

**CITY OF PORTLAND
PORTLAND, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
December 31, 2015	
Government-wide Financial Statements	
Statement of Net Position – Modified Cash Basis	4
Statement of Activities - Modified Cash Basis	5
Fund Financial Statements	
Governmental Funds	
Balance Sheet - Modified Cash Basis	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis	7
Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities - Modified Cash Basis	9
Proprietary Fund	
Statement of Net Position - Modified Cash Basis	10
Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis	11
Statement of Cash Flows - Modified Cash Basis	12
December 31, 2014	
Government-wide Financial Statements	13
Statement of Net Position - Modified Cash Basis	13
Statement of Activities – Modified Cash Basis	14
Fund Financial Statements	
Governmental Funds	
Balance Sheet - Modified Cash Basis	15

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position - Modified Cash Basis	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities - Modified Cash Basis	18
Proprietary Fund	
Statement of Net Position - Modified Cash Basis	19
Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis	20
Statement of Cash Flows - Modified Cash Basis	21
Notes to the Financial Statements	22

SUPPLEMENTARY INFORMATION

December 31, 2015

Budgetary Comparison Schedule - Budget to Actual - Modified Cash Basis

General Fund	36
City Sales Tax Fund	37
Highway Distribution Fund	38
Sales Tax EDC Fund	39

December 31, 2014

Budgetary Comparison Schedule - Budget to Actual - Modified Cash Basis

General Fund	40
City Sales Tax Fund	41
Highway Distribution Fund	42
Sales Tax EDC Fund	43

Notes to the Budgetary Comparison Schedules 44

December 31, 2015

Combining Balance Sheet – Modified Cash Basis - Non-major Governmental Funds	45
Combining Balance Sheet – Modified Cash Basis - Non-major Enterprise Funds	46

Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis - Non-major Governmental Funds	47
Combining Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis - Non-major Enterprise Funds	48
December 31, 2014	
Combining Balance Sheet - Modified Cash Basis - Non-major Governmental Funds	49
Combining Balance Sheet - Modified Cash Basis - Non-major Enterprise Funds	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis - Non-major Governmental Funds	51
Combining Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis - Non-major Enterprise Funds	52
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 <i>GOVERNMENT AUDITING STANDARDS</i>	53
SCHEDULE OF FINDINGS AND RESPONSES	55



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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, 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 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 unmodified and adverse audit opinions.

Summary of Opinion Units

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
Business Type Activities	Adverse
Governmental Funds-all major funds	Unmodified
Governmental Funds-Non Major Funds Aggregate Combined	Unmodified
Water Operating Fund	Adverse
Water Reserve Fund	Unmodified
Sewer Operating Fund	Adverse
Sewer Reserve Fund	Unmodified
Garbage Operating Fund	Unmodified
Non-Major Enterprise Funds	Unmodified

Basis for Adverse Opinion on Governmental Activities, Business Type Activities and Proprietary Funds

As discussed in Note 1 to the financial statements, management has not recorded capital assets and the related depreciation expense for those assets in the governmental activities, business type activities and water operating and sewer operating proprietary funds. Accounting principles applicable to the City's modified cash basis of accounting require that capital assets, and the related depreciation expense be presented. The amount by which this would affect the assets, net position and expenses of the governmental activities, business type activities and the water operating and sewer operating proprietary funds has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the modified cash basis financial position of the governmental activities, business type activities, water operating proprietary fund, and sewer operating proprietary fund of the City of Portland, North Dakota as of December 31, 2015 and 2014, and the changes in financial position for the years then ended in accordance with the modified cash basis.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of each major governmental fund, the water reserve fund, sewer reserve fund, garbage operating fund, and the aggregate remaining fund information of the City of Portland, North Dakota, as of December 31, 2015 and 2014, and the respective changes in modified cash basis 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

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 budgetary comparison schedules and 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 budgetary comparison schedules and 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 January 5, 2018, 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.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

January 5, 2018

BASIC FINANCIAL STATEMENTS

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2015

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 379,263	\$ -	\$ 379,263
Investments	138,312	53,291	191,603
Internal Balances	172,845	(172,845)	-
Total Current Assets	<u>690,420</u>	<u>(119,554)</u>	<u>570,866</u>
TOTAL ASSETS	<u>690,420</u>	<u>(119,554)</u>	<u>570,866</u>
LIABILITIES			
Long-term Liabilities			
Current Portion			
Bonds Payable	186,357	-	186,357
Loans Payable	13,294	-	13,294
Revenue Bonds Payable	-	34,419	34,419
Non-current Portion			
Bonds Payable	2,197,427	-	2,197,427
Loans Payable	41,515	-	41,515
Revenue Bonds Payable	-	426,455	426,455
Meter Deposits	-	6,360	6,360
Total Long-term Liabilities	<u>2,438,593</u>	<u>467,234</u>	<u>2,905,827</u>
TOTAL LIABILITIES	<u>2,438,593</u>	<u>467,234</u>	<u>2,905,827</u>
NET POSITION			
Restricted			
Debt Service	618,086	-	618,086
Highways	49,273	-	49,273
Other	94,792	-	94,792
Unrestricted (Deficit)	<u>(2,545,073)</u>	<u>(586,788)</u>	<u>(3,131,861)</u>
TOTAL NET POSITION	<u>\$ (1,748,173)</u>	<u>\$ (586,788)</u>	<u>\$ (2,334,961)</u>

See Notes to the Financial Statements

CITY OF PORTLAND, 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	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	\$ 96,157	\$ 6,771	\$ -	\$ -	\$ (89,386)	\$ -	\$ (89,386)
Public Safety	49,064	-	-	-	(49,064)	-	(49,064)
Public Works	350,396	-	37,672	-	(312,724)	-	(312,724)
Economic Development	35,614	-	-	-	(35,614)	-	(35,614)
Interest and Service Charges	55,338	-	-	-	(55,338)	-	(55,338)
Total Governmental Activities	<u>586,569</u>	<u>6,771</u>	<u>37,672</u>		<u>(542,126)</u>	<u>-</u>	<u>(542,126)</u>
Business-Type Activities							
Water	119,943	102,471	-	-	-	(17,472)	(17,472)
Sewer	50,125	70,967	-	-	-	20,842	20,842
Garbage	43,564	47,667	-	-	-	4,103	4,103
Non Major Enterprise Funds	1,304	4,902	-	-	-	3,598	3,598
Total Business-Type Activities	<u>214,936</u>	<u>226,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,071</u>	<u>11,071</u>
Total Primary Government	<u>\$ 801,505</u>	<u>\$ 232,778</u>	<u>\$ 37,672</u>	<u>\$ -</u>	<u>(542,126)</u>	<u>11,071</u>	<u>(531,055)</u>
General Revenues:							
Taxes & Special Assessments					381,794	-	381,794
Intergovernmental					75,395	-	75,395
Interest					3,362	592	3,954
Miscellaneous Revenue					7,646	-	7,646
Total General Receipts and Transfers					<u>468,197</u>	<u>592</u>	<u>468,789</u>
Changes in Net Position					(73,929)	11,663	(62,266)
Net Position, January 1					<u>(1,674,244)</u>	<u>(598,451)</u>	<u>(2,272,695)</u>
Net Position, December 31					<u>\$ (1,748,173)</u>	<u>\$ (586,788)</u>	<u>\$ (2,334,961)</u>

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Special Revenue Funds			Debt Service Funds			Capital Projects		Other Governmental Funds	Total Governmental Funds
	General Fund	Sales Tax - City Fund	Highway Fund	Sales Tax EDC Fund	Street/Storm Sewer 1998-1,2 Fund	TIF Fund	2014 Street Improvement	2014 Street Improvement		
ASSETS										
Cash and Cash Equivalents	\$ -	\$ -	\$ 11,796	\$ 50,964	\$ -	\$ -	\$ 295,109	\$ 21,394	\$ -	\$ 379,263
Investments	-	-	-	-	138,312	-	-	-	-	138,312
Due From Other Funds	-	110,689	16,083	13,817	184,665	-	-	-	100,792	426,046
Total Assets	\$ -	\$ 110,689	\$ 27,879	\$ 64,781	\$ 322,977	\$ -	\$ 295,109	\$ 21,394	\$ 100,792	\$ 943,621
LIABILITIES										
Due to Other Funds	\$ 136,973	\$ -	\$ -	\$ -	\$ -	\$ 107,196	\$ -	\$ -	\$ 9,032	\$ 253,201
Total Liabilities	136,973	-	-	-	-	107,196	-	-	9,032	253,201
FUND BALANCE										
Restricted:										
Debt Service	-	-	-	-	322,977	-	295,109	-	-	618,086
Street/Highway Maintenance	-	-	27,879	-	-	-	-	21,394	-	49,273
City Special Assessments	-	-	-	-	-	-	-	-	34,749	34,749
Emergencies	-	-	-	-	-	-	-	-	13,558	13,558
Insurance	-	-	-	-	-	-	-	-	9,008	9,008
Forestry	-	-	-	-	-	-	-	-	6,755	6,755
FICA Taxes	-	-	-	-	-	-	-	-	1,801	1,801
Advertising	-	-	-	-	-	-	-	-	2,839	2,839
Special assessment deficiency	-	-	-	-	-	-	-	-	11,449	11,449
Penalty and interest	-	-	-	-	-	-	-	-	14,633	14,633
Assigned	-	110,689	-	64,781	-	-	-	-	6,000	181,470
Unassigned	(136,973)	-	-	-	-	(107,196)	-	-	(9,032)	(253,201)
Total Fund Balance (Deficit)	(136,973)	110,689	27,879	64,781	322,977	(107,196)	295,109	21,394	91,760	690,420
Total Liabilities and Fund Balance	\$ -	\$ 110,689	\$ 27,879	\$ 64,781	\$ 322,977	\$ -	\$ 295,109	\$ 21,394	\$ 100,792	\$ 943,621

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2015

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

Total fund balance-governmental funds		\$ 690,420
<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>		
Bonds Payable		(2,383,784)
Loans Payable		(54,809)
		(2,438,593)
Total net position-governmental activities		\$ (1,748,173)

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds				Debt Service Funds			Capital Projects	Other Governmental Funds	Total Governmental Funds
	General Fund	Sales Tax - City Fund	Highway Fund	Sales Tax EDC Fund	Street/Storm Sewer 1998-1,2 Fund	TIF Fund	2014 Street Improvement	2014 Street Improvement		
REVENUES										
Taxes	\$ 60,111	\$ 47,303	\$ -	\$ 9,699	\$ -	\$ -	\$ -	\$ -	\$ 25,183	\$ 142,296
Special Assessments	-	-	-	-	-	9,161	230,336	-	-	239,497
Licenses and Permits	6,771	-	-	-	-	-	-	-	-	6,771
Intergovernmental	75,395	-	37,672	-	-	-	-	-	-	113,067
Interest	92	-	-	-	2,936	-	-	334	-	3,362
Other Revenue	7,596	-	50	-	-	-	-	-	-	7,646
Total Revenues	149,965	47,303	37,722	9,699	2,936	9,161	230,336	334	25,183	512,639
EXPENDITURES										
Current:										
General Government	73,571	-	-	-	7,508	-	-	-	15,078	96,157
Public Safety	49,064	-	-	-	-	-	-	-	-	49,064
Public Works	6,789	-	42,551	-	-	-	-	301,056	-	350,396
Economic Development	-	27,509	-	-	-	8,105	-	-	-	35,614
Debt Service:										
Principal Retirement	16,485	-	-	-	-	14,239	165,000	-	-	195,724
Interest and Service Charges	646	-	-	-	-	5,430	49,262	-	-	55,338
Total Expenditures	146,555	27,509	42,551	-	7,508	27,774	214,262	301,056	15,078	782,293
Revenues Over (Under) Expenditures	3,410	19,794	(4,829)	9,699	(4,572)	(18,613)	16,074	(300,722)	10,105	(269,654)
OTHER FINANCING SOURCES (USES)										
Operating Transfers in	-	-	-	-	-	-	214,262	-	-	214,262
Operating Transfers (Out)	-	-	-	-	-	-	-	(214,262)	-	(214,262)
Total Other Financing Sources (Uses)	-	-	-	-	-	-	214,262	(214,262)	-	-
Net Change in Fund Balance	3,410	19,794	(4,829)	9,699	(4,572)	(18,613)	230,336	(514,984)	10,105	(269,654)
Fund Balance - January 1	(140,383)	90,895	32,708	55,082	327,549	(88,583)	64,773	536,378	81,655	960,074
Fund Balance - December 31	\$ (136,973)	\$ 110,689	\$ 27,879	\$ 64,781	\$ 322,977	\$ (107,196)	\$ 295,109	\$ 21,394	\$ 91,760	\$ 690,420

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Net change in fund balance- total governmental funds \$ (269,654)

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 195,724

Net change in net position of governmental activities \$ (73,929)

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2015

	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	53,291	-	-	-	-	-	53,291
Due From Other Funds	-	50,543	13,995	37,718	5,044	32,015	139,315
Total Current Assets	<u>53,291</u>	<u>50,543</u>	<u>13,995</u>	<u>37,718</u>	<u>5,044</u>	<u>32,015</u>	<u>192,606</u>
TOTAL ASSETS	<u>53,291</u>	<u>50,543</u>	<u>13,995</u>	<u>37,718</u>	<u>5,044</u>	<u>32,015</u>	<u>192,606</u>
LIABILITIES							
Current Liabilities							
Due to Other Funds	312,160	-	-	-	-	-	312,160
Current Portion of Long-term Debt	11,800	-	22,619	-	-	-	34,419
Total Current Liabilities	<u>323,960</u>	<u>-</u>	<u>22,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>346,579</u>
Long-term Liabilities							
Bonds Payable	259,956	-	166,499	-	-	-	426,455
Meter Deposits	-	-	-	-	-	6,360	6,360
Total Non-current Liabilities	<u>259,956</u>	<u>-</u>	<u>166,499</u>	<u>-</u>	<u>-</u>	<u>6,360</u>	<u>432,815</u>
TOTAL LIABILITIES	<u>583,916</u>	<u>-</u>	<u>189,118</u>	<u>-</u>	<u>-</u>	<u>6,360</u>	<u>779,394</u>
NET POSITION							
Unrestricted	(530,625)	50,543	(175,123)	37,718	5,044	25,655	(586,788)
TOTAL NET POSITION	<u>\$ (530,625)</u>	<u>\$ 50,543</u>	<u>\$ (175,123)</u>	<u>\$ 37,718</u>	<u>\$ 5,044</u>	<u>\$ 25,655</u>	<u>\$ (586,788)</u>

See Notes to the 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, 2015

	Business-type Activities Enterprise Funds						
	Water Operating Fund	Water Reserve Fund	Sewer Operating Fund	Sewer Reserve Fund	Garbage Operating Fund	Non-major Enterprise Fund	Total Enterprise Funds
Operating Revenues:							
Charges for Services	\$ 102,471	\$ -	\$ 70,967	\$ -	\$ 47,667	\$ 4,902	\$ 226,007
Operating Expenses:							
Salary & Wages	18,680	-	13,621	-	-	-	32,301
Contracted Services	53,798	-	-	-	43,564	-	97,362
Maintenance & Supplies	33,530	-	0	-	-	-	33,530
Operating Costs	-	-	30,208	-	-	1,304	31,512
Total Operating Expenses	<u>106,008</u>	<u>-</u>	<u>43,829</u>	<u>-</u>	<u>43,564</u>	<u>1,304</u>	<u>194,705</u>
Operating Income (Loss)	<u>(3,537)</u>	<u>-</u>	<u>27,138</u>	<u>-</u>	<u>4,103</u>	<u>3,598</u>	<u>31,302</u>
Non-Operating Revenues (Expenses):							
Interest Income	592	-	-	-	-	-	592
Interest on Debt Service	<u>(13,935)</u>	<u>-</u>	<u>(6,296)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,231)</u>
Total Non-operating Revenues (Expense)	<u>(13,343)</u>	<u>-</u>	<u>(6,296)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,639)</u>
Income (Loss) Before Operating	<u>(16,880)</u>	<u>-</u>	<u>20,842</u>	<u>-</u>	<u>4,103</u>	<u>3,598</u>	<u>11,663</u>
Net Income	(16,880)	-	20,842	-	4,103	3,598	11,663
Net Position, January 1	<u>(513,745)</u>	<u>50,543</u>	<u>(195,965)</u>	<u>37,718</u>	<u>941</u>	<u>22,057</u>	<u>(598,451)</u>
Net Position, December 31	<u>\$ (530,625)</u>	<u>\$ 50,543</u>	<u>\$ (175,123)</u>	<u>\$ 37,718</u>	<u>\$ 5,044</u>	<u>\$ 25,655</u>	<u>\$ (586,788)</u>

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	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	
CASH FLOWS FROM (TO) OPERATING ACTIVITIES							
Receipts from Customers	\$ 102,471	\$ -	\$ 70,967	\$ -	\$ 47,667	\$ 4,902	\$ 226,007
Payments to Suppliers	(53,798)	-	-	-	(43,564)	-	(97,362)
Payroll Expenses	(18,680)	-	(13,621)	-	-	-	(32,301)
Miscellaneous Operating Expenses	(33,530)	-	(30,208)	-	-	(1,304)	(65,042)
Net Cash Provided (Used) by Operating Activities	<u>(3,537)</u>	<u>-</u>	<u>27,138</u>	<u>-</u>	<u>4,103</u>	<u>3,598</u>	<u>31,302</u>
CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES							
Interfund Loans	28,872	-	1,777	-	(4,408)	(3,598)	22,643
Net Cash Provided (Used) by Noncapital Financing Activities	<u>28,872</u>	<u>-</u>	<u>1,777</u>	<u>-</u>	<u>(4,408)</u>	<u>(3,598)</u>	<u>22,643</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal Paid on Debt	(11,400)	-	(22,619)	-	-	-	(34,019)
Interest Paid on Debt	(13,935)	-	(6,296)	-	-	-	(20,231)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(25,335)</u>	<u>-</u>	<u>(28,915)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,250)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-	-	(305)	-	(305)
CASH AND CASH EQUIVALENTS, JANUARY 1, 2015	-	-	-	-	305	-	305
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating Income (Loss)	\$ (3,537)	\$ -	\$ 27,138	\$ -	\$ 4,103	\$ 3,598	\$ 31,302
Net Cash Provided (Used) by Operating Activities	<u>\$ (3,537)</u>	<u>\$ -</u>	<u>\$ 27,138</u>	<u>\$ -</u>	<u>\$ 4,103</u>	<u>\$ 3,598</u>	<u>\$ 31,302</u>

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2014

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 674,495	\$ 305	\$ 674,800
Investments	135,376	52,699	188,075
Internal Balances	150,202	(150,202)	-
Total Current Assets	<u>960,073</u>	<u>(97,198)</u>	<u>862,875</u>
TOTAL ASSETS	<u>960,073</u>	<u>(97,198)</u>	<u>862,875</u>
LIABILITIES			
Long-term Liabilities			
Current Portion			
Bonds Payable	176,107	-	176,107
Loans Payable	16,485	-	16,485
Revenue Bonds Payable	-	34,019	34,019
Non-current Portion			
Bonds Payable	2,386,916	-	2,386,916
Loans Payable	54,809	-	54,809
Revenue Bonds Payable	-	460,874	460,874
Meter Deposits	-	6,360	6,360
Total Long-term Liabilities	<u>2,634,317</u>	<u>501,253</u>	<u>3,135,570</u>
TOTAL LIABILITIES	<u>2,634,317</u>	<u>501,253</u>	<u>3,135,570</u>
NET POSITION			
Restricted			
Debt Service	392,322	-	392,322
Highways	569,086	-	569,086
Other	78,854	-	78,854
Unrestricted (Deficit)	<u>(2,714,506)</u>	<u>(598,451)</u>	<u>(3,312,957)</u>
TOTAL NET POSITION	<u>\$ (1,674,244)</u>	<u>\$ (598,451)</u>	<u>\$ (2,272,695)</u>

See Notes to the Financial Statements

CITY OF PORTLAND, 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	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	\$ 74,166	\$ 6,824	\$ -	\$ -	\$ (67,342)	\$ -	\$ (67,342)
Public Safety	49,008	-	-	-	(49,008)	-	(49,008)
Public Works	59,755	-	-	39,725	(20,030)	-	(20,030)
Economic Development	29,299	-	-	-	(29,299)	-	(29,299)
Capital Outlay	1,932,687	-	-	69,239	(1,863,448)	-	(1,863,448)
Debt Service:							
Interest and Service Charges	25,110	-	-	1,388	(23,722)	-	(23,722)
Bond Discount	36,600	-	-	-	(36,600)	-	(36,600)
Bond Issuance Costs	11,900	-	-	-	(11,900)	-	(11,900)
Total Governmental Activities	<u>2,218,525</u>	<u>6,824</u>	<u>-</u>	<u>110,352</u>	<u>(2,101,349)</u>	<u>-</u>	<u>(2,101,349)</u>
Business-Type Activities							
Water	172,529	105,968	-	-	-	(66,561)	(66,561)
Sewer	54,383	72,884	-	-	-	18,501	18,501
Garbage	44,873	45,178	-	-	-	305	305
Non-Major Enterprise Funds	3,161	4,162	-	-	-	1,001	1,001
Total Business-Type Activities	<u>274,946</u>	<u>228,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,754)</u>	<u>(46,754)</u>
Total Primary Government	<u>\$ 2,493,471</u>	<u>\$ 235,016</u>	<u>\$ -</u>	<u>\$ 110,352</u>	<u>(2,101,349)</u>	<u>(46,754)</u>	<u>(2,148,103)</u>
General Revenues:							
Taxes					145,284	-	145,284
Intergovernmental					73,352	-	73,352
Interest					6,072	598	6,670
Miscellaneous Revenue					10,704	3,109	13,813
Total General Receipts and Transfers					<u>235,412</u>	<u>3,707</u>	<u>239,119</u>
Changes in Net Position					(1,865,937)	(43,047)	(1,908,984)
Net Position, January 1					191,693	(555,404)	(363,711)
Net Position, December 31					<u>\$ (1,674,244)</u>	<u>\$ (598,451)</u>	<u>\$ (2,272,695)</u>

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	Special Revenue Funds			Debt Service Funds			Capital Projects		Other Governmental Funds	Total Governmental Funds
	General Fund	Sales Tax - City Fund	Highway Fund	Sales Tax EDC Fund	Street/Storm Sewer 1998-1,2 Fund	TIF Fund	2014 Street Improvement	2014 Street Improvement		
ASSETS										
Cash and Cash Equivalents	\$ -	\$ -	\$ 16,625	\$ 55,082	\$ -	\$ -	\$ 64,773	\$ 536,378	\$ 1,637	\$ 674,495
Investments	-	-	-	-	135,376	-	-	-	-	135,376
Due From Other Funds	-	90,895	16,083	-	192,173	-	-	-	83,217	382,368
Total Assets	\$ -	\$ 90,895	\$ 32,708	\$ 55,082	\$ 327,549	\$ -	\$ 64,773	\$ 536,378	\$ 84,854	\$ 1,192,239
LIABILITIES										
Due to Other Funds	\$ 140,383	\$ -	\$ -	\$ -	\$ -	\$ 88,583	\$ -	\$ -	\$ 3,200	\$ 232,166
FUND BALANCE										
Restricted:										
Debt Service	-	-	-	-	327,549	-	64,773	-	-	392,322
Street/Highway Maintenance	-	-	32,708	-	-	-	-	536,378	-	569,086
City Special Assessments	-	-	-	-	-	-	-	-	27,613	27,613
Emergencies	-	-	-	-	-	-	-	-	11,284	11,284
Insurance	-	-	-	-	-	-	-	-	7,862	7,862
Forestry	-	-	-	-	-	-	-	-	5,239	5,239
FICA Taxes	-	-	-	-	-	-	-	-	1,637	1,637
Advertising	-	-	-	-	-	-	-	-	2,369	2,369
Penalty and Interest	-	-	-	-	-	-	-	-	12,238	12,238
Park District	-	-	-	-	-	-	-	-	1,061	1,061
Soecial assessment deficiency	-	-	-	-	-	-	-	-	9,551	9,551
Assigned	-	90,895	-	55,082	-	-	-	-	6,000	151,977
Unassigned	(140,383)	-	-	-	-	(88,583)	-	-	(3,200)	(232,166)
Total Fund Balance (Deficit)	(140,383)	90,895	32,708	55,082	327,549	(88,583)	64,773	536,378	81,654	960,073
Total Liabilities and Fund Balance	\$ -	\$ 90,895	\$ 32,708	\$ 55,082	\$ 327,549	\$ -	\$ 64,773	\$ 536,378	\$ 84,854	\$ 1,192,239

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2014

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

Total fund balance-governmental funds	\$ 960,073
---------------------------------------	------------

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:

Bonds Payable	(2,563,023)	
Loans Payable	(71,294)	
	<u> </u>	<u>(2,634,317)</u>

Total net position-governmental activities	<u>\$ (1,674,244)</u>
--	-----------------------

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds			Debt Service Funds			Capital Projects		Other Governmental Funds	Total Governmental Funds
	General Fund	Sales Tax - City Fund	Highway Fund	Sales Tax EDC Fund	Street/Storm Sewer 1998-1,2 Fund	TIF Fund	2014 Street Improvement	2014 Street Improvement		
REVENUES										
Taxes	\$ 63,421	\$ 48,636	\$ -	\$ 9,962	\$ -	\$ -	\$ -	\$ -	\$ 23,265	\$ 145,284
Special Assessments	-	-	-	-	4,466	1,388	64,773	-	-	70,627
Licenses and Permits	6,824	-	-	-	-	-	-	-	-	6,824
Intergovernmental	73,352	-	39,725	-	-	-	-	-	-	113,077
Interest	39	-	-	-	4,817	-	-	1,216	-	6,072
Miscellaneous Revenue	10,202	-	-	-	-	-	-	-	502	10,704
Other Revenue	-	-	-	-	-	-	-	-	-	-
Total Revenues	153,838	48,636	39,725	9,962	9,283	1,388	64,773	1,216	23,767	352,588
EXPENDITURES										
Current:										
General Government	57,821	-	-	-	-	-	-	-	16,345	74,166
Public Safety	49,008	-	-	-	-	-	-	-	-	49,008
Public Works	19,462	-	40,293	-	-	-	-	-	-	59,755
Economic Development	-	29,299	-	-	-	-	-	-	-	29,299
Capital Outlay	95,208	-	-	-	-	-	-	1,837,479	-	1,932,687
Debt Service:										
Principal Retirement	2,518	-	-	-	-	10,863	-	-	-	13,381
Interest and Service Charges	220	-	-	-	-	6,031	18,859	-	-	25,110
Bond Issuance Costs	-	-	-	-	-	-	-	11,900	-	11,900
Total Expenditures	224,237	29,299	40,293	-	-	16,894	18,859	1,849,379	16,345	2,195,306
Revenues Over (Under) Expenditures	(70,399)	19,337	(568)	9,962	9,283	(15,506)	45,914	(1,848,163)	7,422	(1,842,718)
OTHER FINANCING SOURCES (USES)										
Operating Transfers In	-	-	-	-	-	-	18,859	-	-	18,859
Loan and Bond Proceeds	68,708	-	-	-	-	-	-	2,440,000	-	2,508,708
Bond Discount	-	-	-	-	-	-	-	(36,600)	-	(36,600)
Operating Transfers (Out)	-	-	-	-	-	-	-	(18,859)	-	(18,859)
Total Other Financing Sources (Uses)	68,708	-	-	-	-	-	18,859	2,384,541	-	2,472,108
Net Change in Fund Balance	(1,691)	19,337	(568)	9,962	9,283	(15,506)	64,773	536,378	7,422	629,390
Fund Balance - January 1	(138,692)	71,558	33,276	45,120	318,266	(73,077)	-	-	74,232	330,683
Fund Balance - December 31	\$ (140,383)	\$ 90,895	\$ 32,708	\$ 55,082	\$ 327,549	\$ (88,583)	\$ 64,773	\$ 536,378	\$ 81,654	\$ 960,073

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Net change in fund balance- total governmental funds	\$ 629,390
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	13,381
Loan proceeds provide current financial resources to governmental funds, however, issuing debt increases long-term liabilities in the statement of net position:	<u>(2,508,708)</u>
Net change in net position of governmental activities	<u>\$ (1,865,937)</u>

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2014

	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	\$ -	\$ -	\$ -	\$ -	\$ 305	\$ -	\$ 305
Investments	52,699	-	-	-	-	-	52,699
Due From Other Funds	-	50,543	15,772	37,718	636	28,417	133,086
Total Current Assets	<u>52,699</u>	<u>50,543</u>	<u>15,772</u>	<u>37,718</u>	<u>941</u>	<u>28,417</u>	<u>186,090</u>
TOTAL ASSETS	<u>52,699</u>	<u>50,543</u>	<u>15,772</u>	<u>37,718</u>	<u>941</u>	<u>28,417</u>	<u>186,090</u>
LIABILITIES							
Current Liabilities							
Due to Other Funds	283,288	-	-	-	-	-	283,288
Current Portion of Long-term Debt	11,400	-	22,619	-	-	-	34,019
Total Current Liabilities	<u>294,688</u>	<u>-</u>	<u>22,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>317,307</u>
Long-term Liabilities							
Bonds Payable	271,756	-	189,118	-	-	-	460,874
Meter Deposits	-	-	-	-	-	6,360	6,360
Total Non-current Liabilities	<u>271,756</u>	<u>-</u>	<u>189,118</u>	<u>-</u>	<u>-</u>	<u>6,360</u>	<u>467,234</u>
TOTAL LIABILITIES	<u>566,444</u>	<u>-</u>	<u>211,737</u>	<u>-</u>	<u>-</u>	<u>6,360</u>	<u>784,541</u>
NET POSITION							
Unrestricted	(513,745)	50,543	(195,965)	37,718	941	22,057	(598,451)
TOTAL NET POSITION	<u>\$ (513,745)</u>	<u>\$ 50,543</u>	<u>\$ (195,965)</u>	<u>\$ 37,718</u>	<u>\$ 941</u>	<u>\$ 22,057</u>	<u>\$ (598,451)</u>

See Notes to the 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, 2014

	Business-type Activities Enterprise Funds						
	Water Operating Fund	Water Reserve Fund	Sewer Operating Fund	Sewer Reserve Fund	Garbage Operating Fund	Non-major Enterprise Fund	Total Enterprise Funds
Operating Revenues:							
Charges for Services	\$ 105,968	\$ -	\$ 72,884	\$ -	\$ 45,178	\$ 4,162	\$ 228,192
Operating Expenses:							
Salary & Wages	18,923	-	12,806	-	-	-	31,729
Contracted Services	106,718	-	-	-	44,873	-	151,591
Maintenance & Supplies	38,269	-	-	-	-	-	38,269
Operating Costs	-	-	34,603	-	-	3,161	37,764
Total Operating Expenses	163,910	-	47,409	-	44,873	3,161	259,353
Operating Income (Loss)	(57,942)	-	25,475	-	305	1,001	(31,161)
Non-Operating Revenues (Expenses):							
Interest	598	-	-	-	-	-	598
Miscellaneous Revenue						3,109	3,109
Interest on Debt Service	(8,619)	-	(6,974)	-	-	-	(15,593)
Total Non-operating Revenues (Expense)	(8,021)	-	(6,974)	-	-	3,109	(11,886)
Net Income (Loss)	(65,963)	-	18,501	-	305	4,110	(43,047)
Net Position, January 1	(447,782)	50,543	(214,466)	37,718	636	17,947	(555,404)
Net Position, December 31	\$ (513,745)	\$ 50,543	\$ (195,965)	\$ 37,718	\$ 941	\$ 22,057	\$ (598,451)

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	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	
CASH FLOWS FROM (TO) OPERATING ACTIVITIES							
Receipts from Customers	\$ 105,968	\$ -	\$ 72,884	\$ -	\$ 45,178	\$ 4,162	\$ 228,192
Payments to Suppliers	(106,718)	-	-	-	(44,873)	-	(151,591)
Payroll Expenses	(18,923)	-	(12,806)	-	-	-	(31,729)
Miscellaneous Operating Expenses	(38,269)	-	(34,603)	-	-	(3,161)	(76,033)
Net Cash Provided (Used) by Operating Activities	<u>(57,942)</u>	<u>-</u>	<u>25,475</u>	<u>-</u>	<u>305</u>	<u>1,001</u>	<u>(31,161)</u>
CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES							
Inter Fund Loans	77,605	-	4,118	-	-	(1,001)	80,722
Net Cash Provided (Used) by Noncapital Financing Activities	<u>77,605</u>	<u>-</u>	<u>4,118</u>	<u>-</u>	<u>-</u>	<u>(1,001)</u>	<u>80,722</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal Paid on Debt	(11,044)	-	(22,619)	-	-	-	(33,663)
Interest Paid on Debt	(8,619)	-	(6,974)	-	-	-	(15,593)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(19,663)</u>	<u>-</u>	<u>(29,593)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(49,256)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-	-	-	305	-	305
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-	-	-	-	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ 305	\$ -	\$ 305
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating Income (Loss)	\$ (57,942)	\$ -	\$ 25,475	\$ -	\$ 305	\$ 1,001	\$ (31,161)
Net Cash Provided (Used) by Operating Activities	<u>\$ (57,942)</u>	<u>\$ -</u>	<u>\$ 25,475</u>	<u>\$ -</u>	<u>\$ 305</u>	<u>\$ 1,001</u>	<u>\$ (31,161)</u>

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Portland, North Dakota 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.

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 Statements

The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the primary government. 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.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

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. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of an individual fund are at least 10 percent of the corresponding total for all funds of that type, AND
2. Total assets, liabilities, revenues or expenditures/expenses of the individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds.

All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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.

2014 Street Improvement Fund-Debt Service

This fund is used to account for the collection of special assessments levied for the 2014 street improvement project and the payment of principle and interest on the bonds issued for this project.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

2014 Street Improvement Fund-Capital Projects

This fund is used to account for the construction activity for the 2014 street improvement project.

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.

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.

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:

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

- 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 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.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

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.
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.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

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 Council.

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, 2015 and 2014, 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.

When both restricted and unrestricted resources are available for use, the City's policy is to first use restricted resources, then committed, then assigned, and then unassigned resources as they are needed.

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.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

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.

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, 2015 and 2014, the City had adequate FDIC insurance or pledged collateral to cover all deposits.

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.

Credit Risk

State statutes authorize local governments to invest in:

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

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

NOTE 3 - LONG-TERM DEBT LIABILITIES

The following is a summary of changes in governmental activities long-term debt by individual issue for the years ended December 31, 2015 and 2014:

December 31, 2015 Governmental Activities	Interest Rate	Beginning Balance	New Issues	Retired	Ending Balance	Due within One Year
Bonds Payable						
\$175,000 2007 TIF Bonds	4.50%	\$ 123,023	\$ -	\$ 14,239	\$ 108,784	\$ 11,357
\$2,440,000 2014 Refunding Improvement	.5% - 3.25%	2,440,000	-	165,000	2,275,000	175,000
Notes Payable						
First & Farmers Bank	4.00%	2,586	-	2,586	-	-
First & Farmers Bank	2.00%	68,708	-	13,899	54,809	13,294
Total Governmental Activities		<u>\$ 2,634,317</u>	<u>\$ -</u>	<u>\$ 195,724</u>	<u>\$ 2,438,593</u>	<u>\$ 199,651</u>

December 31, 2014 Governmental Activities	Interest Rate	Beginning Balance	New Issues	Retired	Ending Balance	Due within One Year
Bonds Payable						
\$175,000 2007 TIF Bonds	4.50%	\$ 133,886	\$ -	\$ 10,863	\$ 123,023	\$ 11,107
\$2,440,000 2014 Refunding Improvement	.5% - 3.25%	-	2,440,000	-	2,440,000	165,000
Notes Payable						
First & Farmers Bank	4.00%	5,104	-	2,518	2,586	2,586
First & Farmers Bank	2.00%	-	68,708	-	68,708	13,899
Total Governmental Activities		<u>\$ 138,990</u>	<u>\$ 2,508,708</u>	<u>\$ 13,381</u>	<u>\$ 2,634,317</u>	<u>\$ 192,592</u>

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

	2014 Refunding Improvement Bonds Payable		TIF Bonds Payable		Notes Payable		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	\$ 175,000	\$ 47,025	\$ 11,357	\$ 5,036	\$ 13,294	\$ 1,103	\$ 199,651	\$ 53,164	\$ 252,815
2017	180,000	45,605	11,613	4,525	13,564	833	205,177	50,963	256,140
2018	180,000	43,580	11,874	4,002	13,836	561	205,710	48,143	253,853
2019	180,000	40,970	12,141	3,468	14,115	283	206,256	44,721	250,977
2020	180,000	37,955	12,415	2,922	-	-	192,415	40,877	233,292
2021-2025	870,000	125,730	49,384	5,974	-	-	919,384	131,704	1,051,088
2026-2028	510,000	24,183	-	-	-	-	510,000	24,183	534,183
	<u>\$ 2,275,000</u>	<u>\$ 365,048</u>	<u>\$ 108,784</u>	<u>\$ 25,927</u>	<u>\$ 54,809</u>	<u>\$ 2,780</u>	<u>\$ 2,438,593</u>	<u>\$ 393,755</u>	<u>\$ 2,832,348</u>

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

The following is a summary of changes in business-type activities long-term debt by individual issue for the years ended December 31, 2015 and 2014:

December 31, 2015 Business-Type Activities	Interest Rate	Beginning Balance	New Issues	Retired	Ending Balance	Due within One Year
Water Revenue Bonds	3.0% - 5.125%	\$ 283,156	\$ -	\$ 11,400	\$ 271,756	11,800
Waste Water Improvements	2.50%	211,737	-	22,619	189,118	22,619
		<u>\$ 494,893</u>	<u>\$ -</u>	<u>\$ 34,019</u>	<u>\$ 460,874</u>	<u>\$ 34,419</u>
December 31, 2014 Business-Type Activities	Interest Rate	Beginning Balance	New Issues	Retired	Ending Balance	Due within One Year
Water Revenue Bonds	3.0% - 5.125%	\$ 294,200	\$ -	\$ 11,044	\$ 283,156	\$ 11,400
Waste Water Improvements	2.50%	234,356	-	22,619	211,737	22,619
		<u>\$ 528,556</u>	<u>\$ -</u>	<u>\$ 33,663</u>	<u>\$ 494,893</u>	<u>\$ 34,019</u>

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

	Water Revenue Bonds Payable		Waste Water Bonds Payable		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2016	\$ 11,800	\$ 10,653	\$ 22,619	\$ 4,727	\$ 34,419	\$ 15,380	\$ 49,799
2017	12,300	10,226	18,500	4,213	30,800	14,439	45,239
2018	12,700	9,763	18,500	3,700	31,200	13,463	44,663
2019	13,200	9,282	18,500	3,238	31,700	12,520	44,220
2020	13,600	8,793	18,500	2,775	32,100	11,568	43,668
2021-2025	75,100	35,816	84,500	6,612	159,600	42,428	202,028
2026-2030	87,700	20,566	7,999	275	95,699	20,841	116,540
2031-2035	45,356	4,827	-	-	45,356	4,827	50,183
	<u>\$ 271,756</u>	<u>\$ 109,926</u>	<u>\$ 189,118</u>	<u>\$ 25,540</u>	<u>\$ 460,874</u>	<u>\$ 135,466</u>	<u>\$ 596,340</u>

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

Outstanding debt at December 31, 2015 and 2014 consists of the following issues:

<u>Governmental Activities:</u>	2015	2014
Bonds Payable		
\$2,440,000 Refunding Improvement Bonds of 2014; due in annual installments of \$170,000 to \$180,000 through May 1, 2028; interest at .5% to 3.25%. Paid by the 2014 Street Improvement debt service fund	\$ 2,275,000	\$ 2,440,000
TIF Bonds Payable		
\$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%. Paid by the TIF Fund.	108,784	123,023
Total Bonds Payable:	\$ 2,383,784	\$ 2,563,023
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%. Paid by the General Fund.	\$ -	\$ 2,586
\$68,708 Note Payable for a Bobcat; due in annual installments of \$14,398 with balance due April 5, 2019; interest at 2%. Paid by the General Fund.	54,809	68,708
Total Notes Payable:	\$ 54,809	\$ 71,294
 <u>Business-Type Activities</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%	\$ 4,119	\$ 8,238
\$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%	135,000	150,000
\$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%	19,000	20,500
\$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%	30,999	33,000
\$300,000 Revenue Bonds of 1993-1 due in annual installments of \$4,500 to \$12,000 through November 9, 2032; interest at 3%.	156,656	164,156
\$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%	115,100	119,000
Total Revenue Bonds:	\$ 460,874	\$ 494,894

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

NOTE 4 - FUND DEFICITS

For the years ended December 31, 2015 and 2014, various funds of the City were in a deficit cash position as listed in the following schedule. The City will eliminate the deficit with future revenues and transfers from other funds.

	<u>2015</u>	<u>2014</u>
General Fund	\$136,973	\$140,383
Park District	5,832	-
City Hall Remodeling	3,200	3,200
TIF Fund	107,196	88,583

NOTE 5 - 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 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 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.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

NOTE 6 - 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, 2015 and 2014, 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 financial statements for such contingencies.

NOTE 7 - INTERFUND TRANSFERS AND BALANCES

Transfers

During the years ended December 31, 2015 and 2014, transfers were made for \$214,262 and \$18,859, respectively, from the 2014 Street Improvement Capital Projects fund to the 2014 Street Improvement Debt Service fund to aid in the payment of bond principal and interest.

Interfund Balances

Following is a schedule of interfund balances:

Due From Other Funds	<u>2015</u>	<u>2014</u>
Sales Tax-City Fund	\$ 110,689	\$ 90,895
Highway Fund	16,083	16,083
Sales Tax-EDC Fund	13,817	
Street/Storm Sewer 1998-1, 2 Fund	184,665	192,173
Social Security Fund	1,801	
City-Share Special Assessments	34,749	27,613
Emergency	13,558	11,284
Insurance Reserve	9,008	7,862
Forestry	6,755	5,239
Special Assessment Deficiency	11,449	9,551
Penalty & Interest	14,633	12,238
Advertising	2,839	2,369
Police Car	6,000	6,000
Park District	-	1,061
Water Reserve	50,543	50,543
Sewer Operating	13,995	15,772
Sewer Reserve	37,718	37,718
Garbage Operating	5,044	636
Mosquito	12,874	11,150
Water Meter Deposits	12,977	11,677
Garbage Surcharge	6,164	5,590
	<u>\$ 565,361</u>	<u>\$ 515,454</u>
Due to Other Funds		
General Fund	\$ 136,973	\$ 140,383
TIF Fund	107,196	88,583
City Hall Remodeling	3,200	3,200
Park District	5,832	
Water Operating	312,160	283,288
	<u>\$ 565,361</u>	<u>\$ 515,454</u>

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

NOTE 8 - NEW PRONOUNCEMENTS

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2015 AND 2014

requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Management has not yet determined the effects these statements will have on its financial statements.

NOTE 9 - SUBSEQUENT EVENTS

No significant events occurred subsequent to the City's year end. Subsequent events have been evaluated through January 5, 2018, which is the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL – MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 61,553	\$ 61,553	\$ 60,111	\$ (1,442)
Licenses and Permits	2,450	2,450	6,771	4,321
Intergovernmental	44,600	44,600	75,395	30,795
Interest			92	92
Miscellaneous Revenue	5,050	5,050	7,596	2,546
TOTAL REVENUES	<u>113,653</u>	<u>113,653</u>	<u>149,965</u>	<u>36,312</u>
EXPENDITURES				
Current:				
General Government	62,900	62,900	73,571	(10,671)
Public Safety	58,000	58,000	49,064	8,936
Public Works	28,000	28,000	6,789	21,211
Capital Outlay	53,000	53,000	-	53,000
Debt Service:				
Principal Retirement	-	-	16,485	(16,485)
Interest and Service Charges	-	-	646	(646)
TOTAL EXPENDITURES	<u>201,900</u>	<u>201,900</u>	<u>146,555</u>	<u>55,345</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(88,247)	(88,247)	3,410	91,657
FUND BALANCE - JANUARY 1	<u>(140,383)</u>	<u>(140,383)</u>	<u>(140,383)</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ (228,630)</u>	<u>\$ (228,630)</u>	<u>\$ (136,973)</u>	<u>\$ 91,657</u>

See Notes to the Budgetary Comparison Schedules

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL – MODIFIED CASH BASIS
CITY SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 90,000	\$ 90,000	\$ 47,303	\$ (42,697)
EXPENDITURES				
Current:				
Economic Development	90,000	55,000	27,509	27,491
TOTAL EXPENDITURES	<u>90,000</u>	<u>55,000</u>	<u>27,509</u>	<u>27,491</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	35,000	19,794	(15,206)
FUND BALANCE - JANUARY 1	<u>90,895</u>	<u>90,895</u>	<u>90,895</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 90,895</u>	<u>\$ 125,895</u>	<u>\$ 110,689</u>	<u>\$ (15,206)</u>

See Notes to the Budgetary Comparison Schedules

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL – MODIFIED CASH BASIS
HIGHWAY DISTRIBUTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 45,000	\$ 45,000	\$ 37,672	\$ (7,328)
Other Revenue	-	-	50	50
TOTAL REVENUES	<u>45,000</u>	<u>45,000</u>	<u>37,722</u>	<u>(7,278)</u>
EXPENDITURES				
Current:				
Public Works	<u>45,000</u>	<u>45,000</u>	<u>42,551</u>	<u>2,449</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(4,829)	(4,829)
FUND BALANCE - JANUARY 1	<u>32,708</u>	<u>32,708</u>	<u>32,708</u>	-
FUND BALANCE - DECEMBER 31	<u><u>\$ 32,708</u></u>	<u><u>\$ 32,708</u></u>	<u><u>\$ 27,879</u></u>	<u><u>\$ (4,829)</u></u>

See Notes to the Budgetary Comparison Schedules

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL – MODIFIED CASH BASIS
SALES TAX EDC FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 5,000	\$ 5,000	\$ 9,699	\$ 4,699
TOTAL REVENUES	<u>5,000</u>	<u>5,000</u>	<u>9,699</u>	<u>4,699</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,000	5,000	9,699	4,699
FUND BALANCE - JANUARY 1	<u>55,082</u>	<u>55,082</u>	<u>55,082</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ 60,082</u>	<u>\$ 60,082</u>	<u>\$ 64,781</u>	<u>\$ 4,699</u>

See Notes to the Budgetary Comparison Schedules

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL – MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<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	\$ 63,421	\$ 3,421
Licenses and Permits	2,550	2,550	6,824	4,274
Intergovernmental	44,600	44,600	73,352	28,752
Interest	600	600	39	(561)
Miscellaneous Revenue	5,100	5,100	10,202	5,102
TOTAL REVENUES	<u>112,850</u>	<u>112,850</u>	<u>153,838</u>	<u>40,988</u>
EXPENDITURES				
Current:				
General Government	63,550	63,550	57,821	5,729
Public Safety	54,000	54,000	49,008	4,992
Public Works	22,500	22,500	19,462	3,038
Capital Outlay	40,000	40,000	95,208	(55,208)
Debt Service:				
Principal Retirement	-	-	2,518	(2,518)
Interest and Service Charges	-	-	220	(220)
TOTAL EXPENDITURES	<u>180,050</u>	<u>180,050</u>	<u>224,237</u>	<u>(44,187)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(67,200)	(67,200)	(70,399)	(3,199)
OTHER SOURCES (USES)				
Loan Proceeds	-	-	68,708	68,708
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(67,200)</u>	<u>(67,200)</u>	<u>(1,691)</u>	<u>65,509</u>
FUND BALANCE - JANUARY 1	<u>(138,692)</u>	<u>(138,692)</u>	<u>(138,692)</u>	<u>-</u>
FUND BALANCE - DECEMBER 31	<u>\$ (205,892)</u>	<u>\$ (205,892)</u>	<u>\$ (140,383)</u>	<u>\$ 65,509</u>

See Notes to the Budgetary Comparison Schedules

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL – MODIFIED CASH BASIS
CITY SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 90,000	\$ 90,000	\$ 48,636	\$ (41,364)
EXPENDITURES				
Current:				
Economic Development	90,000	90,000	29,299	60,701
TOTAL EXPENDITURES	90,000	90,000	29,299	60,701
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	-	19,337	19,337
FUND BALANCE - JANUARY 1	71,558	71,558	71,558	-
FUND BALANCE - DECEMBER 31	\$ 71,558	\$ 71,558	\$ 90,895	\$ 19,337

See Notes to the Budgetary Comparison Schedules

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL – MODIFIED CASH BASIS
HIGHWAY DISTRIBUTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental	\$ 65,000	\$ 65,000	\$ 39,725	\$ (25,275)
EXPENDITURES				
Current:				
Public Works	<u>65,000</u>	<u>65,000</u>	<u>40,293</u>	<u>24,707</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(568)	(568)
FUND BALANCE - JANUARY 1	<u>33,276</u>	<u>33,276</u>	<u>33,276</u>	-
FUND BALANCE - DECEMBER 31	<u>\$ 33,276</u>	<u>\$ 33,276</u>	<u>\$ 32,708</u>	<u>\$ (568)</u>

See Notes to the Budgetary Comparison Schedules

CITY OF PORTLAND, NORTH DAKOTA
BUDGETARY COMPARISON SCHEDULE
BUDGET TO ACTUAL – MODIFIED CASH BASIS
SALES TAX EDC FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 5,000	\$ 5,000	\$ 9,962	\$ 4,962
EXPENDITURES				
Current:				
General Government	5,000	5,000	-	5,000
TOTAL EXPENDITURES	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	9,962	9,962
FUND BALANCE - JANUARY 1	<u>45,120</u>	<u>45,120</u>	<u>45,120</u>	-
FUND BALANCE - DECEMBER 31	<u><u>\$ 45,120</u></u>	<u><u>\$ 45,120</u></u>	<u><u>\$ 55,082</u></u>	<u><u>\$ 9,962</u></u>

See Notes to the Budgetary Comparison Schedules

CITY OF PORTLAND
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
DECEMBER 31, 2015 AND 2014

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 10th.
- 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, 2014

	Budget	Actual	Excess
General Fund	\$ 180,050	\$ 224,237	\$ 44,187

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

CITY OF PORTLAND, NORTH DAKOTA
COMBINING BALANCE SHEET – MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	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												
Due From Other Funds	\$ 1,801	\$ 34,749	\$ 13,558	\$ 9,008	\$ 6,755	\$ 11,449	\$ 14,633	\$ 2,839	\$ -	\$ -	\$ 6,000	\$ 100,792
Total Assets	\$ 1,801	\$ 34,749	\$ 13,558	\$ 9,008	\$ 6,755	\$ 11,449	\$ 14,633	\$ 2,839	\$ -	\$ -	\$ 6,000	\$ 100,792
Liabilities and Fund Balances												
Liabilities												
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,200	\$ 5,832	\$ -	\$ 9,032
Total Liabilities	-	-	-	-	-	-	-	-	3,200	5,832	-	9,032
Fund Balances												
Restricted for Special Revenue	1,801	34,749	13,558	9,008	6,755	11,449	14,633	2,839				94,792
Assigned											6,000	6,000
Unassigned	-	-	-	-	-	-	-	-	(3,200)	(5,832)	-	(9,032)
Total Fund Balance	1,801	34,749	13,558	9,008	6,755	11,449	14,633	2,839	(3,200)	(5,832)	6,000	91,760
Total Liabilities and Fund Balance	\$ 1,801	\$ 34,749	\$ 13,558	\$ 9,008	\$ 6,755	\$ 11,449	\$ 14,633	\$ 2,839	\$ -	\$ -	\$ 6,000	\$ 100,792

CITY OF PORTLAND, NORTH DAKOTA
COMBINING BALANCE SHEET – MODIFIED CASH BASIS
NON-MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2015

	<u>Mosquito</u>	Water Meter <u>Deposits</u>	Garbage <u>Surcharge</u>	<u>Total</u>
ASSETS				
Due From Other Funds	<u>\$ 12,874</u>	<u>\$ 12,977</u>	<u>\$ 6,164</u>	<u>\$ 32,015</u>
LIABILITIES				
Long-term Liabilities				
Meter Deposits	<u>-</u>	<u>6,360</u>	<u>-</u>	<u>6,360</u>
NET POSITION				
Unrestricted	<u>\$ 12,874</u>	<u>\$ 6,617</u>	<u>\$ 6,164</u>	<u>\$ 25,655</u>

CITY OF PORTLAND, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Social Security Fund</u>	<u>City Share - Special Assmts</u>	<u>Emergency</u>	<u>Insurance Reserve</u>	<u>Forestry</u>	<u>Special Assessment Deficiency</u>	<u>Penalty & Interest</u>	<u>Advertising</u>	<u>City Hall Remodeling</u>	<u>Park District</u>	<u>Police Car</u>	<u>Total Governmental</u>
Revenues												
Taxes	\$ 3,942	\$ 7,166	\$ 2,274	\$ 5,202	\$ 1,836	\$ 1,898	\$ 2,395	\$ 470	\$ -	\$ -	\$ -	\$ 25,183
Expenditures												
General Government	<u>3,778</u>	<u>31</u>	<u>-</u>	<u>4,056</u>	<u>320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,893</u>	<u>-</u>	<u>15,078</u>
Total Expenditures	<u>3,778</u>	<u>31</u>	<u>-</u>	<u>4,056</u>	<u>320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,893</u>	<u>-</u>	<u>15,078</u>
Excess Revenues Over (Under) Expenditures	164	7,135	2,274	1,146	1,516	1,898	2,395	470	-	(6,893)	-	10,105
Fund Balance - January 1	<u>1,637</u>	<u>27,614</u>	<u>11,284</u>	<u>7,862</u>	<u>5,239</u>	<u>9,551</u>	<u>12,238</u>	<u>2,369</u>	<u>(3,200)</u>	<u>1,061</u>	<u>6,000</u>	<u>81,655</u>
Fund Balance - December 31	<u>\$ 1,801</u>	<u>\$ 34,749</u>	<u>\$ 13,558</u>	<u>\$ 9,008</u>	<u>\$ 6,755</u>	<u>\$ 11,449</u>	<u>\$ 14,633</u>	<u>\$ 2,839</u>	<u>\$ (3,200)</u>	<u>\$ (5,832)</u>	<u>\$ 6,000</u>	<u>\$ 91,760</u>

CITY OF PORTLAND, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION – MODIFIED CASH BASIS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Mosquito</u>	Water Meter <u>Deposits</u>	Garbage <u>Surcharge</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	\$ 2,878	\$ 1,450	\$ 574	\$ 4,902
Operating Expenses:				
Operating Costs	<u>1,154</u>	<u>150</u>	<u>-</u>	<u>1,304</u>
Total Operating Expenses	<u>1,154</u>	<u>150</u>	<u>-</u>	<u>1,304</u>
Operating Income	1,724	1,300	574	3,598
Net Position, January 1	<u>11,150</u>	<u>5,317</u>	<u>5,590</u>	<u>22,057</u>
Net Position, December 31	<u>\$ 12,874</u>	<u>\$ 6,617</u>	<u>\$ 6,164</u>	<u>\$ 25,655</u>

CITY OF PORTLAND, NORTH DAKOTA
COMBINING BALANCE SHEET – MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>Social Security Fund</u>	<u>City Share - Special Assmts</u>	<u>Emergency</u>	<u>Insurance Reserve</u>	<u>Forestry</u>	<u>Special Assessment Deficiency</u>	<u>Penalty & Interest</u>	<u>Advertising</u>	<u>City Hall Remodeling</u>	<u>Park District</u>	<u>Police Car</u>	<u>Total Governmental</u>
Assets												
Current:												
Cash & Cash Equivalents	\$ 1,637	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,637
Due From Other Funds	-	27,613	11,284	7,862	5,239	9,551	12,238	2,369	-	1,061	6,000	83,217
Total Assets	<u>\$ 1,637</u>	<u>\$ 27,613</u>	<u>\$ 11,284</u>	<u>\$ 7,862</u>	<u>\$ 5,239</u>	<u>\$ 9,551</u>	<u>\$ 12,238</u>	<u>\$ 2,369</u>	<u>\$ -</u>	<u>\$ 1,061</u>	<u>\$ 6,000</u>	<u>\$ 84,854</u>
Liabilities												
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,200	\$ -	\$ -	\$ 3,200
Fund Balances												
Restricted for Special Revenue	1,637	27,613	11,284	7,862	5,239	9,551	12,238	2,369	-	1,061	-	78,854
Assigned	-	-	-	-	-	-	-	-	-	-	6,000	6,000
Unassigned	-	-	-	-	-	-	-	-	(3,200)	-	-	(3,200)
Total Fund Balance	<u>1,637</u>	<u>27,613</u>	<u>11,284</u>	<u>7,862</u>	<u>5,239</u>	<u>9,551</u>	<u>12,238</u>	<u>2,369</u>	<u>(3,200)</u>	<u>1,061</u>	<u>6,000</u>	<u>81,654</u>
Total Liabilities and Fund Balance	<u>\$ 1,637</u>	<u>\$ 27,613</u>	<u>\$ 11,284</u>	<u>\$ 7,862</u>	<u>\$ 5,239</u>	<u>\$ 9,551</u>	<u>\$ 12,238</u>	<u>\$ 2,369</u>	<u>\$ -</u>	<u>\$ 1,061</u>	<u>\$ 6,000</u>	<u>\$ 84,854</u>

CITY OF PORTLAND, NORTH DAKOTA
COMBINING BALANCE SHEET – MODIFIED CASH BASIS
NON-MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2014

	<u>Mosquito</u>	Water Meter <u>Deposits</u>	Garbage <u>Surcharge</u>	<u>Total</u>
ASSETS				
Current Assets				
Due From Other Funds	<u>\$ 11,150</u>	<u>\$ 11,677</u>	<u>\$ 5,590</u>	<u>\$ 28,417</u>
 LIABILITIES				
Long-term Liabilities				
Meter Deposits	<u>-</u>	<u>6,360</u>	<u>-</u>	<u>6,360</u>
 NET POSITION				
Unrestricted	<u>\$ 11,150</u>	<u>\$ 5,317</u>	<u>\$ 5,590</u>	<u>\$ 22,057</u>

CITY OF PORTLAND, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	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	\$ 3,860	\$ 7,021	\$ 2,231	\$ 4,846	\$ 1,804	\$ 1,852	\$ 1,185	\$ 466	\$ -	\$ -	\$ -	\$ 23,265
Miscellaneous Revenue	-	-	-	502	-	-	-	-	-	-	-	502
Total Revenues	<u>3,860</u>	<u>7,021</u>	<u>2,231</u>	<u>5,348</u>	<u>1,804</u>	<u>1,852</u>	<u>1,185</u>	<u>466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,767</u>
Expenditures												
Current												
General Government	<u>3,760</u>	<u>55</u>	<u>-</u>	<u>3,613</u>	<u>162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,755</u>	<u>-</u>	<u>16,345</u>
Total Expenditures	<u>3,760</u>	<u>55</u>	<u>-</u>	<u>3,613</u>	<u>162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,755</u>	<u>-</u>	<u>16,345</u>
Excess Revenues Over (Under) Expenditures	100	6,966	2,231	1,735	1,642	1,852	1,185	466	-	(8,755)	-	7,422
Fund Balance - January 1	<u>1,537</u>	<u>20,647</u>	<u>9,053</u>	<u>6,127</u>	<u>3,597</u>	<u>7,699</u>	<u>11,053</u>	<u>1,903</u>	<u>(3,200)</u>	<u>9,816</u>	<u>6,000</u>	<u>74,232</u>
Fund Balance - December 31	<u>\$ 1,637</u>	<u>\$ 27,613</u>	<u>\$ 11,284</u>	<u>\$ 7,862</u>	<u>\$ 5,239</u>	<u>\$ 9,551</u>	<u>\$ 12,238</u>	<u>\$ 2,369</u>	<u>\$ (3,200)</u>	<u>\$ 1,061</u>	<u>\$ 6,000</u>	<u>\$ 81,654</u>

CITY OF PORTLAND, NORTH DAKOTA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION – MODIFIED CASH BASIS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Mosquito</u>	Water Meter <u>Deposits</u>	Garbage <u>Surcharge</u>	<u>Total</u>
Operating Revenues:				
Charges for Services	\$ 2,964	\$ 600	\$ 598	\$ 4,162
Operating Expenses:				
Operating Costs	<u>2,961</u>	<u>200</u>	<u>-</u>	<u>3,161</u>
Total Operating Expenses	<u>2,961</u>	<u>200</u>	<u>-</u>	<u>3,161</u>
Operating Income	3	400	598	1,001
Non-Operating Revenues (Expenses):				
Miscellaneous Revenue	<u>3,109</u>	<u>-</u>	<u>-</u>	<u>3,109</u>
Net Income	3,112	400	598	4,110
Net Position, January 1	<u>8,038</u>	<u>4,917</u>	<u>4,992</u>	<u>17,947</u>
Net Position, December 31	<u>\$ 11,150</u>	<u>\$ 5,317</u>	<u>\$ 5,590</u>	<u>\$ 22,057</u>



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**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**

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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 5, 2018.

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, and another deficiency considered to be a significant deficiency.

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 2015-001, 2015-002, and 2015-003 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 2015-004 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.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

January 5, 2018

CITY OF PORTLAND, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Material Weakness 2015-001 – 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 and the auditor's report includes an adverse opinion for the governmental activities, business type activities and water operating and sewer operating proprietary funds.

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 2015-002 – 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.

CITY OF PORTLAND, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

Response:

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

Material Weakness 2015-003 – 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.

Significant Deficiency 2015-004 – 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.