

CITY OF PORTLAND, NORTH DAKOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

Drees, Risky, & Vallager, Ltd.
Certified Public Accountants
1405 Library Circle, Grand Forks, North Dakota 58201
117 S. Broadway, Crookston, Minnesota 56716

CONTENTS

	<u>Page</u>
CITY OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2-4
BASIC FINANCIAL STATEMENTS	
December 31, 2013	
Government-wide Financial Statements	
Statement of Net Position – Modified Cash Basis	5
Statement of Activities – Modified Cash Basis	6
Fund Financial Statements	
Governmental Funds	
Balance Sheet – Modified Cash Basis	7
Reconciliation of the Balance Sheet to the Statement of Net Position – Modified Cash Basis	8
Statement of Revenue, Expenditures, and Changes in Fund Balances– Modified Cash Basis	9
Reconciliation of the Statement of Revenue, Expenditures and Changes In Fund Balances to Statement of Activities – Modified Cash Basis	10
Proprietary Fund	
Statement of Net Position – Modified Cash Basis	11
Statement of Revenue, Expenses, and Changes in Net Position – Modified Cash Basis	12
Statement of Cash Flow – Modified Cash Basis	13
December 31, 2012	
Government-wide Financial Statements	
Statement of Net Position – Modified Cash Basis	14
Statement of Activities – Modified Cash Basis	15
Fund Financial Statements	
Governmental Funds	
Balance Sheet – Modified Cash Basis	16
Reconciliation of the Balance Sheet to the Statement of Net Position – Modified Cash Basis	17
Statement of Revenue, Expenditures, and Changes in Fund Balances– Modified Cash Basis	18
Reconciliation of the Statement of Revenue, Expenditures and Changes In Fund Balances to Statement of Activities – Modified Cash Basis	19

Proprietary Fund	
Statement of Net Position – Modified Cash Basis	20
Statement of Revenue, Expenses, and Changes in Net Position – Modified Cash Basis	21
Statement of Cash Flow – Modified Cash Basis	22
Notes to the Financial Statements	23-33

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2013

Budgetary Comparison Schedule–	
Budget to Actual – Modified Cash Basis	
General Fund	34
City Sales Tax Fund	35
Highway Distribution Fund	36
Sales Tax EDC Fund	37

December 31, 2012

Budgetary Comparison Schedule –	
Budget to Actual – Modified Cash Basis	
General Fund	38
City Sales Tax Fund	39
Highway Distribution Fund	40
Sales Tax EDC Fund	41
Notes to Budget	42

OTHER SUPPLEMENTARY INFORMATION

December 31, 2013

Combining Balance Sheet-Modified Cash Basis	
Non major Governmental Funds	43
Non Major Enterprise Funds	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Modified Cash Basis	
Non Major Governmental Funds	45
Combining Statement of Changes in Revenues, Expenses and Changes in Net Position-Modified Cash Basis	
Non major Enterprise Funds	46

December 31, 2012

Combining Balance Sheet-Modified Cash Basis	
Non major Governmental Funds	47
Non Major Enterprise Funds	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances-Modified Cash Basis	
Non Major Governmental Funds	49

Combining Statement of Changes in Revenues, Expenses and
Changes in Net Position-Modified Cash Basis
Non major Enterprise Funds

50

December 31, 2013 and 2012

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

51-52

Schedule of Findings and Responses

53-55

CITY OF PORTLAND, NORTH DAKOTA
CITY OFFICIALS
DECEMBER 31, 2013 AND 2012

Current:

Sven Mickels	Mayor
Heather Hutchins	Council President
Joanna Nielson	Council Member
Josh Braaten	Council Member
Ed Lenaburg	Council Member
Nadine Rygg	Auditor
Brudvik Law Office PC	Attorney

December 31, 2013

Sven Mickels	Mayor
Shirley Rux	Council President
Ryan Domier	Council Member
Josh Braaten	Council Member
Heather Hutchins	Council Member
Nadine Rygg	Auditor
Brudvik Law Office PC	Attorney

December 31, 2012

Sven Mickels	Mayor
Shirley Rux	Council President
Ryan Domier	Council Member
Josh Braaten	Council Member
Heather Hutchins	Council Member
Nadine Rygg	Auditor
Brudvik Law Office PC	Attorney

Drees, Risky & Vallager, Ltd.

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INDEPENDENT AUDITOR'S REPORT

Mayor and Council Members of
the City Council
Portland, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Portland, North Dakota, as of and for the years ended December 31, 2013 and 2012, 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 opinions.

Members of North Dakota Society of CPAs
Members of American Institute of Certified Public Accountants

Opinion

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, each major fund, and the aggregate remaining fund information of the City of Portland, North Dakota, as of December 31, 2013 and 2012, and the respective changes in financial position and cash flows - modified cash basis, where applicable, thereof for the years then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

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

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portland, North Dakota's basic financial statements. The combining non major governmental fund financial statements and non- major enterprise fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 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 September 30, 2015, on our consideration of the City of Portland, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Portland, North Dakota's internal control over financial reporting and compliance.

DREES, RISKEY & VALLAGER, LTD.

Drees, Risky & Vallager Ltd.

Certified Public Accountants

September 30, 2015
Grand Forks, North Dakota

BASIC FINANCIAL STATEMENTS

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2013

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 78,530	\$ -	\$ 78,530
Investments	179,564	52,101	231,665
Internal Balances	72,589	(72,589)	-
Total current assets	<u>330,683</u>	<u>(20,488)</u>	<u>310,195</u>
TOTAL ASSETS	<u>330,683</u>	<u>(20,488)</u>	<u>310,195</u>
LIABILITIES			
Long-term Liabilities			
Current portion			
Special Assessment Bonds Payable	10,863	-	10,863
Loans Payable	2,518	-	2,518
Revenue Bonds Payable	-	33,219	33,219
Non-current portion			
Special Assessment Bonds Payable	123,023	-	123,023
Loans Payable	2,586	-	2,586
Revenue Bonds Payable	-	495,337	495,337
Meter Deposits	-	6,360	6,360
Total long-term liabilities	<u>138,990</u>	<u>534,916</u>	<u>673,906</u>
TOTAL LIABILITIES	<u>138,990</u>	<u>534,916</u>	<u>673,906</u>
NET POSITION			
Restricted			
Debt Service	337,018	-	337,018
City Special Assessments	20,647	-	20,647
Emergencies	9,053	-	9,053
Insurance	6,127	-	6,127
Advertising	1,903	-	1,903
FICA	1,537	-	1,537
Conservation of Natural Resources	1,903	-	1,903
Unrestricted (deficit)	<u>(186,495)</u>	<u>(555,404)</u>	<u>(741,899)</u>
TOTAL NET POSITION	<u>\$ 191,693</u>	<u>\$ (555,404)</u>	<u>\$ (363,711)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, fines and charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current							
General government	\$ 92,092	\$ 6,684	-	-	\$ (85,408)	-	\$ (85,408)
Public Safety	50,332	-	-	-	(50,332)	-	(50,332)
Public Works	68,923	-	68,826	-	(97)	-	(97)
Economic Development	32,393	-	-	-	(32,393)	-	(32,393)
Other	-	-	-	-	-	-	-
Interest and service charges	9,563	-	-	-	(9,563)	-	(9,563)
Total Governmental Activities	253,303	6,684	68,826	-	(177,793)	-	(177,793)
Business-Type Activities							
Water	232,490	106,784	-	-	-	(125,706)	(125,706)
Sewer	52,936	72,088	-	-	-	19,152	19,152
Garbage	43,971	45,064	-	-	-	1,093	1,093
Non Major Enterprise Funds	3,867	4,067	-	-	-	200	200
Total Business-Type Activities	333,264	228,003	-	-	-	(105,261)	(105,261)
Total Primary Government	\$ 586,567	\$ 234,687	\$ 68,826	\$ -	(177,793)	(105,261)	(283,054)
General Revenues:							
Taxes & Special Assessments					259,933	-	259,933
Intergovernmental					68,015	-	68,015
Interest					5,284	571	5,855
Miscellaneous Revenue					3,416	-	3,416
Total General Receipts and Transfers					336,648	571	337,219
Changes in Net Position					158,855	(104,690)	54,165
Net Position, January 1					32,838	(450,714)	(417,876)
Net Position, December 31					\$ 191,693	\$ (555,404)	\$ (363,711)

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
 BALANCE SHEET - MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2013

	Special Revenue Funds			Debt Service Funds			Total Governmental Funds
	Sales Tax - City Fund	Highway Fund	Sales tax EDC Fund	Street/Storm Sewer 1998-1,2 Fund	TIF Fund	Other Governmental Funds	
ASSETS							
Cash and cash equivalents	\$ -	\$ 372	\$ 45,120	\$ (1,881)	\$ -	\$ 1,643	\$ 78,530
Investments	-	-	-	179,564	-	-	179,564
Due from other funds	-	71,186	-	140,583	-	72,589	284,358
Total Assets	\$ -	\$ 71,558	\$ 45,120	\$ 318,266	\$ -	\$ 74,232	\$ 542,452
LIABILITIES							
Due to Other Funds	\$ 138,692	\$ -	\$ -	\$ -	\$ 73,077	\$ -	\$ 211,769
Total Liabilities	\$ 138,692	\$ -	\$ -	\$ -	\$ 73,077	\$ -	\$ 211,769
FUND BALANCE							
Restricted:							
Debt Service				318,266		18,752	337,018
Street/Highway Maintenance		33,276				20,647	33,276
City Special Assessments						9,053	20,647
Emergencies						6,127	9,053
Insurance						3,597	6,127
Conservation						1,537	3,597
FICA Taxes						1,903	1,537
Advertising							1,903
Assigned	71,558		45,120				116,678
Unassigned	(138,692)				(73,077)	12,616	(199,153)
Total Fund Balance (deficit)	(138,692)	33,276	45,120	318,266	(73,077)	74,232	330,683
Total Liabilities and Fund Balance	\$ -	\$ 71,558	\$ 45,120	\$ 318,266	\$ -	\$ 74,232	\$ 542,452

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2013

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

Total fund balance-governmental funds		\$ 330,683
<p>Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:</p>		
Special Assessment Bonds Payable	(133,886)	
Loans Payable	(5,104)	
		(138,990)
Total net position-governmental activities		\$ 191,693

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Special Revenue Funds			Debt Service Funds		Total Governmental Funds
		Sales Tax - City Fund	Highway Fund	Sales tax EDC Fund	Street/Storm Sewer 1998-1,2 Fund	TIF Fund	
REVENUES							
Taxes	60,634	48,672	-	9,969	-	1,388	143,496
Special Assessments	6,684	-	-	-	115,049	-	116,437
Licenses and Permits	59,772	-	68,826	-	-	-	6,684
Intergovernmental	52	-	-	-	5,232	-	136,841
Interest	3,416	-	-	-	-	-	5,284
Other Revenue							3,416
Total Revenues	130,558	48,672	68,826	9,969	120,281	1,388	412,158
EXPENDITURES							
Current:							
General government	67,517	-	-	-	8,306	-	92,092
Public Safety	50,332	-	-	-	-	-	50,332
Public Works	8,797	-	60,126	-	-	-	68,923
Economic Development		32,393	-	-	-	-	32,393
Debt service:							
Principal retirement	27,655	-	-	-	90,000	10,624	128,279
Interest and service charges	1,491	-	-	-	1,598	6,474	9,563
Other debt service							-
Total expenditures	155,792	32,393	60,126	-	99,904	17,098	381,582
Revenues Over (Under) Expenditures	(25,234)	16,279	8,700	9,969	20,377	(15,710)	30,576
Net Change in Fund Balance	(25,234)	16,279	8,700	9,969	20,377	(15,710)	30,576
Fund Balance - January 1	(113,458)	55,279	24,576	35,151	297,889	(57,367)	300,107
Fund Balance - December 31	\$ (138,692)	\$ 71,558	\$ 33,276	\$ 45,120	\$ 318,266	\$ (73,077)	\$ 330,683

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2013

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

Net change in fund balance- total governmental funds	\$ 30,576
<p>Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.</p>	
Principal debt payments	128,279
Net change in net position of governmental activities	\$ 158,855

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Business-type Activities Enterprise Funds						Total Enterprise Funds
	Water Operating Fund	Water Reserve Fund	Sewer Operating Fund	Sewer Reserve Fund	Garbage Operating Fund	Non-major Enterprise Fund	
ASSETS							
Current assets							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	52,101						52,101
Due from other funds		50,543	19,890	37,718	636	24,307	133,094
Total current assets	<u>52,101</u>	<u>50,543</u>	<u>19,890</u>	<u>37,718</u>	<u>636</u>	<u>24,307</u>	<u>185,195</u>
TOTAL ASSETS	<u>52,101</u>	<u>50,543</u>	<u>19,890</u>	<u>37,718</u>	<u>636</u>	<u>24,307</u>	<u>185,195</u>
LIABILITIES							
Current liabilities							
Due to Other Funds	\$ 205,683	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,683
Current portion of long-term debt	10,600	-	22,619				33,219
Total current liabilities	<u>216,283</u>	<u>-</u>	<u>22,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>238,902</u>
Long-term Liabilities							
Bonds Payable	283,600		211,737				495,337
Meter Deposits						6,360	6,360
Total non-current liabilities	<u>283,600</u>	<u>-</u>	<u>211,737</u>	<u>-</u>	<u>-</u>	<u>6,360</u>	<u>501,697</u>
TOTAL LIABILITIES	<u>499,883</u>	<u>-</u>	<u>234,356</u>	<u>-</u>	<u>-</u>	<u>6,360</u>	<u>740,599</u>
NET POSITION							
Unrestricted	(447,782)	50,543	(214,466)	37,718	636	17,947	(555,404)
TOTAL NET POSITION	<u>\$ (447,782)</u>	<u>\$ 50,543</u>	<u>\$ (214,466)</u>	<u>\$ 37,718</u>	<u>\$ 636</u>	<u>\$ 17,947</u>	<u>\$ (555,404)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities Enterprise Funds						Total Enterprise Funds
	Water Operating Fund	Water Reserve Fund	Sewer Operating Fund	Sewer Reserve Fund	Garbage Operating Fund	Non-major Enterprise Fund	
Operating Revenues:							
Charges for Services	\$ 106,784	\$ -	\$ 72,088	\$ -	\$ 45,064	\$ 4,067	\$ 228,003
Operating expenses:							
Salary & Wages	15,137		11,779				26,916
Contracted Services	73,640				43,971		117,611
Maintenance & Supplies	131,808		34,733				166,541
Operating Costs	-		-			3,867	3,867
Total Operating Expenses	220,585	-	46,512	-	43,971	3,867	314,935
Operating Income	(113,801)	-	25,576	-	1,093	200	(86,932)
Non-Operating Revenues (Expenses):							
Interest income	571		-				571
Interest on Debt Service	(11,905)		(6,424)				(18,329)
Total non-operating revenues (expense)	(11,334)	-	(6,424)	-	-	-	(17,758)
Income (Loss) Before Operating	(125,135)	-	19,152	-	1,093	200	(104,690)
Net Income	(125,135)	-	19,152	-	1,093	200	(104,690)
Net Position, January 1	(322,647)	50,543	(233,618)	37,718	(457)	17,747	(450,714)
Net Position, December 31	\$ (447,782)	\$ 50,543	\$ (214,466)	\$ 37,718	\$ 636	\$ 17,947	\$ (555,404)

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities						Total Enterprise Funds
	Water Operating Fund	Water Reserve Fund	Sewer Operating Fund	Sewer Reserve Fund	Garbage Operating Fund	Non-major Enterprise Fund	
CASH FLOWS FROM (TO) OPERATING ACTIVITIES							
Receipts from Customers	\$ 106,784	\$ -	\$ 72,088	\$ -	\$ 45,064	\$ 4,067	\$ 228,003
Payments to Suppliers	(73,640)	-	-	-	(43,971)	-	(117,611)
Payroll Expenses	(15,137)	-	(11,779)	-	-	-	(26,916)
Miscellaneous Operating Expenses	(131,808)	-	(34,733)	-	-	(3,867)	(170,408)
Net Cash Provided (Used) by Operating Activities	(113,801)	-	25,576	-	1,093	200	(86,932)
CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES							
Interfund Loans	136,308	-	(19,891)	(18,429)	(1,093)	(24,307)	72,588
Other Sources	(2)	-	-	-	-	300	298
Net Cash Provided (Used) by Noncapital Financing Activities	136,306	-	(19,891)	(18,429)	(1,093)	(24,007)	72,886
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal Paid on Debt	(10,600)	-	(22,619)	-	-	-	(33,219)
Interest Paid on Debt	(11,905)	-	(6,424)	-	-	-	(18,329)
Net Cash Provided (Used) by Capital and Related Financing Activities	(22,505)	-	(29,043)	-	-	-	(51,548)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	(23,358)	(18,429)	-	(23,807)	(65,594)
CASH AND CASH EQUIVALENTS, JANUARY 1, 2013	-	-	23,358	18,429	-	23,807	65,594
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating Income	\$ (113,801)	\$ -	\$ 25,576	\$ -	\$ 1,093	\$ 200	\$ (86,932)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Net Cash Provided (Used) by Operating Activities	\$ (113,801)	\$ -	\$ 25,576	\$ -	\$ 1,093	\$ 200	\$ (86,932)

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2012

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 125,775	\$ 65,594	\$ 191,369
Investments	174,332	51,528	225,860
Total current assets	<u>300,107</u>	<u>117,122</u>	<u>417,229</u>
TOTAL ASSETS	<u>300,107</u>	<u>117,122</u>	<u>417,229</u>
LIABILITIES			
Long-term Liabilities			
Current portion			
Special Assessment Bonds Payable	100,625	-	100,625
Loans Payable	29,764	-	29,764
Revenue Bonds Payable	-	33,219	33,219
Non-current portion			
Special Assessment Bonds Payable	133,885	-	133,885
Loans Payable	2,995	-	2,995
Revenue Bonds Payable	-	528,557	528,557
Meter Deposits	-	6,060	6,060
Total long-term liabilities	<u>267,269</u>	<u>567,836</u>	<u>835,105</u>
TOTAL LIABILITIES	<u>267,269</u>	<u>567,836</u>	<u>835,105</u>
NET POSITION			
Restricted			
Debt Service	312,576	-	312,576
Highways	24,576	-	24,576
City Special assessments	13,717	-	13,717
Emergencies	6,821	-	6,821
Insurance	5,556	-	5,556
Advertising	1,436	-	1,436
FICA	663	-	663
Conservation of Natural Resources	2,541	-	2,541
Unrestricted (deficit)	<u>(335,048)</u>	<u>(450,714)</u>	<u>(785,762)</u>
TOTAL NET POSITION	<u>\$ 32,838</u>	<u>\$ (450,714)</u>	<u>\$ (417,876)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, fines and charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current							
General government	\$ 123,173	\$ 7,886	\$ -	\$ -	\$ (115,287)	\$ -	\$ (115,287)
Public Safety	41,916	-	-	-	(41,916)	-	(41,916)
Public Works	61,338	-	-	51,337	(10,001)	-	(10,001)
Economic Development	29,564	-	-	-	(29,564)	-	(29,564)
Interest and service charges	13,345	-	-	-	(13,345)	-	(13,345)
Total Governmental Activities	269,336	7,886	-	51,337	(210,113)	-	(210,113)
Business-Type Activities							
Water	117,357	104,226	-	-	-	(13,131)	(13,131)
Sewer	52,240	73,494	-	-	-	21,254	21,254
Garbage	44,993	46,600	-	-	-	1,607	1,607
Non major enterprise funds	1,000	5,272	-	-	-	4,272	4,272
Total Business-Type Activities	215,590	229,592	-	-	-	14,002	14,002
Total Primary Government	\$ 484,926	\$ 237,478	\$ -	\$ 51,337	(210,113)	14,002	(196,111)
General Revenues:							
Taxes & Special assessments		262,444				-	262,444
Intergovernmental		63,452				-	63,452
Interest		5,156				493	5,649
Miscellaneous Revenue		7,281				-	7,281
Transfers		3,100				(3,100)	-
Total General Receipts and Transfers		341,433				(2,607)	338,826
Changes in Net Position		131,320				11,395	142,715
Net Position, January 1		(98,482)				(462,109)	(560,591)
Net Position, December 31		\$ 32,838				\$ (450,714)	\$ (417,876)

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
 BALANCE SHEET - MODIFIED CASH BASIS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2012

	General Fund	Special Revenue Funds			Debt Service Funds			Other Governmental Funds	Total Governmental Funds
		Sales Tax - City Fund	Highway Fund	Sales tax EDC Fund	Street/Storm Sewer 1998-1,2 Fund	TIF Fund			
ASSETS									
Cash and cash equivalents	\$ -	\$ 2,926	\$ 24,576	\$ 35,151	\$ 5,085	\$ -	\$ 58,037	\$ 125,775	
Investments			-		174,332		-	174,332	
Due from other funds		52,353	-		118,472			170,825	
Total Assets	\$ -	\$ 55,279	\$ 24,576	\$ 35,151	\$ 297,889	\$ -	\$ 58,037	\$ 470,932	
LIABILITIES									
Due to Other Funds	\$ 113,458	\$ -	\$ -	\$ -	\$ -	\$ 57,367	\$ -	\$ 170,825	
Total Liabilities	\$ 113,458	\$ -	\$ -	\$ -	\$ -	\$ 57,367	\$ -	\$ 170,825	
FUND BALANCE									
Restricted:									
Debt Service					297,889				
Street/Highway Maintenance			24,576				14,687	312,576	
City Special Assessments							13,717	24,576	
Emergencies							6,821	13,717	
Insurance							5,556	6,821	
Conservation							2,541	5,556	
FICA Taxes							663	2,541	
Advertising							1,436	663	
Assigned		55,279		35,151				1,436	
Unassigned	(113,458)					(57,367)		90,430	
Total Fund Balance (deficit)	(113,458)	55,279	24,576	35,151	297,889	(57,367)	58,037	300,107	
Total Liabilities and Fund Balance	\$ -	\$ 55,279	\$ 24,576	\$ 35,151	\$ 297,889	\$ -	\$ 58,037	\$ 470,932	

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2012

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

Total fund balance-governmental funds	\$ 300,107
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Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:

Special Assessment Bonds Payable	(234,510)	
Loans Payable	(32,759)	
		(267,269)

Total net position-governmental activities	\$ <u>32,838</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General Fund	Special Revenue Funds			Debt Service Funds			Total Governmental Funds
		Sales Tax - City Fund	Highway Fund	Sales tax EDC Fund	Street/Storm Sewer 1998-1,2 Fund	TIF Fund	Other Governmental Funds	
REVENUES								
Taxes	\$ 59,526	\$ 53,111	\$ -	\$ 10,878	\$ -	\$ -	\$ 24,329	\$ 147,844
Special assessments	7,886	-	-	-	113,214	1,386	-	114,600
Licenses and Permits	55,733	-	51,337	-	-	-	7,719	7,886
Intergovernmental	71	-	-	-	5,085	-	-	114,789
Interest	7,281	-	-	-	-	-	-	5,156
Miscellaneous Revenue	130,497	53,111	51,337	10,878	118,299	1,386	32,048	7,281
Total Revenues								397,556
EXPENDITURES								
Current:								
General government	100,524	-	-	-	8,023	-	14,626	123,173
Public Safety	41,916	-	-	-	-	-	-	41,916
Public Works	10,733	-	41,866	-	-	8,739	-	61,338
Economic Development	-	29,564	-	-	-	-	-	29,564
Debt service:								
Principal retirement	26,421	-	-	-	85,000	10,390	-	121,811
Interest and service charges	2,726	-	-	-	3,565	7,054	-	13,345
Total expenditures	182,320	29,564	41,866	-	96,588	26,183	14,626	391,147
Revenues Over (Under) Expenditures	(51,823)	23,547	9,471	10,878	21,711	(24,797)	17,422	6,409
OTHER FINANCING SOURCES (USES)								
Operating Transfers in	-	-	-	-	-	3,100	-	3,100
Net Change in Fund Balance	(51,823)	23,547	9,471	10,878	21,711	(21,697)	17,422	9,509
Fund Balance - January 1	(61,635)	31,732	15,105	24,273	276,178	(35,670)	40,615	290,598
Fund Balance - December 31	\$ (113,458)	\$ 55,279	\$ 24,576	\$ 35,151	\$ 297,889	\$ (57,367)	\$ 58,037	\$ 300,107

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2012

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

Net change in fund balance- total governmental funds	\$	9,509
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Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.

Principal debt payments		121,811
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Net change in net position of governmental activities		<hr style="border: 0.5px solid black;"/> <u>\$ 131,320</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
 STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2012

	Business-type Activities Enterprise Funds						Total Enterprise Funds
	Water Operating Fund	Water Reserve Fund	Sewer Operating Fund	Sewer Reserve Fund	Garbage Operating Fund	Non-major Enterprise Fund	
ASSETS							
Current assets							
Cash and cash equivalents	\$ -	\$ -	23,358	18,429	\$ -	\$ 23,807	\$ 65,594
Investments	51,528			19,289			51,528
Due from other funds		50,543					69,832
Total current assets	<u>51,528</u>	<u>50,543</u>	<u>23,358</u>	<u>37,718</u>	<u>-</u>	<u>23,807</u>	<u>186,954</u>
TOTAL ASSETS	<u>\$ 51,528</u>	<u>\$ 50,543</u>	<u>\$ 23,358</u>	<u>\$ 37,718</u>	<u>\$ -</u>	<u>\$ 23,807</u>	<u>\$ 186,954</u>
LIABILITIES							
Current liabilities							
Due to Other Funds	69,375				457		69,832
Current portion of long-term debt	10,600		22,619				33,219
Total current liabilities	<u>79,975</u>	<u>-</u>	<u>22,619</u>	<u>-</u>	<u>457</u>	<u>-</u>	<u>103,051</u>
Long-term Liabilities							
Bonds Payable	294,200		234,357				528,557
Meter Deposits						6,060	6,060
Total non-current liabilities	<u>294,200</u>	<u>-</u>	<u>234,357</u>	<u>-</u>	<u>-</u>	<u>6,060</u>	<u>534,617</u>
TOTAL LIABILITIES	<u>374,175</u>	<u>-</u>	<u>256,976</u>	<u>-</u>	<u>457</u>	<u>6,060</u>	<u>637,668</u>
NET POSITION							
Unrestricted	(322,647)	50,543	(233,618)	37,718	(457)	17,747	(450,714)
TOTAL NET POSITION	<u>\$ (322,647)</u>	<u>\$ 50,543</u>	<u>\$ (233,618)</u>	<u>\$ 37,718</u>	<u>\$ (457)</u>	<u>\$ 17,747</u>	<u>\$ (450,714)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities Enterprise Funds						Total Enterprise Funds
	Water Operating Fund	Water Reserve Fund	Sewer Operating Fund	Sewer Reserve Fund	Garbage Operating Fund	Non-major Enterprise Fund	
Operating Revenues:							
Charges for Services	104,226	\$ -	73,494	\$ -	46,600	\$ 5,272	\$ 229,592
Operating expenses:							
Salary & Wages	14,117		9,820				23,937
Contracted Services	66,462				44,993		111,455
Maintenance & Supplies	24,478		35,430				59,908
Operating Costs						1,000	1,000
Total Operating Expenses	105,057	-	45,250	-	44,993	1,000	196,300
Operating Income	(831)	-	28,244	-	1,607	4,272	33,292
Non-Operating Revenues (Expenses):							
Interest	493		-				493
Interest on debt Service	(12,300)		(6,990)				(19,290)
Total non-operating revenues (expense)	(11,807)	-	(6,990)	-	-	-	(18,797)
Income (Loss) Before Operating	(12,638)	-	21,254	-	1,607	4,272	14,495
Operating Transfers In (Out)							
Operating Transfers (out)	(3,100)						(3,100)
Total Operating Transfers In (Out)	(3,100)	-	-	-	-	-	(3,100)
Net Income	(15,738)	-	21,254	-	1,607	4,272	11,395
Net Position, January 1	(306,909)	50,543	(254,872)	37,718	(2,064)	13,475	(462,109)
Net Position, December 31	\$ (322,647)	\$ 50,543	\$ (233,618)	\$ 37,718	\$ (457)	\$ 17,747	\$ (450,714)

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities						Total Enterprise Funds
	Water Operating Fund	Water Reserve Fund	Sewer Operating Fund	Sewer Reserve Fund	Garbage Operating Fund	Non-major Enterprise Fund	
CASH FLOWS FROM (TO) OPERATING ACTIVITIES							
Receipts from Customers	\$ 104,226	\$ -	\$ 73,494	\$ -	\$ 46,600	\$ 5,272	\$ 229,592
Payments to Suppliers	(66,462)	-	-	-	(44,993)	-	(111,455)
Payroll Expenses	(14,117)	-	(9,820)	-	-	-	(23,937)
Miscellaneous Operating Expenses	(24,478)	-	(35,430)	-	-	(1,000)	(60,908)
Net Cash Provided (Used) by Operating Activities	(831)	-	28,244	-	1,607	4,272	33,292
CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES							
Inter Fund Loans	25,569	(50,543)	24,723	1,858	(1,607)	-	-
Other Sources	369	-	-	-	-	(440)	(71)
Operating Transfers Out	(3,100)	-	-	-	-	-	(3,100)
Net Cash Provided (Used) by Noncapital Financing Activities	22,838	(50,543)	24,723	1,858	(1,607)	(440)	(3,171)
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal Paid on Debt	(10,200)	-	(22,619)	-	-	-	(32,819)
Interest Paid on Debt	(12,300)	-	(6,990)	-	-	-	(19,290)
Net Cash Provided (Used) by Capital and Related Financing Activities	(22,500)	-	(29,609)	-	-	-	(52,109)
CASH FLOWS FROM (TO) INVESTING ACTIVITIES							
Interest Income	493	-	-	-	-	-	493
Net Cash Provided (Used) by Investing Activities	493	-	-	-	-	-	493
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	(50,543)	23,358	1,858	-	3,832	(21,495)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	50,543	-	16,571	-	19,975	87,089
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -	\$ 23,358	\$ 18,429	\$ -	\$ 23,807	\$ 65,594
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating Income	\$ (831)	\$ -	\$ 28,244	\$ -	\$ 1,607	\$ 4,272	\$ 33,292
Adjustments to reconcile operating income to net cash provided by operating activities:							
Net Cash Provided (Used) by Operating Activities	\$ (831)	\$ -	\$ 28,244	\$ -	\$ 1,607	\$ 4,272	\$ 33,292

The accompanying notes are an integral part of these financial statements.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Portland, North Dakota ("City") was incorporated under the laws of the State of North Dakota and operates under a city council form of government. The accounting policy of the City 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. Since capital asset records are not maintained, depreciation is not recognized and recorded as an expense. 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.

Financial Reporting Entity

The accompanying financial statements present the activities of the City of Portland North Dakota. 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. The criteria include, but are not limited to, appointing a voting majority of an organization's governing body, and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City.

Based on these criteria, there are no component units to be included within the City as a reporting entity.

Basis of Presentation

Government-Wide Financial Statement

The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are typically organized into three categories: governmental, proprietary and fiduciary.

The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS

Governmental Funds

The City reports the following major governmental funds:

General Fund

The general fund is the primary operating fund of the City and is always classified as a major fund. It accounts for all financial resources of the general government except those legally or administratively required to be accounted for in other funds.

Sales Tax - City Fund

This fund is used to account for collections of City sales taxes. Expenditures are made primarily for a Mayville State University wellness center. The remaining expenditures are for various other City purposes.

Highway Distribution Fund

This fund is used to account for taxes received for City streets and roads and for repair and maintenance projects.

Sales Tax-EDC Fund

This fund is used to account for collection of City sales taxes. Expenditures are made primarily for economic development.

Street / Storm Sewer 1998-1,2 Fund

This fund is used to account for principal and interest payments on special assessment bonds.

TIF Fund

This fund is used to account for principal and interest payments on the 2007 TIF District special assessment bonds.

Proprietary Funds

Enterprise Funds account for those business-like city activities that provide goods/services to the public, financed primarily through user charges. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes. The measurement focus of enterprise funds is net income measurement, similar to the private sector. The City considers the following enterprise funds as major:

Water Operating Fund

This fund is used to account for customer receipts for water fees and operating expenses for water services. It is also used to account for principal and interest payment on water revenue bonds.

Water Reserve Fund

This fund is used to account for customer receipts for a portion of the City's water fees. The fund is used as a reserve for major repairs or equipment needs that may arise.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS

Sewer Operating Fund

This fund is used to account for customer receipts for sewer fees and operating expenses for sewer services. It is also used to account for principal and interest payments on sewer revenue bonds.

Sewer Reserve Fund

This fund is used to account for customer receipts for a portion of the City's sewer fees. The fund is used as a reserve for major repairs or equipment needs that may arise.

Garbage Operating Fund

This fund is used to account for customer receipts for garbage fees and operating expenses for garbage services.

Fiduciary Funds

The reporting focus of fiduciary funds is on net position. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City of Portland North Dakota had no Fiduciary Fund types.

Measurement Focus and Basis of Accounting

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

Measurement Focus

The government-wide statements are reported using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

Governmental fund financial statements are reported using, 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.
- b. The proprietary funds utilize an "economic resources" measure focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows. All assets and liabilities using the modified cash basis of accounting (whether current or noncurrent, financial or non financial) associated with their activities are reported. Proprietary fund equity is classified as net position.

If both restricted and unrestricted resources are available to use for the same purpose, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Basis of Accounting

In the government-wide and fund financial statements 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. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS

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 billed or provided services not yet collected, capital assets and depreciation associated with these capital assets) and certain liabilities and their related expenses (such as accounts payable or 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.

Cash, Cash Equivalents and Investments

Cash balances from all funds are pooled and invested to the extent available in authorized investments authorized by North Dakota statutes. Earnings from such investments are allocated to the respective funds on the basis of average cash balance participation by each fund.

Cash and cash equivalents on the statement of cash flows consists of highly liquid investments with an original maturity of three months or less.

Investments consist of certificates of deposit, with an original maturity date in excess of 90 days, stated at cost.

Inter-Fund Receivables and Payables (Due to / Due from other funds)

Inter-fund receivables and payables arise primarily as a result of a cash deficit in one or more funds. The inter-fund balances will be repaid within one year with future revenues or transfers.

Long-Term Debt

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

In the governmental fund financial statements long-term debt is not recognized as a liability. Instead, proceeds from the issuance of debt and repayment of debt principal are recognized as "Other Financing Uses" and "Expenditures", respectively, in the fund financial statements.

Net Position

In the government-wide financial statements equity is classified as "net position" and displayed in three components:

1. Net Investment in Capital Assets – Consists of the remaining undepreciated cost of the assets less the outstanding debt associated with the purchase or construction of the related asset.
2. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS

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

Fund Balances

The difference between assets and liabilities is “Net Position” on the government wide financial statements and “Fund Balance” on the governmental fund financial statements.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance represents a portion of fund balance that includes 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 represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance 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 which is the Council through a resolution.

Assigned fund balance represents amounts constrained by the government’s intent to be used for specific purposes, but neither restricted nor committed. The assigned amounts are determined by the Board.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

At December 31, 2013 and 2012 the City only had restricted, assigned, and unassigned fund balances. Restricted fund balances were constrained by state laws related to specific tax levies and highway tax distributions, as well as provisions of debt covenants.

The first priority is to utilize the restricted before unrestricted fund balance when both are available. Committed funds will be considered spent first when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

New GASB Pronouncement

GASB No. 63, *Financial Reporting of deferred Outflows of Resources, Deferred Inflows of Resources, Net position*, is effective for periods beginning after December 31, 2011. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflow of resources.

The City has implemented this reporting for the years ended December 31, 2013 and 2012. The components of net position were renamed to reflect the requirements of this pronouncement.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS

Estimates

The preparation of financial statements in conformity with other comprehensive basis of accounting used by the City, 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.

Revenues

The City has the following program revenues; fees, fines and charges for services, operating and capital grants or contributions that are specific to a program. All other governmental revenues and general tax levies are classified as general revenues.

Operating revenues and expenses in the enterprise funds consist of user fees, sales, charges for services and the related income and expenses associated with providing those sales and services. Non-operating revenues and expenses consist of contributions, grants, rents, interest and other miscellaneous items not associated with the services the fund is providing.

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 attach as an enforceable lien on January 1st of the year collectible. A 5% reduction is allowed if paid by February 15th. Penalty and interest are added March 1st unless the first half of the taxes have been paid. Additional penalties are added October 15th if taxes are not paid.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City maintains a cash pool of which each fund's portion of the pool is displayed on their respective balance sheet as cash and cash equivalents. In addition, non-pooled investments are separately held and reflected in their respective funds balance sheet as investments. The City's investments consist of certificates of deposit accounts.

In accordance with North Dakota laws, the City maintains deposits at depositories authorized by the city council. The depositories are members of the Federal Reserve System.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

State statutes require that market value of collateral pledged to secure deposits not covered by insurance must equal 110% of the deposits. The City's cash and investments are held by the designated depository. At December 31, 2013 and 2012 the City had adequate FDIC insurance or pledged collateral to cover all deposits.

Credit Risk

State statutes authorize local governments to invest in:

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS

- 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 the state.
- d) Obligations of the state.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

NOTE 3 - LONG-TERM DEBT LIABILITIES

The following is a summary of changes in governmental activities long-term debt by individual issue for the year ended December 31, 2013 and 2012:

<u>December 31, 2013</u> <u>Governmental Activities</u>	<u>Interest</u> <u>Rate</u>	<u>Beginning</u> <u>Balance</u>	<u>New</u> <u>Issues</u>	<u>Retired</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>One year</u>
Bonds Payable	2.25% - 3.25%	\$ 234,510	\$ -	\$ 100,624	\$ 133,886	\$ 10,863
Notes Payable	4.0% - 4.65%	32,759	-	27,655	5,104	2,518
Total Governmental Activities		<u>\$ 267,269</u>	<u>\$ -</u>	<u>\$ 128,279</u>	<u>\$ 138,990</u>	<u>\$ 13,381</u>
<u>December 31, 2012</u> <u>Governmental Activities</u>	<u>Interest</u> <u>Rate</u>	<u>Beginning</u> <u>Balance</u>	<u>New</u> <u>Issues</u>	<u>Retired</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>One year</u>
Bonds Payable	2.25% - 3.25%	\$ 329,900	\$ -	\$ 95,390	\$ 234,510	\$ 100,625
Notes Payable	4.0% - 4.65%	59,180	-	26,421	32,759	29,764
Total Governmental Activities		<u>\$ 389,080</u>	<u>\$ -</u>	<u>\$ 121,811</u>	<u>\$ 267,269</u>	<u>\$ 130,389</u>

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS

The amount of future payments on the above governmental activities long-term debt is as follows:

<u>Governmental Activities</u>			
TIF			
<u>Bonds Payable</u>		<u>Notes Payable</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
10,863	6,025	2,518	204
11,107	5,536	2,586	103
11,357	5,036	-	-
11,613	4,525	-	-
11,874	4,002	-	-
63,501	11,753	-	-
13,571	610	-	-
<u>\$ 133,886</u>	<u>\$ 37,487</u>	<u>\$ 5,104</u>	<u>\$ 307</u>

The following is a summary of changes in business-type activities long-term debt by individual issue for the year ended December 31, 2013 and 2012:

<u>December 31, 2013</u>	<u>Interest</u>	<u>Beginning</u>	<u>New</u>	<u>Ending</u>	<u>Due within</u>
<u>Business Type Activities</u>	<u>Rate</u>	<u>Balance</u>	<u>Issues</u>	<u>Balance</u>	<u>one Year</u>
Revenue Bonds	3.0% - 5.125%	\$ 304,800	\$ -	\$ 294,200	10,600
Waste Water Improvements	2.50%	256,976	-	234,357	22,619
		<u>\$ 561,776</u>	<u>\$ -</u>	<u>\$ 528,557</u>	<u>\$ 33,219</u>
<u>December 31, 2012</u>	<u>Interest</u>	<u>Beginning</u>	<u>New</u>	<u>Ending</u>	<u>Due within</u>
<u>Business Type Activities</u>	<u>Rate</u>	<u>Balance</u>	<u>Issues</u>	<u>Balance</u>	<u>one Year</u>
Revenue Bonds	3.0% - 5.125%	\$ 315,000	\$ -	\$ 304,800	\$ 10,600
Waste Water Improvements	2.50%	279,595	-	256,976	22,619
		<u>\$ 594,595</u>	<u>\$ -</u>	<u>\$ 561,776</u>	<u>\$ 33,219</u>

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS

The amount of future payments and the combined future payments on the above business-type activities long-term debt is as follows:

	<u>Revenue Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	33,619	17,369
2015	34,019	16,392
2016	34,419	15,411
2017	30,800	14,388
2018	31,200	13,462
2019-2023	167,600	53,269
2024-2028	118,700	28,698
2029-2033	78,200	8,258
	<u>\$ 528,557</u>	<u>\$ 167,247</u>

Outstanding debt at December 31 2013 and 2012 consists of the following issues:

<u>Governmental Activities:</u>	<u>2013</u>	<u>2012</u>
General Obligation Bonds:		
\$700,000 General Obligation Refunding Bonds of 2004; due in annual installments of \$65,000 to \$90,000 through May 1, 2013; interest at 2.10% to 3.55%.	\$ -	\$ 90,000
Special Assessment Bonds:		
\$175,000 Special Assessment Bonds of 2007; due in annual installments of \$9,938 to 13,570 through November 1, 2024; interest at 4.5%	\$ 133,886	\$ 144,510
Notes Payable:		
\$16,500 Note Payable for a John Deere Tractor Mower; due in annual installments of \$2,692 to 2,722 with balance due May 1, 2015; interest at 4.0%	\$ 5,104	\$ 7,525
\$94,740 Note Payable for a John Deere Payloader; due in annual installments of \$26,425 to 26,751 with balance due November 10, 2013; interest at 4.65%	\$ -	\$ 25,234
Total Notes Payable:	<u>\$ 5,104</u>	<u>\$ 32,759</u>

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS

<u>Business-Type Activities</u>	<u>2013</u>	<u>2012</u>
Revenue Bonds:		
\$82,368 Wastewater Revenue Bonds of 1996 due in annual installments of \$4,107 to 4,119 through September 1, 2016; interest at 2.5%	\$ 12,357	\$ 16,476
\$291,164 Water Improvement Revenue Bonds of 2004-1 due in annual installments of \$10,000 to 15,000 through September 1, 2024; interest at 2.5%	\$ 165,000	\$ 180,000
\$30,236 Wastewater Treatment Revenue Bonds of 2006 due in annual installments of \$1,000 to 2,000 through September 1, 2026; interest at 2.5%	\$ 22,000	\$ 23,500
\$46,937 Wastewater Treatment Revenue Bonds of 2007 due in annual installments of \$1,937 to 3,000 through September 1, 2027; interest at 2.5%	\$ 35,000	\$ 37,000
\$300,000 Revenue Bonds of 1993-1 due in annual installments of \$4,500 to 12,000 through November 9, 2032 at 3%.	\$ 171,500	\$ 178,600
\$168,000 Revenue Bonds of 1993-2 due in annual installments of \$1,400 to 9,100 through November 9, 2033; interest at 5.125%	\$ 122,700	\$ 126,200
Total Revenue Bonds:	\$ 528,557	\$ 561,776

NOTE 4 - RESTRICTED NET ASSETS

The government-wide statement of net assets reported restricted net assets of \$378,188 on December 31, 2013, \$41,170 of which was restricted by enabling legislation and the remainder of which was restricted by various debt covenants. The City reported \$367,886 of restricted net assets on December 31, 2012, \$55,310 of which was restricted by enabling legislation and the remainder of which was restricted by various debt covenants.

NOTE 5 - FUND DEFICITS

For the years ended December 31, 2013 and 2012, the City hall remodeling fund was in a deficit cash position of \$3,200. The City will eliminate the deficit with future revenues and transfers from other funds.

NOTE 6 - RISK MANAGEMENT

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

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 public assets insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence for general liability and automobile coverage and to \$260,090 for public assets coverage.

The City 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

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS

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 the City with blanket fidelity bond coverage in the amount of \$162,000 for the City employees.

The City has workers compensation with the North Dakota Workforce Safety and Insurance.

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

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Grant Programs

The City participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2013 and 2012, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 8 – SCHEDULE OF TRANSFERS

There were no transfers made in the year ended December 31, 2013.

During the year ended December 31, 2012, one transfer was made for \$3,100 to the TIF fund from the Water Operating fund to aid in the payment of special assessment bond principal and interest.

NOTE 9 – SUBSEQUENT EVENTS

On June 4, 2014, the City adopted a resolution issuing \$2,440,000 Refunding Improvement Bonds of 2014 for the purpose of financing a street improvement project. The Bonds will be due in annual principle installments through 2028. This source of funds to make these payments will be from special assessments levied for the project.

On November 24, 2014, the City entered into a capital lease agreement of \$69,989, with interest at 1.98%, for the use of a 2014 Bobcat Skid-steer loader. Payments of \$14,667 are due annually through April 8, 2019, with an option to purchase the loader for \$1 at that time.

In December 2014 the City purchased with cash a new pay loader for \$25,600.

In January 2015 the City reimbursed the Traill Rural Water District in the amount of \$43,387 for errors in billing made by Traill Water for water purchases in 2009.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 149,851	\$ 149,851	\$ 60,634	\$ (89,217)
Licenses and Permits	2,700	2,700	6,684	3,984
Intergovernmental	30,500	30,500	59,772	29,272
Interest	100	100	52	(48)
Miscellaneous Revenue	5,200	5,200	-	(5,200)
TOTAL REVENUES	<u>188,351</u>	<u>188,351</u>	<u>130,558</u>	<u>(57,793)</u>
EXPENDITURES				
Current:				
General government	109,800	109,800	67,517	42,283
Public Safety	56,463	56,463	50,332	6,131
Public Works	15,000	15,000	8,797	6,203
Debt service:				
Principal retirement	-	-	27,655	(27,655)
Interest and service charges	-	-	1,491	(1,491)
TOTAL EXPENDITURES	<u>181,263</u>	<u>181,263</u>	<u>155,792</u>	<u>25,471</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,088	7,088	(25,234)	(32,322)
FUND BALANCE - JANUARY 1	<u>(113,458)</u>	<u>(113,458)</u>	<u>(113,458)</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ (106,370)</u>	<u>\$ (106,370)</u>	<u>\$ (138,692)</u>	<u>\$ (32,322)</u>

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL - MODIFIED CASH BASIS
CITY SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 60,000	\$ 60,000	\$ 48,672	\$ (11,328)
EXPENDITURES				
Current:				
Economic Development	55,000	55,000	32,393	22,607
TOTAL EXPENDITURES	55,000	55,000	32,393	22,607
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,000	5,000	16,279	11,279
FUND BALANCE - JANUARY 1	55,279	55,279	55,279	-
FUND BALANCE - DECEMBER 31	60,279	60,279	\$ 71,558	11,279

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL - MODIFIED CASH BASIS
HIGHWAY DISTRIBUTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 28,000	\$ 28,000	68,826	\$ 40,826
EXPENDITURES				
Current:				
Public Works	45,000	45,000	60,126	(15,126)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(17,000)	(17,000)	8,700	25,700
FUND BALANCE - JANUARY 1	5,412	5,412	24,576	-
FUND BALANCE - DECEMBER 31	<u>(11,588)</u>	<u>(11,588)</u>	<u>\$ 33,276</u>	<u>44,864</u>

PORTLAND, CITY OF, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL - MODIFIED CASH BASIS
SALES TAX EDC FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 15,000	\$ 15,000	\$ 9,969	\$ (5,031)
TOTAL REVENUES	<u>15,000</u>	<u>15,000</u>	<u>9,969</u>	<u>(5,031)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>15,000</u>	<u>15,000</u>	<u>9,969</u>	<u>(5,031)</u>
FUND BALANCE - JANUARY 1	<u>35,151</u>	<u>35,151</u>	<u>35,151</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 65,151</u>	<u>\$ 65,151</u>	<u>\$ 45,120</u>	<u>\$ (20,031)</u>

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 103,674	\$ 103,674	\$ 59,526	\$ (44,148)
Licenses and Permits	2,700	2,700	7,886	5,186
Intergovernmental	42,340	42,340	55,733	13,393
Interest	100	100	71	(29)
Miscellaneous Revenue	4,900	4,900	7,281	2,381
TOTAL REVENUES	<u>153,714</u>	<u>153,714</u>	<u>130,497</u>	<u>(23,217)</u>
EXPENDITURES				
Current:				
General government	91,000	91,000	100,524	(9,524)
Public Safety	42,848	42,848	41,916	932
Public Works	15,000	15,000	10,733	4,267
Debt service:				
Principal retirement	-	-	26,421	(26,421)
Interest and service charges	-	-	2,726	(2,726)
TOTAL EXPENDITURES	<u>148,848</u>	<u>148,848</u>	<u>182,320</u>	<u>(33,472)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,866	4,866	(51,823)	(56,689)
FUND BALANCE - JANUARY 1	<u>(61,635)</u>	<u>(61,635)</u>	<u>(61,635)</u>	<u>\$ -</u>
FUND BALANCE - DECEMBER 31	<u>(56,769)</u>	<u>(56,769)</u>	<u>\$ (113,458)</u>	<u>\$ (56,689)</u>

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL - MODIFIED CASH BASIS
CITY SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 60,000	\$ 60,000	\$ 53,111	\$ (6,889)
EXPENDITURES				
Current:				
Public Works	-	-	-	-
Economic Development	55,000	55,000	29,564	25,436
TOTAL EXPENDITURES	55,000	55,000	29,564	25,436
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 5,000	\$ 5,000	23,547	\$ 18,547
FUND BALANCE - JANUARY 1	31,732	31,732	31,732	-
FUND BALANCE - DECEMBER 31	36,732	36,732	\$ 55,279	18,547

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL - MODIFIED CASH BASIS
HIGHWAY DISTRIBUTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 51,337	\$ 11,337
EXPENDITURES				
Current:				
Public Works	45,000	45,000	41,866	3,134
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,000)	(5,000)	9,471	14,471
FUND BALANCE - JANUARY 1	15,105	15,105	15,105	\$ -
FUND BALANCE - DECEMBER 31	10,105	10,105	\$ 24,576	\$ 14,471

PORTLAND, CITY OF, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL - MODIFIED CASH BASIS
SALES TAX EDC FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 15,000	\$ 15,000	\$ 10,878	\$ (4,122)
TOTAL REVENUES	<u>15,000</u>	<u>15,000</u>	<u>10,878</u>	<u>(4,122)</u>
EXPENDITURES				
Current:				
General government	15,000	15,000	-	15,000
TOTAL EXPENDITURES	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	10,878	10,878
FUND BALANCE - JANUARY 1	<u>24,273</u>	<u>24,273</u>	<u>24,273</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 24,273</u>	<u>\$ 24,273</u>	<u>\$ 35,151</u>	<u>\$ 10,878</u>

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO BUDGET
DECEMBER 31, 2013 AND 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Budgetary Information

The City Commission 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. This basis is substantially the same as the basis used for financial reporting. The budget is prepared for the general fund and each special revenue 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 Commission makes a preliminary budget annually on or before September 10th. The budget includes proposed expenditures and a means of financing them.
- 2) The governing board holds a public meeting hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget.
- 3) After the budget hearing, the board adopts the final budget. The final budget must be filed with the county auditor by October 1st.
- 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.

NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET

Expenditures exceeded budget as follows:

December 31, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Highway Fund	\$ 45,000	\$ 60,126	\$ (15,126)

December 31, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund	\$ 148,848	\$ 182,320	\$ (33,472)

Funds sufficient to provide for the excess expenditures were made available from other funds; the excess has no impact on the financial results of the City.

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET-MODIFIED CASH BASIS
 NON MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2013

	Social Security Fund	City Share - Special Assn'ts	Emergency	Insurance Reserve	Forestry	Special Assessment Deficiency	Penalty & Interest	Advertising	City Hall Remodeling	Park District	Police Car	Total Governmental
Assets												
Cash & Cash Equivalents	\$ 1,537	\$ 20,647	\$ 9,053	\$ 6,127	\$ 3,597	\$ 7,699	\$ 11,053	\$ 1,903	\$ (3,200)	\$ 9,816	\$ 4,843	\$ 1,643
Due From Other Funds											1,157	72,589
Total Assets	\$ 1,537	\$ 20,647	\$ 9,053	\$ 6,127	\$ 3,597	\$ 7,699	\$ 11,053	\$ 1,903	\$ (3,200)	\$ 9,816	\$ 6,000	\$ 74,232
Fund Balances												
Restricted for Special Revenue	\$ 1,537	\$ 20,647	\$ 9,053	\$ 6,127	\$ 3,597	\$ 7,699	\$ 11,053	\$ 1,903	\$ (3,200)	\$ 9,816	\$ 6,000	\$ 42,864
Reserved for Debt Service												18,752
Unreserved												12,616
Total fund balance	\$ 1,537	\$ 20,647	\$ 9,053	\$ 6,127	\$ 3,597	\$ 7,699	\$ 11,053	\$ 1,903	\$ (3,200)	\$ 9,816	\$ 6,000	\$ 74,232
Total Liabilities and Fund Balance	\$ 1,537	\$ 20,647	\$ 9,053	\$ 6,127	\$ 3,597	\$ 7,699	\$ 11,053	\$ 1,903	\$ (3,200)	\$ 9,816	\$ 6,000	\$ 74,232

CITY OF PORTLAND, NORTH DAKOTA
COMBINING BALANCE SHEET -MODIFIED CASH BASIS
NON MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2013

	<u>Mosquito</u>	<u>Water Meter Deposits</u>	<u>Garbage Surcharge</u>	<u>Total</u>
ASSETS				
Due from other funds	\$ 8,038	\$ 11,277	\$ 4,992	\$ 24,307
LIABILITIES				
Long-term Liabilities				
Meter Deposits	-	6,360	-	6,360
NET POSITION				
Unrestricted	\$ 8,038	\$ 4,917	\$ 4,992	\$ 17,947

CITY OF MORRIS COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS
 NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Social Security Fund	City Share - Special Assmnts	Emergency	Insurance Reserve	Forestry	Special Assessment Deficiency	Penalty & Interest	Advertising	City Hall Remodeling	Park District	Police Car	Total Governmental
Revenues												
Taxes	\$ 3,864	\$ 7,022	\$ 2,232	\$ 4,767	\$ 1,804	\$ 1,860	\$ 2,205	\$ 467	\$ -	\$ -	\$ -	\$ 24,221
Intergovernmental	-	-	-	-	-	-	-	-	-	8,243	-	8,243
Total revenues	3,864	7,022	2,232	4,767	1,804	1,860	2,205	467	-	8,243	-	32,464
Expenditures												
Current												
General government	2,990	92	-	4,196	748	-	-	-	-	8,243	-	16,269
Excess Revenues Over (Under) Expenditures	874	6,930	2,232	571	1,056	1,860	2,205	467	-	-	-	16,195
Fund Balance - January 1	663	13,717	6,821	5,556	2,541	5,839	8,848	1,436	(3,200)	9,816	6,000	58,037
Fund Balance - December 31	\$ 1,537	\$ 20,647	\$ 9,053	\$ 6,127	\$ 3,597	\$ 7,699	\$ 11,053	\$ 1,903	\$ (3,200)	\$ 9,816	\$ 6,000	\$ 74,232

CITY OF PORTLAND, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION-MODIFIED CASH BASIS
NON MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2013

	<u>Mosquito</u>	<u>Water Meter Deposits</u>	<u>Garbage Surcharge</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	\$ 2,981	\$ 550	\$ 536	\$ 4,067
Operating expenses:				
Operating Costs	3,867	-	-	3,867
Total Operating Expenses	3,867	-	-	3,867
Operating Income	(886)	550	536	200
Net Position, January 1	8,924	4,367	4,456	17,747
Net Position, December 31	\$ 8,038	\$ 4,917	\$ 4,992	\$ 17,947

COFF ND, N JAKO
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NON MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2012

	Social Security Fund	City Share - Special Assmts	Emergency	Insurance Reserve	Forestry	Special Assessment Deficiency	Penalty & Interest	Advertising	City Hall Remodeling	Park District	Police Car	Total Governmental
Assets												
Cash & Cash Equivalents	\$ 663	\$ 13,717	\$ 6,821	\$ 5,556	\$ 2,541	\$ 5,839	\$ 8,848	\$ 1,436	\$ (3,200)	\$ 9,816	\$ 6,000	\$ 58,037
Total Assets	\$ 663	\$ 13,717	\$ 6,821	\$ 5,556	\$ 2,541	\$ 5,839	\$ 8,848	\$ 1,436	\$ (3,200)	\$ 9,816	\$ 6,000	\$ 58,037
Fund Balances												
Restricted for Special Revenue	\$ 663	\$ 13,717	\$ 6,821	\$ 5,556	\$ 2,541	\$ -	\$ -	\$ 1,436	\$ -	\$ -	\$ -	\$ 30,734
Restricted for Debt Service	-	-	-	-	-	\$ 5,839	\$ 8,848	-	\$ (3,200)	\$ 9,816	\$ 6,000	\$ 14,687
Unassigned	-	-	-	-	-	-	-	-	-	-	-	\$ 12,616
Total fund balance	\$ 663	\$ 13,717	\$ 6,821	\$ 5,556	\$ 2,541	\$ 5,839	\$ 8,848	\$ 1,436	\$ (3,200)	\$ 9,816	\$ 6,000	\$ 58,037
Total Liabilities and Fund Balance	\$ 663	\$ 13,717	\$ 6,821	\$ 5,556	\$ 2,541	\$ 5,839	\$ 8,848	\$ 1,436	\$ (3,200)	\$ 9,816	\$ 6,000	\$ 58,037

CITY OF PORTLAND, NORTH DAKOTA
COMBINING BALANCE SHEET -MODIFIED CASH BASIS
NON MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2012

	<u>Mosquito</u>	<u>Water Meter Deposits</u>	<u>Garbage Surcharge</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,924	\$ 10,427	\$ 4,456	\$ 23,807
LIABILITIES				
Long-term Liabilities				
Meter Deposits	-	6,060	-	6,060
NET POSITION				
Unrestricted	\$ 8,924	\$ 4,367	\$ 4,456	\$ 17,747

OF P. ND, N. DAK.
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-MODIFIED CASH BASIS
 NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Social Security Fund	City Share - Special Assmts	Emergency	Insurance Reserve	Forestry	Special Assessment Deficiency	Penalty & Interest	Advertising	City Hall Remodeling	Park District	Police Car	Total Governmental
Revenues												
Taxes	3,890	7,083	2,251	5,361	1,819	1,874	1,580	471	\$ -	\$ -	\$ -	24,329
Intergovernmental										7,719		7,719
Total revenues	3,890	7,083	2,251	5,361	1,819	1,874	1,580	471	-	7,719	-	32,048
Expenditures												
Current												
General government	3,774	198	-	3,748	725	-	-	-	-	6,181	-	14,626
Total expenditures	3,774	198	-	3,748	725	-	-	-	-	6,181	-	14,626
Excess Revenues Over (Under) Expenditures	116	6,885	2,251	1,613	1,094	1,874	1,580	471	-	1,538	-	17,422
Excess Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	116	6,885	2,251	1,613	1,094	1,874	1,580	471	-	1,538	-	17,422
Fund Balance - January 1	547	6,832	4,570	3,943	1,447	3,965	7,268	965	(3,200)	8,278	6,000	40,615
Prior period adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balance - December 31	\$ 663	\$ 13,717	\$ 6,821	\$ 5,556	\$ 2,541	\$ 5,839	\$ 8,848	\$ 1,436	\$ (3,200)	\$ 9,816	\$ 6,000	\$ 58,037

CITY OF PORTLAND, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION-MODIFIED CASH BASIS
NON MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2012

	<u>Mosquito</u>	<u>Water Meter Deposits</u>	<u>Garbage Surcharge</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	<u>\$ 3,954</u>	<u>\$ 740</u>	<u>\$ 578</u>	<u>\$ 5,272</u>
Operating expenses:				
Operating Costs	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total Operating Expenses	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Operating Income	2,954	740	578	4,272
Net Position, January 1	<u>5,970</u>	<u>3,627</u>	<u>3,878</u>	<u>13,475</u>
Net Position, December 31	<u>\$ 8,924</u>	<u>\$ 4,367</u>	<u>\$ 4,456</u>	<u>\$ 17,747</u>

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INDEPENDENT AUDITORS'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*

Mayor and Council Members of
 the City Council
 City of Portland, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Portland, North Dakota as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the City of Portland, 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 over financial reporting that might be significant deficiencies or material weaknesses and therefore, significant deficiencies, or material weaknesses may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting 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 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 as items 2013-01, 2013-02, 2013-03, and 2013-04 to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and responses as item 2013-05 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Portland 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 an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

City of Portland's Responses to Findings

City of Portland, North Dakota's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Portland's responses were not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report is intended 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 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.

DREES, RISKEY & VALLAGER, LTD.

Drees, Risky & Vallager Ltd.

Certified Public Accountants

September 30, 2015
Grand Forks, North Dakota

CITY OF PORTLAND, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

Material Weakness 2013-01 – Capital Asset Records

Condition:

Capital asset records sufficient for financial reporting under accounting principles generally accepted in the United States of America do not exist.

Criteria:

Accounting principles generally accepted in the United States of America require the financial statements to include capital assets, net of accumulated depreciation. These accounting principles require that capital asset records include infrastructure constructed after January 1, 2004.

Effect:

The omission of capital assets from the financial statements results in an incomplete presentation of the City's financial statements.

Recommendation:

We recommend that the City adopt a capital asset policy, which serves as a guideline for financial reporting of long-lived assets. We further recommend that the City prepare a schedule of capital assets and accumulated depreciation, in accordance with the City's policies.

Response:

The City will consider adopting a capital asset policy and establishing capital asset records.

Material Weakness 2013-02 – Segregation of Duties

Condition:

A proper segregation of duties for internal control does not exist.

Criteria:

In an effort to ensure adequate internal control over financial reporting and prevent material misstatement due to errors or fraud, there should be a segregation of the functions of transaction approval, asset custody, transaction posting, and financial report and records reconciliation.

Effect:

The City of Portland has one office employee, the City Auditor, responsible for all accounting functions involved. The auditor handles all incoming monies, prepares the receipts, prepares and makes the bank deposits, and does the bank reconciliations. The City Auditor also prepares and records the disbursements to the journals. The City Auditor does report financial information to the City Council, but the risk of misstatement of the City's financial condition remains present.

Recommendation:

Proper separation of duties should be obtained where feasible.

Response:

The City recognizes the lack of segregation of duties and will implement safeguards wherever possible.

CITY OF PORTLAND, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

Material Weakness 2013-03 – General Ledger Records

Condition:

The City does not maintain a general ledger that is sufficient to ensure fair and accurate financial reporting in accordance with professional accounting standards. General ledger records sufficient for fair and accurate financial reporting under accounting principles generally accepted in the United States of America do not exist.

Criteria:

Accounting principles generally accepted in the United States of America require financial statements to be presented in a way that is not misleading for the users of the statements.

Effect:

Insufficient general ledger records may result in financial statements susceptible to material misstatement. Furthermore, financial data may be incomplete or misleading for management and the City Council for internal control and decision making purposes.

Recommendation:

We recommend that the City consider implementing a government fund accounting software.

Response:

The City is currently considering various accounting software to accurately record and report its financial operations.

Material Weakness 2013-04 – Signature Stamp

Condition:

A signature stamp with the Mayor's signature is kept in the possession of the City Auditor.

Criteria:

Dual signatures are required on all expenditures. If one employee is capable of signing both signatures on a check, the effectiveness of the control is eliminated.

Effect:

There is an increased risk that one employee could generate erroneous or fraudulent checks without the knowledge of management or the City Council.

Recommendation:

We recommend that the signature stamp be stored in a secured location and used only by the Mayor after reviewing the appropriate support documentation.

Response:

The City Auditor only uses the signature stamp after receiving approval from the Mayor and the Mayor is not present to sign checks.

CITY OF PORTLAND, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

Significant Deficiency 2013-05 – Investment Interest Income

Condition:

Certificates of Deposit are reported on the fund balance reports; however, the corresponding interest income was not recorded timely.

Criteria:

The modified cash basis of accounting requires revenues to be recorded when received in the appropriate fund or funds.

Effect:

Interest revenue, investments and fund balances could be materially misstated.

Recommendation:

We recommend the City record the interest earned at the time the certificate of deposit is rolled over into a new certificate deposit.

Response:

The City will record interest as earned.