

CITY OF MILNOR
Milnor, North Dakota

STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS

For the Year Ended December 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>Cash Flows from Operating Activities:</u>				
Receipts from Customers	\$117,072	\$ 57,744	\$ 74,419	\$ 249,235
Payments to Suppliers	(66,982)	(21,834)	(55,643)	(144,459)
Payments to Employees	(18,306)	(18,306)	(18,306)	(54,918)
Net Cash Provided by Operating Activities	<u>\$ 31,784</u>	<u>\$ 17,604</u>	<u>\$ 470</u>	<u>\$ 49,858</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Special Assessments	\$ 14,529	\$ 136,850	\$	\$ 151,379
Miscellaneous Revenues	1,658	0	61	1,719
Net Cash Provided by Noncapital Financing Activities	<u>\$ 16,187</u>	<u>\$ 136,850</u>	<u>\$ 61</u>	<u>\$ 153,098</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Engineering, Construction and Professional Fees	\$	\$	\$	\$ 0
Principal Paid on Long-Term Debt		(121,600)		(121,600)
Interest Paid		(18,840)		(18,840)
Bank Service Charges Paid		(735)		(735)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 0</u>	<u>\$ (141,175)</u>	<u>\$ 0</u>	<u>\$ (141,175)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest Income	\$ 230	\$ 451	\$ 0	\$ 681
Net Increase in Cash and Cash Equivalents	<u>\$ 48,201</u>	<u>\$ 13,730</u>	<u>\$ 531</u>	<u>\$ 62,462</u>
Cash and Cash Equivalents, January 1	<u>\$233,852</u>	<u>\$ 295,938</u>	<u>\$ 8,470</u>	<u>\$ 538,260</u>
Cash and Cash Equivalents, December 31	<u>\$282,053</u>	<u>\$ 309,668</u>	<u>\$ 9,001</u>	<u>\$ 600,722</u>

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

CITY OF MILNOR
Milnor, North Dakota

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Milnor, North Dakota, was incorporated under the laws of the State of North Dakota and operates under a City Commission form of government. The accounting policy of the City of Milnor, 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 city does not maintain capital asset records for the governmental and business-type activities, including accumulated depreciation. 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 Milnor. The city has considered all potential component units for which the city is financially accountable and other organizations for which the nature and significance of their relationships with the city are such that exclusion would cause the city's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the City of Milnor 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 Milnor.

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

COMPONENT UNITS

In conformity with accounting principles generally accepted in the United States of America, the financial statements of component units have been included in the financial reporting entity as discretely presented component unit.

Discretely Presented Component Unit - The component unit's column in the government wide financial statements include the financial data of the city's component units. These units are reported in a separate column to emphasize that they are legally separate from the city.

Milnor Municipal Airport Authority - The Milnor Municipal Airport Authority's governing board is appointed by the city's governing body. The city's governing board has the authority to approve, disapprove or amend the airport authority's budget.

Milnor Public Library - The Milnor Public Library's governing board is appointed by the city's governing body. The city's governing board has the authority to approve, disapprove or amend the city library's budget.

CITY OF MILNOR

Notes to the Financial Statements-Continued

Component Unit Financial Statements - The financial statements of the discretely presented component unit are presented in the financial statements. Complete financial statements of the component unit can be obtained directly from the administrative office of the city:

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 primary government and the component units of the City of Milnor. 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 services.

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 or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 including its discretely presented component unit. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds 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 nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investments earnings, result from non-exchange transactions or ancillary activities.

The city reports the following major governmental funds:

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

Highway Distribution Fund. This fund is used to account for taxes received for streets and highways and for repair and maintenance projects to the city streets and roads.

Equipment Reserve. This fund is used to account for taxes received and financial resources that are restricted, committed, or assigned to expenditure for equipment.

CITY OF MILNOR

Notes to the Financial Statements-Continued

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

Street Improvement #01 and Street Improvement #15. These funds account for the accumulation of resources that are restricted, committed, or assigned to expenditures for long-term debt principal, interest, and related costs associated to the street improvement projects.

The City reports the following major enterprise funds:

Water Fund. This fund accounts for the activity of the Water Department. The department operates the water distribution system in the City of Milnor. It is also used to account for principal and interest payments on water revenue bonds.

Sewer Fund. This fund accounts for the activity of the Sewer Department. The department operates the waste water collection system in the City of Milnor. It is also used to account for the principal and interest payments on sewer revenue bonds.

Garbage Fund. This fund accounts for the activities of the garbage collection system within the City of Milnor.

Additionally, the city reports the following fund type:

Agency Funds. These funds account for assets held by the City in a custodial capacity as an agent on behalf of others. The City's agency fund is used to account for various deposits of other governments.

C. Measurement Focus and Basis of Accounting

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

MEASUREMENT FOCUS

In the government-wide Statement of Net Position and the 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, as defined in item b below.

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

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

CITY OF MILNOR

Notes to the Financial Statements-Continued

- b) The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. 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, business-like, fiduciary fund, and component unit activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, proprietary fund statements, and the similar discretely presented component unit 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.

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.

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, Cash Equivalents and Investments

Cash includes amounts in demand deposits. Cash equivalents on the statement of cash flows consist of highly liquid investments with an original maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

The investments of the City at December 31, 2015 and 2014 consists of certificates of deposit stated at cost.

CITY OF MILNOR

Notes to the Financial Statements-Continued

E. Fund Balances/Net Position

In the governmental fund financial statements fund balance is reported in five classifications. Nonspendable fund balance is the amount that is not in spendable form. Restricted for debt service is the portion of fund balance that is restricted for use on loan payments. Committed is that portion of fund balance that has been approved by the highest level of formal action of the city council and does not lapse at year-end. The city does not have any committed fund balance this fiscal year. Assigned is the portion of fund balance that has been approved by formal action of the city council and does lapse at year end.

Unassigned is the fund balance that has not been reported in any other classification. The City of Milnor, North Dakota does not have a revenue spending policy that provides policy for programs with multiple revenue sources. The Auditor uses resources in following hierarchy bond proceeds, federal funds, state funds and local funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The city has the authority to deviate from this policy if it is in the best interest of the city. There is no stabilization amounts. The city has not set a minimum fund balance.

Net Position

With 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.

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, highways, economic development, capital projects and special purposes.

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

CITY OF MILNOR
Notes to the Financial Statements-Continued

NOTE 2: LEGAL COMPLIANCE - BUDGETS

BUDGET AMENDMENTS

The city's governing board approved the following amendments to the city budget:
For the Year Ended December 31, 2015:

<u>Fund</u>	<u>Original Budget</u>	<u>Revenues</u> <u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$113,448	\$ 18,720	\$ 132,168
Emergency	4,993	(382)	4,611
Highway Distribution	65,100	3,418	68,518
Equipment Reserve	30,000	(4,539)	25,461
Social Security Fund	8,677	180	8,857
Advertising Fund	786	12	798
Insurance Reserve	4,575	45	4,620
Pension Fund	1,940	30	1,970
City Sales Tax	30,000	17,227	47,227
Forestry Fund	1,524	1,364	2,888
Library Fund	8,805	(8,795)	10
Airport Authority Fund	6,325	29,352	35,677
Special Assessments Fund	32,385	5,713	38,098
Sebens Building Fund	60	8	68
Water Channel #1 Fund	12,663	(3,469)	9,194
Water Revenue Fund	53	42	95
Mund East Acres	12,950	(1,340)	11,610
Water Improvement #1	32	9	41
Sewer Improvement	120,900	28,489	149,389
Street Improvement #01	93,200	(754)	92,446
Street Improvement #15	0	1,463,000	1,463,000

<u>Fund</u>	<u>Original Budget</u>	<u>Expenditures</u> <u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$153,842	\$ 13,884	\$ 167,726
Special Assessments Fund	43,914	(9,963)	33,951
Social Security Fund	11,100	122	11,222
Library Fund	8,805	(8,795)	10
Airport Authority Fund	8,025	24,200	32,225
Highway Fund	88,000	(29,536)	58,464
Emergency Fund	4,993	(4,851)	142
Sebens Building Fund	500	750	1,250
Water Channel #1 Fund	12,868	(1,400)	11,468
Advertising Fund	1,545	51	1,596
Insurance Fund	4,575	(1,226)	3,349
Pension Fund	2,250	1,475	3,725
Forestry Fund	3,430	(850)	2,580
Sales Tax Fund	31,500	20,165	51,665
Equipment Reserve Fund	30,000	(19,250)	10,750
Water Revenue Fund	0	0	0
Water Improvement #1	0	0	0
Mund East Acres	0	0	0
Sewer Improvement	134,293	(4)	134,289
Street Improvement #01	75,540	1,398	76,938
Street Improvement #15	0	1,261,786	1,261,786

CITY OF MILNOR

Notes to the Financial Statements-Continued

NOTE 2: LEGAL COMPLIANCE - BUDGETS (CON'T)

For the Year Ended December 31, 2014:

<u>Fund</u>	<u>Original Budget</u>	<u>Revenues</u>	
		<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$116,865	\$ 40,746	\$ 157,611
Special Assessments Fund	40,532	14,291	54,823
Social Security Fund	8,682	291	8,973
Library Fund	10,126	(2,677)	7,449
Airport Authority Fund	6,254	44,496	50,750
Highway Fund	65,100	5,019	70,119
Emergency Fund	4,448	129	4,577
Water Channel #1 Fund	5,734	160	5,894
Sebens Building Fund	50	18	68
Advertising Fund	789	24	813
Insurance Fund	3,943	185	4,128
Pension Fund	1,940	54	1,994
Forestry Fund	1,524	367	1,891
Sales Tax Fund	30,000	12,239	42,239
Equipment Reserve Fund	30,000	53,356	83,356
Water Revenue Fund	60	16	76
Mund East Acres	14,985	(330)	14,655
Water Improvement #1	125	(92)	33
Sewer Improvement	130,900	6,401	137,301
Street Improvement #01	100,250	1,596	101,846

<u>Fund</u>	<u>Original Budget</u>	<u>Expenditures</u>	
		<u>Amendments</u>	<u>Amended Budget</u>
General Fund	\$149,132	\$ 17,976	\$ 167,108
Special Assessments Fund	45,314	(8,387)	36,927
Social Security Fund	11,950	(2,278)	9,672
Library Fund	12,565	(6,351)	6,214
Airport Authority Fund	6,254	51,470	57,724
Highway Fund	74,950	4,424	79,374
Emergency Fund	4,750	(2,880)	1,870
Sebens Building Fund	500	(500)	0
Water Channel #1 Fund	5,734	0	5,734
Advertising Fund	1,450	(669)	781
Insurance Fund	3,943	(700)	3,243
Pension Fund	2,314	(626)	1,688
Forestry Fund	2,280	(1,894)	386
Sales Tax Fund	31,000	(19,664)	11,336
Equipment Reserve Fund	30,000	72,805	102,805
Sewer Improvement	130,898	10,277	141,175
Street Improvement	73,630	5,781	79,411
Mund East Acres	0	0	0

EXCESS OF ACTUAL EXPENDITURES OVER BUDGET

Expenditures exceeded budget in the following funds: None

No remedial action is anticipated or required by the city council regarding these excess expenditures.

CITY OF MILNOR

Notes to the Financial Statements-Continued

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

At years ended December 31, 2015 and 2014, the city's carrying amount of deposits was \$1,521,166 and \$1,233,081, respectively and the bank balances were \$1,557,339 and \$1,288,092, respectively. Of the bank balances, \$250,000 was covered by Federal Depository Insurance each year. The remaining balances of \$1,307,339 in 2015 and \$1,038,092 in 2014 were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk

The city may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct 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 the type listed above.
- © Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2015 and 2014, the city held certificates of deposit in the amounts of \$12,670 and \$12,668 which are all considered deposits.

Interest Rate Risk:

The city doesn't have a formal deposit policy that limits maturities as a means of managing exposure to fair-value losses arising from increasing interest rates.

CITY OF MILNOR

Notes to the Financial Statements-Continued

NOTE 3: DEPOSITS AND INVESTMENTS (CON'T)

Concentration of Credit Risk:

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

NOTE 4: PROPERTY TAXES

The county treasurer act 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 5: LONG-TERM DEBT

Changes in Long-Term Liabilities - During the years ended December 31, 2015 and 2014, the following changes occurred in long-term liabilities:

Governmental Fund Debt:

	<u>2015</u>				
	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Refunding Bonds 2015	\$ 0	\$1,410,000	\$	\$1,410,000	\$ 85,000
Refunding Bonds 2013	521,600		64,800	456,800	63,000
Total	<u>\$ 521,600</u>	<u>\$1,410,000</u>	<u>\$ 64,800</u>	<u>\$1,866,800</u>	<u>\$148,000</u>

	<u>2014</u>				
	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
Refunding Bonds 2013	\$ 590,000	\$ 0	\$ 68,400	\$ 521,600	\$ 64,800
Total	<u>\$ 590,000</u>	<u>\$ 0</u>	<u>\$ 68,400</u>	<u>\$ 521,600</u>	<u>\$ 64,800</u>

Outstanding debt at December 31, 2015, consists of the following issues:

CITY OF MILNOR
Notes to the Financial Statements--Continued

NOTE 5: LONG-TERM DEBT (CON'T)

Refunding Bonds:

\$1,410,000 Refunding Bonds of 2015, due in annual installments of \$85,000 to \$115,000 through 2030; interest at 1.25% to 3.5%. \$1,410,000

\$590,000 Refunding Bonds of 2013, due in annual installments of \$50,000 to \$68,400 through 2026; interest at .4% to 2.6%. 456,800

Total Governmental Fund Long-Term Debt \$1,866,800

The annual requirements to amortize the outstanding debt are as follows:

Year Ending December 31	Bonds 2013			Bonds 2015		
	Principal	Interest	Totals	Principal	Interest	Totals
2016	\$ 63,000	\$ 9,948	\$ 72,948	\$ 85,000	\$ 34,984	\$ 119,984
2017	61,200	9,545	70,745	80,000	33,953	113,953
2018	59,400	9,078	68,478	85,000	32,921	117,921
2019	57,600	8,537	66,137	85,000	31,540	116,540
2020	54,000	7,952	61,952	85,000	29,840	114,840
2021 to 2025	156,600	31,622	188,222	460,000	118,505	578,505
2026 to 2030	5,000	130	5,130	530,000	47,375	577,375
Total	<u>\$ 456,800</u>	<u>\$ 76,812</u>	<u>\$533,612</u>	<u>\$1,410,000</u>	<u>\$329,118</u>	<u>\$1,739,118</u>

ENTERPRISE FUND DEBT:

The enterprise fund debt is reported on the balance sheet in the enterprise funds. The long-term debt of the enterprise fund is as follows:

	2015					
	Balance				Balance	Due Within
	January 1	Additions	Reductions	December 31	One Year	
Refunding Bonds 2013	\$1,428,400	\$	\$ 115,200	\$1,313,200	\$112,000	
Total	<u>\$1,428,400</u>	<u>\$</u>	<u>\$ 115,200</u>	<u>\$1,313,200</u>	<u>\$112,000</u>	

	2014					
	Balance				Balance	Due Within
	January 1	Additions	Reductions	December 31	One Year	
Refunding Bonds 2013	\$1,550,000	\$	\$ 121,600	\$1,428,400	\$115,200	
Total	<u>\$1,550,000</u>	<u>\$</u>	<u>\$ 121,600</u>	<u>\$1,428,400</u>	<u>\$115,200</u>	

Bonds:

\$1,550,000 Refunding Bonds of 2013, due in annual installments of \$55,000 to \$121,600 through 2033; interest at .4% to 2.9%. \$1,313,200

Total Bonds \$1,313,200

Loans:

Total Enterprise Fund Long-Term Debt \$1,313,200

CITY OF MILNOR

Notes to the Financial Statements-Continued

NOTE 5: LONG-TERM DEBT (CON'T)

The annual requirements to amortize outstanding debt is as follows:

Year Ending December 31	Bonds		Total
	Principal	Interest	
2016	\$ 112,000	\$ 17,685	\$ 129,685
2017	108,800	16,968	125,768
2018	105,600	16,138	121,738
2019	102,400	15,178	117,578
2020	96,000	14,138	110,138
2021-2025	278,400	56,216	334,616
2026-2030	325,000	48,763	373,763
2031-2033	185,000	7,757	192,757
Total	<u>\$1,313,200</u>	<u>\$ 192,843</u>	<u>\$1,506,043</u>

NOTE 6: RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of Milnor pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of one million dollars per occurrence for general liability and automobile insurance and to \$469,928 for inland marine coverage.

The City of Milnor also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The City of Milnor pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the City of Milnor with blanket fidelity bond coverage in the amount of \$457,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The City of Milnor has workers compensation with the North Dakota Workforce Safety and Insurance and purchases commercial insurance for employee health and accident insurance.

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

CITY OF MILNOR
Milnor, North Dakota

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>				<u>2014</u>			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:								
Taxes	\$ 52,453	\$ 54,577	\$ 54,577	\$	\$ 52,453	\$ 73,220	\$ 73,220	\$
Licenses, Permits & Fees	3,550	3,610	3,610		3,387	5,617	5,617	
Intergovernmental	55,000	63,512	63,512		56,000	61,682	61,682	
Charges for Services	650	951	951		1,800	0	0	
Fines and Forfeitures	125	125	125		125	111	111	
Interest Income	270	290	290		300	280	280	
Miscellaneous	1,400	4,753	4,753		2,800	5,567	5,567	
Total Revenues	\$113,448	\$127,818	\$127,818	\$	\$116,865	\$146,477	\$146,477	\$
Expenditures:								
Current:								
General Government	\$128,840	\$140,757	\$140,757	\$	\$126,532	\$143,895	\$143,895	\$
Public Safety	25,002	24,002	24,002		22,600	23,213	23,213	
Public Works								
Capital Outlay								
Total Expenditures	\$153,842	\$164,759	\$164,759	\$	\$149,132	\$167,108	\$167,108	\$
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (40,394)</u>	<u>\$ (36,941)</u>	<u>\$ (36,941)</u>	<u>\$</u>	<u>\$ (32,267)</u>	<u>\$ (20,631)</u>	<u>\$ (20,631)</u>	<u>\$</u>
Other Financing Sources (Uses):								
Sale of Land & Equipment	\$	\$ 4,350	\$ 4,350	\$	\$ 0	\$ 11,134	\$ 11,134	\$
Transfer In						209	209	
Transfer Out		(2,967)	(2,967)		0		0	
Total Other Financing Sources and Uses	\$ 0	\$ 1,383	\$ 1,383	\$	\$ 0	\$ 11,343	\$ 11,343	\$
Net Change in Fund Balances	\$ (40,394)	\$ (35,558)	\$ (35,558)	\$	\$ (32,267)	\$ (9,288)	\$ (9,288)	\$
Fund Balance-January 1	<u>\$ 54,259</u>	<u>\$ 54,259</u>	<u>\$ 54,259</u>	<u>\$</u>	<u>\$ 63,547</u>	<u>\$ 63,547</u>	<u>\$ 63,547</u>	<u>\$</u>
Fund Balance-December 31	<u><u>\$ 13,865</u></u>	<u><u>\$ 18,701</u></u>	<u><u>\$ 18,701</u></u>	<u><u>\$</u></u>	<u><u>\$ 31,280</u></u>	<u><u>\$ 54,259</u></u>	<u><u>\$ 54,259</u></u>	<u><u>\$</u></u>

The accompanying required supplementary information notes are an integral part of this schedule.

CITY OF MILNOR
Milnor, North Dakota

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
HIGHWAY DISTRIBUTION FUND
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>				<u>2014</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>								
Intergovernmental	\$ 61,000	\$ 60,988	\$ 60,988	\$	\$ 61,000	\$ 64,320	\$ 64,320	\$
Charges for Services	3,800	5,848	5,848		3,800	3,430	3,430	
Miscellaneous	300	1,682	1,682		300	2,369	2,369	
Total Revenues	\$ 65,100	\$ 68,518	\$ 68,518	\$	\$ 65,100	\$ 70,119	\$ 70,119	\$
<u>Expenditures:</u>								
<u>Current:</u>								
Public Works	\$ 88,000	\$ 58,464	\$ 58,464	\$	\$ 74,950	\$ 79,374	\$ 79,374	\$
Excess (Deficiency) of Revenues Over Expenditures	\$ (22,900)	\$ 10,054	\$ 10,054	\$	\$ (9,850)	\$ (9,255)	\$ (9,255)	\$
Fund Balances-January 1	\$ 84,598	\$ 84,598	\$ 84,598	\$	\$ 93,853	\$ 93,853	\$ 93,853	\$
Fund Balances-December 31	\$ 61,698	\$ 94,652	\$ 94,652	\$	\$ 84,003	\$ 84,598	\$ 84,598	\$

The accompanying required supplementary information notes are an integral part of this schedule.

CITY OF MILNOR
Milnor, North Dakota

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
CITY SALES TAX**

For the Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 30,000	\$ 47,227	\$ 47,227	\$
Total Revenues	\$ 30,000	\$ 47,227	\$ 47,227	\$
<u>Expenditures:</u>				
Economic Development	\$ 10,000	\$ 22,522	\$ 22,522	\$
Capital Outlay	15,000	22,059	22,059	
Conser. of Natural Resources	6,500	7,084	7,084	
Total Expenditures	\$ 31,500	\$ 51,665	\$ 51,665	\$
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,500)	\$ (4,438)	\$ (4,438)	\$
<u>Other Financing Sources (Uses):</u>				
Transfer In	0	0	0	
Net Change in Fund Balance	\$ (1,500)	\$ (4,438)	\$ (4,438)	\$
Fund Balance January 1	\$124,586	\$124,586	\$124,586	\$
Fund Balance December 31	\$123,086	\$120,148	\$120,148	\$

For the Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 30,000	\$ 42,239	\$ 42,239	\$
Total Revenues	\$ 30,000	\$ 42,239	\$ 42,239	\$
<u>Expenditures:</u>				
Economic Development	\$ 10,000	\$ 5,000	\$ 5,000	\$
Capital Outlay	15,000	0	0	
Conser. of Natural Resources	6,000	6,336	6,336	
Total Expenditures	\$ 31,000	\$ 11,336	\$ 11,336	\$
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,000)	\$ 30,903	\$ 30,903	\$
<u>Other Financing Sources (Uses):</u>				
Sale of Land and Equipment	\$	\$	\$	\$
Transfer In				
Total Other Financing Sources and Uses	\$ 0	\$ 0	\$ 0	\$
Net Change in Fund Balances	\$ (1,000)	\$ 30,903	\$ 30,903	\$
Fund Balance January 1	\$ 93,683	\$ 93,683	\$ 93,683	\$
Fund Balance December 31	\$ 92,683	\$124,586	\$124,586	\$

CITY OF MILNOR
Milnor, North Dakota

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
EQUIPMENT RESERVE
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>				<u>2014</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Revenues:</u>								
Taxes	\$ 0	\$ 23,611	\$ 23,611	\$	\$	\$ 21,116	\$ 21,116	\$
Intergovernmental								
Interest								
Miscellaneous								
Total Revenues	\$ 0	\$ 23,611	\$ 23,611	\$	\$ 0	\$ 21,116	\$ 21,116	\$
<u>Expenditures:</u>								
<u>Current</u>								
Capital Outlay	\$ 30,000	\$ 10,750	\$ 10,750	\$	\$ 30,000	\$ 102,805	\$ 102,805	\$
Total Expenditures	\$ 30,000	\$ 10,750	\$ 10,750	\$	\$ 30,000	\$ 102,805	\$ 102,805	\$
Excess (Deficiency) of Revenues Over Expenditures	\$ (30,000)	\$ 12,861	\$ 12,861	\$	\$ (30,000)	\$ (81,689)	\$ (81,689)	\$
<u>Other Financing Sources (Uses)</u>								
Sale of Land & Equipment	30,000	1,850	1,850		30,000	62,240	62,240	
Total Other Financing Sources and (Uses)	\$ 30,000	\$ 1,850	\$ 1,850	\$	\$ 30,000	\$ 62,240	\$ 62,240	\$
Net Change in Fund Balance	\$ 0	\$ 14,711	\$ 14,711	\$	\$ 0	\$ (19,449)	\$ (19,449)	\$
Fund Balances-January 1	\$ 18,462	\$ 18,462	\$ 18,462	\$	\$ 37,911	\$ 37,911	\$ 37,911	\$
Fund Balances-December 31	\$ 18,462	\$ 33,173	\$ 33,173	\$	\$ 37,911	\$ 18,462	\$ 18,462	\$

The accompanying required supplementary information notes are an integral part of this schedule.

CITY OF MILNOR
Milnor, North Dakota

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
STREET IMPROVEMENT FUND #01
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>				<u>2014</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:								
Taxes	\$ 93,000	\$ 92,177	\$ 92,177	\$	\$100,000	\$101,584	\$101,584	\$
Intergovernmental								
Interest Income	200	269	269		250	262	262	
Total Revenues	\$ 93,200	\$ 92,446	\$ 92,446	\$	\$100,250	\$101,846	\$101,846	\$
Expenditures:								
Capital Outlay	\$	\$ 1,400	\$ 1,400	\$	\$	\$	\$	\$
Debt Service Principal	64,800	64,800	64,800		68,400	68,400	68,400	
Interest & fees	10,740	10,738	10,738		5,230	11,011	11,011	
Total Expenditures	\$ 75,540	\$ 76,938	\$ 76,938	\$	\$ 73,630	\$ 79,411	\$ 79,411	\$
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,660	\$ 15,508	\$ 15,508	\$	\$ 26,620	\$ 22,435	\$ 22,435	\$
Other Financing Sources (Uses)								
Transfer Out	\$ 0	\$ 0	\$ 0	\$	\$ 0	\$ 0	\$ 0	\$
Bond Proceeds	0				0	0	0	
Total Other Financing Sources and Uses	\$ 0	\$ 0	\$ 0	\$	\$ 0	\$ 0	\$ 0	\$
Net Change in Fund Balances	\$ 17,660	\$ 15,508	\$ 15,508	\$	\$ 26,620	\$ 22,435	\$ 22,435	\$
Fund Balances-January 1	\$148,380	\$148,380	\$148,380	\$	\$125,945	\$125,945	\$125,945	\$
Fund Balances-December 31	\$166,040	\$163,888	\$163,888	\$	\$152,565	\$148,380	\$148,380	\$

The accompanying required supplementary information notes are an integral part of this schedule.

CITY OF MILNOR
Milnor, North Dakota

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
STREET IMPROVEMENT FUND #15
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Original Budget	Final Budget	Variance with Actual Final Budget	Original Budget	Final Budget	Variance with Actual Final Budget
<u>Revenues:</u>						
Taxes	\$	\$ 66,157	\$ 66,157	\$	\$	\$
Intergovernmental						
Interest Income		169	169			
Total Revenues	\$ 0	\$ 66,326	\$ 66,326	\$ 0	\$ 0	\$ 0
<u>Expenditures:</u>						
Capital Outlay	\$	\$ 1,232,878	\$ 1,232,878	\$	\$	\$
Debt Service Principal						
Interest & fees		14,009	14,009			
Total Expenditures	\$ 0	\$ 1,246,887	\$ 1,246,887	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$(1,180,561)	\$(1,180,561)	\$ 0	\$ 0	\$ 0
<u>Other Financing Sources (Uses)</u>						
Transfer Out	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Bond Proceeds	0	1,410,000	1,410,000	0	0	0
Bond Premium	0	7,835	7,835			
Bond Issuance Cost	0	(36,060)	(36,060)			
Total Other Financing Sources and Uses	\$ 0	\$ 1,381,775	\$ 1,381,775	\$ 0	\$ 0	\$ 0
Net Change in Fund Balances	\$ 0	\$ 201,214	\$ 201,214	\$ 0	\$ 0	\$ 0
Fund Balances-January 1	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances-December 31	\$ 0	\$ 201,214	\$ 201,214	\$ 0	\$ 0	\$ 0

The accompanying required supplementary information notes are an integral part of this schedule.

CITY OF MILNOR
Milnor, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015 and 2014

NOTE 1: BUDGETS

The city council adopts a budget on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The budget is prepared for the general fund, each special revenue fund and each debt service fund. The city is required to present the adopted and final amended budgeted receipts and disbursements for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. The city council make a preliminary budget annually on or before September 10th. The budget includes proposed expenditures and a means of financing them. NDCC 40-40-04
2. The governing board holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies required in the preliminary budget.
3. After the budget hearing and on or before October seventh, the board adopts the final budget. The final budget must be filed with the county auditor by October tenth. NDCC 40-40-09
4. No disbursements shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any receipts and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the board and the approval must be noted in the proceedings of the board.
5. All annual appropriations lapse at year-end.

CITY OF MILNOR
Milnor, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2015

	Balance 1-1-15	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-15
Governmental Funds:						
General Fund	\$ 54,259	\$ 132,168	\$	\$2,967	\$ 164,759	\$ 18,701
Street Improvement #15	0	1,463,000			1,261,786	201,214
Street Improvement #01	148,380	92,446			76,938	163,888
Highway	84,598	68,518			58,464	94,652
City Sales Tax	124,586	47,227			51,665	120,148
Nonmajor Funds:						
Equipment Reserve	\$ 18,462	\$ 25,461	\$	\$	\$ 10,750	\$ 33,173
Emergency	2,713	4,611			142	7,182
Special Assessments	23,938	38,099			33,951	28,086
Social Security	3,004	8,857			11,222	639
Advertising	1,452	798			1,596	654
Insurance Reserve	885	4,619			3,349	2,155
Employee Pension	760	1,970	995		3,725	0
Forestry Fund	5,273	2,888			2,580	5,581
Water Improvement	31,185	41				31,226
Water Channel #1	302	9,194	1,972		11,468	0
Total Nonmajor Funds	\$ 87,974	\$ 96,538	\$2,967	\$	\$ 78,783	\$ 108,696
Total Governmental Funds	\$ 499,797	\$1,899,897	\$2,967	\$2,967	\$1,692,395	\$ 707,299
Enterprise Funds:						
Major Funds:						
Mund East Acres Improvement	\$ 86,693	\$ 11,610	\$	\$	\$ 0	\$ 98,303
Water System O & M Fund	141,217	124,536			88,564	177,189
Water System O & M Federal	12,023	0			0	12,023
Water System Reserve	42,120	95			0	42,215
Garbage and Landfill	9,001	76,655			76,739	8,917
Sewer Lagoon	29,499	61,058			45,448	45,109
Sewer Improvement Constr.	280,169	149,389			134,289	295,269
Total Enterprise Funds	\$ 600,722	\$ 423,343	\$	\$	\$ 345,040	\$ 679,025
Agency Funds:						
Payroll Clearing Account	\$ 140	\$ 223,949	\$	\$	\$ 223,949	\$ 140
Sebens Building	125,882	68			1,250	124,700
Total Agency Funds	\$ 126,022	\$ 224,017	\$	\$	\$ 225,199	\$ 124,840
Discretely Presented						
Component Units:						
Library	\$ 5,550	\$ 10	\$	\$	\$	\$ 5,560
Airport	990	35,677			32,225	4,442
Total Component Units	\$ 6,540	\$ 35,687	\$	\$	\$ 32,225	\$ 10,002
Total Reporting Entity	\$1,233,081	\$2,582,944	\$2,967	\$2,967	\$2,294,859	\$1,521,166

CITY OF MILNOR
Milnor, North Dakota

SCHEDULE OF FUND ACTIVITY
ARISING FROM CASH TRANSACTIONS
For the Year Ended December 31, 2014

	Balance 1-1-14	Receipts	Transfers In	Transfers Out	Disbursements	Balance 12-31-14
Governmental Funds:						
General Fund	\$ 63,547	\$ 157,611	\$ 209	\$	\$ 167,108	\$ 54,259
Street Improvement	125,945	101,846			79,411	148,380
Highway	93,853	70,119			79,374	84,598
City Sales Tax	93,683	42,239			11,336	124,586
Equipment Reserve	37,911	83,356			102,805	18,462
Nonmajor Funds:						
Emergency	\$ 6	\$ 4,577	\$	\$	\$ 1,870	\$ 2,713
Special Assessments	6,042	54,823			36,927	23,938
Social Security	3,703	8,973			9,672	3,004
Advertising	1,420	813			781	1,452
Insurance Reserve	209	4,128		209	3,243	885
Employee Pension	454	1,994			1,688	760
Forestry Fund	3,768	1,891			386	5,273
Water Improvement	31,152	33				31,185
Water Channel #1	141	5,895			5,734	302
Total Nonmajor Funds	\$ 46,895	\$ 83,127	\$	\$ 209	\$ 60,301	\$ 69,512
Total Governmental Funds	\$ 461,834	\$ 538,298	\$ 209	\$ 209	\$ 500,335	\$ 499,797
Enterprise Funds:						
Major Funds:						
Mund East Acres Improvement	\$ 72,038	\$ 14,655	\$	\$	\$ 0	\$ 86,693
Water System O & M Fund	107,747	118,758			85,288	141,217
Water System O & M Federal	12,023	0			0	12,023
Water System Reserve	42,044	76			0	42,120
Garbage and Landfill	8,470	74,480			73,949	9,001
Sewer Lagoon	11,895	57,745			40,141	29,499
Sewer Improvement Constr.	284,043	137,301			141,175	280,169
Total Enterprise Funds	\$ 538,260	\$ 403,015	\$	\$	\$ 340,553	\$ 600,722
Agency Funds:						
Payroll Clearing Account	\$ 140	\$ 182,582	\$	\$	\$ 182,582	\$ 140
Sebens Building	125,814	68				125,882
Total Agency Funds	\$ 125,954	\$ 182,650	\$	\$	\$ 182,582	\$ 126,022
Discretely Presented						
Component Units:						
Library	\$ 4,315	\$ 7,449	\$	\$	\$ 6,214	\$ 5,550
Airport	7,964	50,750			57,724	990
Total Component Units	\$ 12,279	\$ 58,199	\$	\$	\$ 63,938	\$ 6,540
Total Reporting Entity	\$1,138,327	\$1,182,162	\$ 209	\$ 209	\$1,087,408	\$1,233,081



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

To the City Council
City of Milnor
Milnor, 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 Milnor, North Dakota, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City of Milnor, North Dakota's basic financial statements and have issued our report thereon dated December 16, 2016. The independent auditor's report was adverse because the city prepares its financial statements on the modified cash basis and the city has not recorded capital assets and depreciation.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Milnor, 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 the City of Milnor, North Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Milnor, North Dakota's internal control.

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

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 finds and responses to be material weaknesses. They are listed as 05-1 and 05-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. They are listed as 05-3 and 05-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Milnor, North Dakota's financial statements are free of 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 a objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Milnor, North Dakota's Response to Findings

The City of Milnor, North Dakota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Milnor'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.

V. Nelson CPA, Ltd.

V. Nelson CPA, Ltd.

Oakes, North Dakota
December 16, 2016

CITY OF MILNOR
Milnor, North Dakota

SCHEDULE OF FINDINGS AND RESPONSES
For the Years Ended December 31, 2015 and 2014

Section I - Summary of Auditor's Results

Financial statements

Type of Auditor's Report Issued?	
Governmental Activities	Adverse
Business-Type Activities	Adverse
Discretely Presented Component Unit	Adverse
Major Governmental Funds	Unqualified
Major Business-Type Funds	Adverse
Aggregate Remaining Fund Information	Unqualified

Internal Control over financial reporting:

Material weakness(es) identified: Yes No

Reportable condition(s) identified not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted: Yes No

Section II - Financial Statement Findings

The following findings are considered material weaknesses:

05-1 - CAPITAL ASSET RECORDS

Condition - The City of Milnor, North Dakota, does not maintain complete capital asset records.

Criteria - Accounting principles generally accepted in the United States of America require the financial statements include the capital assets, net of accumulated depreciation.

Effect - The omission of capital assets from the financial statements results in an incomplete presentation of the City of Milnor's financial statements and an adverse report on the city's financial statements.

Recommendation - The city should establish capital asset records using historical cost and depreciation schedules for these assets. Also detailed capital asset records showing additions and deletions should be maintained.

Client Response - The city plans to establish and maintain adequate capital asset records as time allows.

CITY OF MILNOR

Schedule of Findings and Responses

05-2 - SEGREGATION OF DUTIES

Condition - The City of Milnor, North Dakota has one city auditor responsible for most accounting functions.

Criteria - There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the city.

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

Recommendation - Due to the size of the city, it is not feasible to obtain proper separation of duties and no recommendation will be made.

Client Response - No response is considered necessary.

The following findings are considered significant deficiencies:

05-3 - MONITORING OF CONTROLS

Condition - Management and the Council have not documented performing either ongoing or separate evaluations of their system of internal control.

Criteria - The framework for effective internal control over financial reporting states that monitoring should be performed to assess the quality of the company's system of internal control.

Effect - The governmental unit's controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatement in a timely manner.

Recommendation - The council and management should document their evaluations of the internal control system in the minutes.

Client Response - Due to the size of the city, it is not feasible to change the internal controls. The council will continue monitoring the controls.

05-4 - CONTROLS OVER THE FINANCIAL REPORTING PROCESS

Condition - The city auditor has full controls over the computer's financial reporting process.

Criteria - For effective internal controls over financial reporting you should split up the controls.

Effect - She has full controls to initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

CITY OF MILNOR
Schedule of Findings and Responses

05-4 - CONTROLS OVER THE FINANCIAL REPORTING PROCESS (CON'T)

Recommendation - The city auditor having full controls over the computer's financial reporting process is common in an entity this size. The Management and the Council need to continually monitor the financial reporting process, especially since there is only one city auditor.

Client Response - Due to the size of the city, it is not feasible to split up the controls. The council will continue to monitor this condition.