

**CITY OF PORTLAND
PORTLAND, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, 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 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 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 solely 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 and opinion on the effectiveness of the City of Portland's 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**

September 28, 2018

BASIC FINANCIAL STATEMENTS

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2017

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 177,951	\$ 30,233	\$ 208,184
Investments	142,275	54,497	196,772
Internal Balances	224,425	(224,425)	-
Total Current Assets	544,651	(139,695)	404,956
TOTAL ASSETS	\$ 544,651	\$ (139,695)	\$ 404,956
LIABILITIES			
Current Liabilities			
Other Payables	\$ -	\$ 6,360	\$ 6,360
Total Current Liabilities	-	6,360	6,360
Long-term Liabilities			
Current Portion			
Bonds Payable	191,874	-	191,874
Loans Payable	13,836	-	13,836
Revenue Bonds Payable	-	39,768	39,768
Non-current Portion			
Bonds Payable	1,813,608	-	1,813,608
Loans Payable	14,115	-	14,115
Revenue Bonds Payable	-	339,319	339,319
Total Long-term Liabilities	2,033,433	379,087	2,412,520
TOTAL LIABILITIES	2,033,433	385,447	2,418,880
NET POSITION			
Restricted			
Debt Service	611,488	-	611,488
Other	102,724	-	102,724
Unrestricted (Deficit)	(2,202,994)	(525,142)	(2,728,136)
TOTAL NET POSITION	\$ (1,488,782)	\$ (525,142)	\$ (2,013,924)

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current							
General Government	\$ 141,443	\$ 6,650	\$ -	\$ -	\$ (134,793)	\$ -	\$ (134,793)
Public Safety	54,734	-	-	-	(54,734)	-	(54,734)
Public Works	77,758	-	-	-	(77,758)	-	(77,758)
Debt Service:							
Interest and Service Charges	52,235	-	-	3,564	(48,671)	-	(48,671)
Total Governmental Activities	326,170	6,650	-	3,564	(315,956)	-	(315,956)
Business-Type Activities							
Water	131,043	119,483	-	-	-	(11,560)	(11,560)
Sewer	50,978	73,422	-	-	-	22,444	22,444
Garbage	44,078	48,487	-	-	-	4,409	4,409
Non-Major Enterprise Funds	1,917	4,064	-	-	-	2,147	2,147
Total Business-Type Activities	228,016	245,456	-	-	-	17,440	17,440
Total Primary Government	\$ 554,186	\$ 252,106	\$ -	\$ 3,564	(315,956)	17,440	(298,516)
General Revenues:							
Taxes					396,492	-	396,492
Intergovernmental					43,011	-	43,011
Interest					1,841	633	2,474
Miscellaneous Revenue					6,166	-	6,166
Total General Revenues and Transfers					447,510	633	448,143
Changes in Net Position					131,554	18,073	149,627
Net Position, January 1					(1,620,336)	(543,215)	(2,163,551)
Net Position, December 31					\$ (1,488,782)	\$ (525,142)	\$ (2,013,924)

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Special Revenue Funds				Debt Service Funds			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		
ASSETS									
Cash and Cash Equivalents	\$ 2,528	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 175,423	\$ -	\$ 177,951
Investments	-	-	-	-	142,275	-	-	-	142,275
Due From Other Funds	13,179	150,344	-	69,128	178,822	-	114,968	102,724	629,165
Total Assets	<u>\$ 15,707</u>	<u>\$ 150,344</u>	<u>\$ -</u>	<u>\$ 69,128</u>	<u>\$ 321,097</u>	<u>\$ -</u>	<u>\$ 290,391</u>	<u>\$ 102,724</u>	<u>\$ 949,391</u>
LIABILITIES									
Due to Other Funds	\$ 266,486	\$ -	\$ 3,386	\$ -	\$ -	\$ 134,868	\$ -	\$ -	\$ 404,740
Total Liabilities	<u>266,486</u>	<u>-</u>	<u>3,386</u>	<u>-</u>	<u>-</u>	<u>134,868</u>	<u>-</u>	<u>-</u>	<u>404,740</u>
FUND BALANCE									
Restricted:									
Debt Service	-	-	-	-	321,097	-	290,391	-	611,488
City Special Assessments	-	-	-	-	-	-	-	48,860	48,860
Emergencies	-	-	-	-	-	-	-	18,316	18,316
Penalty and Interest	-	-	-	-	-	-	-	20,004	20,004
Special assessment deficiency	-	-	-	-	-	-	-	15,544	15,544
Assigned	6,000	150,344	-	69,128	-	-	-	-	225,472
Unassigned	(256,779)	-	(3,386)	-	-	(134,868)	-	-	(395,033)
Total Fund Balance (Deficit)	<u>(250,779)</u>	<u>150,344</u>	<u>(3,386)</u>	<u>69,128</u>	<u>321,097</u>	<u>(134,868)</u>	<u>290,391</u>	<u>102,724</u>	<u>544,651</u>
Total Liabilities and Fund Balance	<u>\$ 15,707</u>	<u>\$ 150,344</u>	<u>\$ -</u>	<u>\$ 69,128</u>	<u>\$ 321,097</u>	<u>\$ -</u>	<u>\$ 290,391</u>	<u>\$ 102,724</u>	<u>\$ 949,391</u>

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, 2017

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

Total fund balance-governmental funds	\$ 544,651
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	(2,005,482)
Loans Payable	(27,951)
	<u>(2,033,433)</u>
Total net position-governmental activities	<u>\$ (1,488,782)</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, 2017

	Special Revenue Funds			Debt Service Funds			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
REVENUES									
Taxes	\$ 75,457	\$ 44,183	\$ 35,567	\$ 9,049	\$ -	\$ -	\$ 216,616	\$ 15,620	\$ 396,492
Special Assessments	-	-	-	-	-	3,564	-	-	3,564
Licenses and Permits	6,650	-	-	-	-	-	-	-	6,650
Intergovernmental	43,011	-	-	-	-	-	-	-	43,011
Interest	79	-	-	-	1,762	-	-	-	1,841
Miscellaneous Revenue	6,166	-	-	-	-	-	-	-	6,166
Total Revenues	131,363	44,183	35,567	9,049	1,762	3,564	216,616	15,620	457,724
EXPENDITURES									
Current:									
General Government	112,674	28,769	-	-	-	-	-	-	141,443
Public Safety	54,734	-	-	-	-	-	-	-	54,734
Public Works	15,227	-	62,531	-	-	-	-	-	77,758
Debt Service:									
Principal Retirement	13,564	-	-	-	-	11,613	180,000	-	205,177
Interest and Service Charges	833	-	-	-	-	4,681	46,721	-	52,235
Total Expenditures	197,032	28,769	62,531	-	-	16,294	226,721	-	531,347
Revenues Over (Under) Expenditures	(65,669)	15,414	(26,964)	9,049	1,762	(12,730)	(10,105)	15,620	(73,623)
OTHER FINANCING SOURCES (USES)									
Operating Transfers In	-	-	12,742	-	-	-	-	-	12,742
Operating Transfers (Out)	(12,742)	-	-	-	-	-	-	-	(12,742)
Total Other Financing Sources (Uses)	(12,742)	-	12,742	-	-	-	-	-	-
Net Change in Fund Balance	(78,411)	15,414	(14,222)	9,049	1,762	(12,730)	(10,105)	15,620	(73,623)
Fund Balance - January 1	(172,368)	134,930	10,836	60,079	319,335	(122,138)	300,496	87,104	618,274
Fund Balance - December 31	\$ (250,779)	\$ 150,344	\$ (3,386)	\$ 69,128	\$ 321,097	\$ (134,868)	\$ 290,391	\$ 102,724	\$ 544,651

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, 2017

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

Net change in fund balance- total governmental funds	\$ (73,623)
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	<u>205,177</u>
Net change in net position of governmental activities	<u>\$ 131,554</u>

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-type Activities						Total Enterprise Funds
	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	\$ 27,661	\$ -	\$ -	\$ -	\$ -	\$ 2,572	\$ 30,233
Investments	54,497	-	-	-	-	-	54,497
Due From Other Funds	-	50,543	13,991	37,718	14,063	32,883	149,198
Total Current Assets	<u>82,158</u>	<u>50,543</u>	<u>13,991</u>	<u>37,718</u>	<u>14,063</u>	<u>35,455</u>	<u>233,928</u>
TOTAL ASSETS	<u>\$ 82,158</u>	<u>\$ 50,543</u>	<u>\$ 13,991</u>	<u>\$ 37,718</u>	<u>\$ 14,063</u>	<u>\$ 35,455</u>	<u>\$ 233,928</u>
LIABILITIES							
Current Liabilities							
Due to Other Funds	\$ 373,623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 373,623
Other Payables	-	-	-	-	-	6,360	6,360
Current Portion of Long-term Debt	21,268	-	18,500	-	-	-	39,768
Total Current Liabilities	<u>394,891</u>	<u>-</u>	<u>18,500</u>	<u>-</u>	<u>-</u>	<u>6,360</u>	<u>419,751</u>
Long-term Liabilities							
Revenue Bonds Payable	209,820	-	129,499	-	-	-	339,319
Total Non-current Liabilities	<u>209,820</u>	<u>-</u>	<u>129,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,319</u>
TOTAL LIABILITIES	<u>604,711</u>	<u>-</u>	<u>147,999</u>	<u>-</u>	<u>-</u>	<u>6,360</u>	<u>759,070</u>
NET POSITION							
Unrestricted	<u>(522,553)</u>	<u>50,543</u>	<u>(134,008)</u>	<u>37,718</u>	<u>14,063</u>	<u>29,095</u>	<u>(525,142)</u>
TOTAL NET POSITION	<u>\$ (522,553)</u>	<u>\$ 50,543</u>	<u>\$ (134,008)</u>	<u>\$ 37,718</u>	<u>\$ 14,063</u>	<u>\$ 29,095</u>	<u>\$ (525,142)</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, 2017

	Business-type Activities Enterprise Funds						Total Enterprise Funds
	Water Operating Fund	Water Reserve Fund	Sewer Operating Fund	Sewer Reserve Fund	Garbage Operating Fund	Non-major Enterprise Fund	
Operating Revenues:							
Charges for Services	\$ 119,483	\$ -	\$ 73,422	\$ -	\$ 48,487	\$ 4,064	\$ 245,456
Operating Expenses:							
Salary & Wages	19,786	-	13,660	-	-	-	33,446
Contracted Services	87,904	-	-	-	44,078	-	131,982
Maintenance & Supplies	16,163	-	-	-	-	-	16,163
Operating Costs	-	-	32,400	-	-	1,917	34,317
Total Operating Expenses	<u>123,853</u>	<u>-</u>	<u>46,060</u>	<u>-</u>	<u>44,078</u>	<u>1,917</u>	<u>215,908</u>
Operating Income (Loss)	<u>(4,370)</u>	<u>-</u>	<u>27,362</u>	<u>-</u>	<u>4,409</u>	<u>2,147</u>	<u>29,548</u>
Non-Operating Revenues (Expenses):							
Interest	633	-	-	-	-	-	633
Interest on Debt Service	(7,190)	-	(4,918)	-	-	-	(12,108)
Total Non-operating Revenues (Expense)	<u>(6,557)</u>	<u>-</u>	<u>(4,918)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,475)</u>
Income (Loss) Before Operating	<u>(10,927)</u>	<u>-</u>	<u>22,444</u>	<u>-</u>	<u>4,409</u>	<u>2,147</u>	<u>18,073</u>
Net Income (Loss)	(10,927)	-	22,444	-	4,409	2,147	18,073
Net Position, January 1	<u>(511,626)</u>	<u>50,543</u>	<u>(156,452)</u>	<u>37,718</u>	<u>9,654</u>	<u>26,948</u>	<u>(543,215)</u>
Net Position, December 31	<u>\$ (522,553)</u>	<u>\$ 50,543</u>	<u>\$ (134,008)</u>	<u>\$ 37,718</u>	<u>\$ 14,063</u>	<u>\$ 29,095</u>	<u>\$ (525,142)</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, 2017

	Business-type Activities						Total Enterprise Funds
	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	\$ 119,483	\$ -	\$ 73,422	\$ -	\$ 48,487	\$ 4,064	\$ 245,456
Payments to Suppliers	(87,904)	-	-	-	(44,078)	-	(131,982)
Payroll Expenses	(19,786)	-	(13,660)	-	-	-	(33,446)
Miscellaneous Operating Expenses	(16,163)	-	(32,400)	-	-	(1,917)	(50,480)
Net Cash Provided (Used) by Operating Activities	<u>(4,370)</u>	<u>-</u>	<u>27,362</u>	<u>-</u>	<u>4,409</u>	<u>2,147</u>	<u>29,548</u>
CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES							
Inter Fund Loans	65,601	-	(3,944)	-	(9,019)	(1,059)	51,579
Net Cash Provided (Used) by Noncapital Financing Activities	<u>65,601</u>	<u>-</u>	<u>(3,944)</u>	<u>-</u>	<u>(9,019)</u>	<u>(1,059)</u>	<u>51,579</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal Paid on Debt	(29,268)	-	(18,500)	-	-	-	(47,768)
Interest Paid on Debt	(7,190)	-	(4,918)	-	-	-	(12,108)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(36,458)</u>	<u>-</u>	<u>(23,418)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,876)</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES							
Interest Income	633	-	-	-	-	-	633
Investment Purchased	(606)	-	-	-	-	-	(606)
Net Cash Provided (Used) by Investing Activities	<u>27</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,800	-	-	-	(4,610)	1,088	21,278
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,610</u>	<u>1,484</u>	<u>8,955</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 27,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,572</u>	<u>\$ 30,233</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating Income (Loss)	<u>\$ (4,370)</u>	<u>\$ -</u>	<u>\$ 27,362</u>	<u>\$ -</u>	<u>\$ 4,409</u>	<u>\$ 2,147</u>	<u>\$ 29,548</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,370)</u>	<u>\$ -</u>	<u>\$ 27,362</u>	<u>\$ -</u>	<u>\$ 4,409</u>	<u>\$ 2,147</u>	<u>\$ 29,548</u>

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
DECEMBER 31, 2016

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 304,915	\$ 8,955	\$ 313,870
Investments	140,513	53,891	194,404
Internal balances	172,846	(172,846)	-
Total Current Assets	618,274	(110,000)	508,274
TOTAL ASSETS	\$ 618,274	\$ (110,000)	\$ 508,274
LIABILITIES			
Current Liabilities			
Other Payables	\$ -	\$ 6,360	\$ 6,360
Total Current Liabilities	-	6,360	6,360
Long-term Liabilities			
Current Portion			
Bonds Payable	191,613	-	191,613
Loans Payable	13,564	-	13,564
Revenue Bonds Payable	-	47,768	47,768
Non-current Portion			
Bonds Payable	2,005,482	-	2,005,482
Loans Payable	27,951	-	27,951
Revenue Bonds Payable	-	379,087	379,087
Total Long-term Liabilities	2,238,610	426,855	2,665,465
TOTAL LIABILITIES	2,238,610	433,215	2,671,825
NET POSITION			
Restricted			
Debt Service	619,831	-	619,831
Highways	10,836	-	10,836
Other	87,104	-	87,104
Unrestricted (Deficit)	(2,338,107)	(543,215)	(2,881,322)
TOTAL NET POSITION	\$ (1,620,336)	\$ (543,215)	\$ (2,163,551)

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current							
General Government	\$ 140,974	\$ 6,608	\$ -	\$ -	\$ (134,366)	\$ -	\$ (134,366)
Public Safety	59,852	-	-	-	(59,852)	-	(59,852)
Public Works	64,963	-	-	-	(64,963)	-	(64,963)
Debt Service:							
Interest and Service Charges	59,804	-	-	1,388	(58,416)	-	(58,416)
Total Governmental Activities	<u>325,593</u>	<u>6,608</u>	<u>-</u>	<u>1,388</u>	<u>(317,597)</u>	<u>-</u>	<u>(317,597)</u>
Business-Type Activities							
Water	103,424	107,818	-	-	-	4,394	4,394
Sewer	52,487	71,158	-	-	-	18,671	18,671
Garbage	42,790	47,400	-	-	-	4,610	4,610
Non-Major Enterprise Funds	3,053	4,346	-	-	-	1,293	1,293
Total Business-Type Activities	<u>201,754</u>	<u>230,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,968</u>	<u>28,968</u>
Total Primary Government	<u>\$ 527,347</u>	<u>\$ 237,330</u>	<u>\$ -</u>	<u>\$ 1,388</u>	<u>(317,597)</u>	<u>28,968</u>	<u>(288,629)</u>
General Revenues:							
Taxes					404,304	-	404,304
Intergovernmental					48,923	-	48,923
Interest					2,337	605	2,942
Miscellaneous Revenue					3,870	-	3,870
Transfers					(14,000)	14,000	-
Total General Revenues and Transfers					<u>445,434</u>	<u>14,605</u>	<u>460,039</u>
Changes in Net Position					127,837	43,573	171,410
Net Position, January 1					(1,748,173)	(586,788)	(2,334,961)
Net Position, December 31					<u>\$ (1,620,336)</u>	<u>\$ (543,215)</u>	<u>\$ (2,163,551)</u>

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	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	\$ -	\$ -	\$ 1,836	\$ 525	\$ -	\$ -	\$ 300,496	\$ -	\$ 2,058	\$ 304,915
Investments	-	-	-	-	140,513	-	-	-	-	140,513
Due From Other Funds	13,211	134,930	9,000	59,554	178,822	-	-	-	85,046	480,563
Total Assets	\$ 13,211	\$ 134,930	\$ 10,836	\$ 60,079	\$ 319,335	\$ -	\$ 300,496	\$ -	\$ 87,104	\$ 925,991
LIABILITIES										
Due to Other Funds	\$ 185,579	\$ -	\$ -	\$ -	\$ -	\$ 122,138	\$ -	\$ -	\$ -	\$ 307,717
Total Liabilities	185,579	-	-	-	-	122,138	-	-	-	307,717
FUND BALANCE										
Restricted:										
Debt Service	-	-	-	-	319,335	-	300,496	-	-	619,831
Street/Highway Maintenance	-	-	10,836	-	-	-	-	-	-	10,836
City Special Assessments	-	-	-	-	-	-	-	-	41,042	41,042
Emergencies	-	-	-	-	-	-	-	-	15,916	15,916
Penalty and Interest	-	-	-	-	-	-	-	-	16,691	16,691
Special assessment deficiency	-	-	-	-	-	-	-	-	13,455	13,455
Assigned	6,000	134,930	-	60,079	-	-	-	-	-	201,009
Unassigned	(178,368)	-	-	-	-	(122,138)	-	-	-	(300,506)
Total Fund Balance (Deficit)	(172,368)	134,930	10,836	60,079	319,335	(122,138)	300,496	-	87,104	618,274
Total Liabilities and Fund Balance	\$ 13,211	\$ 134,930	\$ 10,836	\$ 60,079	\$ 319,335	\$ -	\$ 300,496	\$ -	\$ 87,104	\$ 925,991

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, 2016

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

Total fund balance-governmental funds	\$ 618,274
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	(2,197,095)
Loans Payable	(41,515)
	<u>(2,238,610)</u>
Total net position-governmental activities	<u>\$ (1,620,336)</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, 2016

	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	\$ 72,613	\$ 63,209	\$ 33,621	\$ 13,488	\$ -	\$ -	\$ 207,209	\$ -	\$ 14,164	\$ 404,304
Special Assessments	-	-	-	-	-	1,388	-	-	-	1,388
Licenses and Permits	6,608	-	-	-	-	-	-	-	-	6,608
Intergovernmental	48,923	-	-	-	-	-	-	-	-	48,923
Interest	137	-	-	-	2,200	-	-	-	-	2,337
Miscellaneous Revenue	3,870	-	-	-	-	-	-	-	-	3,870
Total Revenues	132,151	63,209	33,621	13,488	2,200	1,388	207,209	-	14,164	467,430
EXPENDITURES										
Current:										
General Government	82,416	38,968	-	18,190	-	-	-	-	1,400	140,974
Public Safety	59,852	-	-	-	-	-	-	-	-	59,852
Public Works	14,299	-	50,664	-	-	-	-	-	-	64,963
Debt Service:										
Principal Retirement	13,294	-	-	-	-	11,689	175,000	-	-	199,983
Interest and Service Charges	1,105	-	-	-	5,842	4,641	48,216	-	-	59,804
Total Expenditures	170,966	38,968	50,664	18,190	5,842	16,330	223,216	-	1,400	525,576
Revenues Over (Under) Expenditures	(38,815)	24,241	(17,043)	(4,702)	(3,642)	(14,942)	(16,007)	-	12,764	(58,146)
OTHER FINANCING SOURCES (USES)										
Operating Transfers In	49	-	-	-	-	-	21,394	-	-	21,443
Operating Transfers (Out)	(14,000)	-	-	-	-	-	-	(21,394)	(49)	(35,443)
Total Other Financing Sources (Uses)	(13,951)	-	-	-	-	-	21,394	(21,394)	(49)	(14,000)
Net Change in Fund Balance	(52,766)	24,241	(17,043)	(4,702)	(3,642)	(14,942)	5,387	(21,394)	12,715	(72,146)
Fund Balance - January 1	(119,602)	110,689	27,879	64,781	322,977	(107,196)	295,109	21,394	74,389	690,420
Fund Balance - December 31	\$ (172,368)	\$ 134,930	\$ 10,836	\$ 60,079	\$ 319,335	\$ (122,138)	\$ 300,496	\$ -	\$ 87,104	\$ 618,274

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, 2016

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

Net change in fund balance- total governmental funds	\$ (72,146)
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	<u>199,983</u>
Net change in net position of governmental activities	<u>\$ 127,837</u>

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2016

	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	\$ 2,861	\$ -	\$ -	\$ -	\$ 4,610	\$ 1,484	\$ 8,955
Investments	53,891	-	-	-	-	-	53,891
Due From Other Funds	-	50,543	10,047	37,718	5,044	31,824	135,176
Total Current Assets	<u>56,752</u>	<u>50,543</u>	<u>10,047</u>	<u>37,718</u>	<u>9,654</u>	<u>33,308</u>	<u>198,022</u>
TOTAL ASSETS	<u><u>\$ 56,752</u></u>	<u><u>\$ 50,543</u></u>	<u><u>\$ 10,047</u></u>	<u><u>\$ 37,718</u></u>	<u><u>\$ 9,654</u></u>	<u><u>\$ 33,308</u></u>	<u><u>\$ 198,022</u></u>
LIABILITIES							
Current Liabilities							
Due to Other Funds	\$ 308,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 308,022
Other Payables	-	-	-	-	-	6,360	6,360
Current Portion of Long-term Debt	29,268	-	18,500	-	-	-	47,768
Total Current Liabilities	<u>337,290</u>	<u>-</u>	<u>18,500</u>	<u>-</u>	<u>-</u>	<u>6,360</u>	<u>362,150</u>
Long-term Liabilities							
Revenue Bonds Payable	231,088	-	147,999	-	-	-	379,087
Total Non-current Liabilities	<u>231,088</u>	<u>-</u>	<u>147,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>379,087</u>
TOTAL LIABILITIES	<u><u>568,378</u></u>	<u><u>-</u></u>	<u><u>166,499</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>6,360</u></u>	<u><u>741,237</u></u>
NET POSITION							
Unrestricted	<u>(511,626)</u>	<u>50,543</u>	<u>(156,452)</u>	<u>37,718</u>	<u>9,654</u>	<u>26,948</u>	<u>(543,215)</u>
TOTAL NET POSITION	<u><u>\$ (511,626)</u></u>	<u><u>\$ 50,543</u></u>	<u><u>\$ (156,452)</u></u>	<u><u>\$ 37,718</u></u>	<u><u>\$ 9,654</u></u>	<u><u>\$ 26,948</u></u>	<u><u>\$ (543,215)</u></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, 2016

	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	\$ 107,818	\$ -	\$ 71,158	\$ -	\$ 47,400	\$ 4,346	\$ 230,722
Operating Expenses:							
Salary & Wages	19,361	-	14,429	-	-	-	33,790
Contracted Services	51,086	-	-	-	42,790	-	93,876
Maintenance & Supplies	21,898	-	-	-	-	-	21,898
Operating Costs	-	-	32,441	-	-	3,053	35,494
Total Operating Expenses	92,345	-	46,870	-	42,790	3,053	185,058
Operating Income (Loss)	15,473	-	24,288	-	4,610	1,293	45,664
Non-Operating Revenues (Expenses):							
Interest	605	-	-	-	-	-	605
Interest on Debt Service	(11,079)	-	(5,617)	-	-	-	(16,696)
Total Non-operating Revenues (Expense)	(10,474)	-	(5,617)	-	-	-	(16,091)
Income (Loss) Before Operating	4,999	-	18,671	-	4,610	1,293	29,573
Operating Transfers In (Out)							
Operating Transfers In	14,000	-	-	-	-	-	14,000
Total Operating Transfers In (Out)	14,000	-	-	-	-	-	14,000
Net Income (Loss)	18,999	-	18,671	-	4,610	1,293	43,573
Net Position, January 1	(530,625)	50,543	(175,123)	37,718	5,044	25,655	(586,788)
Net Position, December 31	\$ (511,626)	\$ 50,543	\$ (156,452)	\$ 37,718	\$ 9,654	\$ 26,948	\$ (543,215)

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, 2016

	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	\$ 107,818	\$ -	\$ 71,158	\$ -	\$ 47,400	\$ 4,346	\$ 230,722
Payments to Suppliers	(51,086)	-	-	-	(42,790)	-	(93,876)
Payroll Expenses	(19,361)	-	(14,429)	-	-	-	(33,790)
Miscellaneous Operating Expenses	(21,898)	-	(32,441)	-	-	(3,053)	(57,392)
Net Cash Provided (Used) by Operating Activities	<u>15,473</u>	<u>-</u>	<u>24,288</u>	<u>-</u>	<u>4,610</u>	<u>1,293</u>	<u>45,664</u>
CASH FLOWS FROM (TO) NON-CAPITAL FINANCING ACTIVITIES							
Inter Fund Loans	(4,138)	-	3,947	-	-	191	-
Operating Transfers In	14,000	-	-	-	-	-	14,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>9,862</u>	<u>-</u>	<u>3,947</u>	<u>-</u>	<u>-</u>	<u>191</u>	<u>14,000</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES							
Principal Paid on Debt	(122,800)	-	(22,618)	-	-	-	(145,418)
Interest Paid on Debt	(11,079)	-	(5,617)	-	-	-	(16,696)
Proceeds from Debt Issuance	111,400	-	-	-	-	-	111,400
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(22,479)</u>	<u>-</u>	<u>(28,235)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,714)</u>
CASH FLOWS FROM (TO) INVESTING ACTIVITIES							
Interest Income	605	-	-	-	-	-	605
Investment Purchased	(600)	-	-	-	-	-	(600)
Net Cash Provided (Used) by Investing Activities	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,861	-	-	-	4,610	1,484	8,955
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-	-	-	-	-	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,861</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,610</u>	<u>\$ 1,484</u>	<u>\$ 8,955</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating Income (Loss)	\$ 15,473	\$ -	\$ 24,288	\$ -	\$ 4,610	\$ 1,293	\$ 45,664
Net Cash Provided (Used) by Operating Activities	<u>\$ 15,473</u>	<u>\$ -</u>	<u>\$ 24,288</u>	<u>\$ -</u>	<u>\$ 4,610</u>	<u>\$ 1,293</u>	<u>\$ 45,664</u>

See Notes to the Financial Statements

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 AND 2016

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 percent 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, 2017 AND 2016

2014 Street Improvement Fund-Capital Projects

This fund is used to account for the construction activity for the 2014 street improvement project. This fund was closed in 2016.

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, and is used as appropriate:

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017 AND 2016

- 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, 2017 AND 2016

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, 2017 AND 2016

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, 2017 and 2016, 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, 2017 AND 2016

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, 2017 and 2016, 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.
- e) Commercial paper issued by a United States corporation rated in the highest quality category by at least two nationally recognized rating agencies and matures in two hundred seventy days or less.

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, 2017 AND 2016

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, 2017 and 2016:

December 31, 2017 Governmental Activities	Interest Rate	Beginning Balance	New Issues	Retired	Ending Balance	Due within One Year
Bonds Payable						
\$175,000 2007 TIF Bonds	4.50%	\$ 97,095	\$ -	\$ 11,613	\$ 85,482	\$ 11,874
\$2,440,000 2014 Refunding Improvement	.5% - 3.25%	2,100,000	-	180,000	1,920,000	180,000
Notes Payable						
First & Farmers Bank	2.00%	41,515	-	13,564	27,951	13,836
Total Governmental Activities		<u>\$ 2,238,610</u>	<u>\$ -</u>	<u>\$ 205,177</u>	<u>\$ 2,033,433</u>	<u>\$ 205,710</u>

December 31, 2016 Governmental Activities	Interest Rate	Beginning Balance	New Issues	Retired	Ending Balance	Due within One Year
Bonds Payable						
\$175,000 2007 TIF Bonds	4.50%	\$ 108,784	\$ -	\$ 11,689	\$ 97,095	\$ 11,613
\$2,440,000 2014 Refunding Improvement	.5% - 3.25%	2,275,000	-	175,000	2,100,000	180,000
Notes Payable						
First & Farmers Bank	2.00%	54,809	-	13,294	41,515	13,564
Total Governmental Activities		<u>\$ 2,438,593</u>	<u>\$ -</u>	<u>\$ 199,983</u>	<u>\$ 2,238,610</u>	<u>\$ 205,177</u>

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

2014 Refunding Improvement Bonds Payable		
	Principal	Interest
2018	\$ 180,000	\$ 43,580
2019	180,000	40,970
2020	180,000	37,955
2021	175,000	34,582
2022	175,000	17,908
2023-2027	860,000	68,660
2028	170,000	2,763
	<u>\$ 1,920,000</u>	<u>\$ 246,418</u>

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017 AND 2016

		TIF	
		Bonds Payable	
		Principal	Interest
	2018	\$ 11,874	\$ 4,002
	2019	12,141	3,468
	2020	12,415	2,922
	2021	12,694	2,363
	2022	12,980	1,792
	2023-2027	23,378	1,818
		\$ 85,482	\$ 16,365

		Notes Payable	
		Principal	Interest
	2018	\$ 13,836	\$ 561
	2019	14,115	283
		\$ 27,951	\$ 844

		Total		
		Principal	Interest	Total
	2018	\$ 205,710	\$ 48,143	\$ 253,853
	2019	206,256	44,721	250,977
	2020	192,415	40,877	233,292
	2021	187,694	36,945	224,639
	2022	187,980	19,700	207,680
	2023-2027	883,378	70,478	953,856
	2028	170,000	2,763	172,763
		\$ 2,033,433	\$ 263,627	\$ 2,297,060

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017 AND 2016

The following is a summary of changes in business-type activities long-term debt by individual issue for the years ended December 31, 2017 and 2016:

December 31, 2017 <u>Business-Type Activities</u>	Interest <u>Rate</u>	Beginning <u>Balance</u>	New <u>Issues</u>	<u>Retired</u>	Ending <u>Balance</u>	Due within <u>One Year</u>
Water Revenue Bonds	3.0% - 5.125%	\$ 148,956	\$ -	\$ 8,000	\$ 140,956	\$ 8,200
First & Farmers Bank	2.38%	111,400	-	21,268	90,132	21,774
Waste Water Improvements	2.50%	166,499	-	18,500	147,999	18,500
		<u>\$ 426,855</u>	<u>\$ -</u>	<u>\$ 47,768</u>	<u>\$ 379,087</u>	<u>\$ 48,474</u>

December 31, 2016 <u>Business-Type Activities</u>	Interest <u>Rate</u>	Beginning <u>Balance</u>	New <u>Issues</u>	<u>Retired</u>	Ending <u>Balance</u>	Due within <u>One Year</u>
Water Revenue Bonds	3.0% - 5.125%	\$ 271,756	\$ -	\$ 122,800	\$ 148,956	\$ 8,000
First & Farmers Bank	2.38%	-	111,400	-	111,400	21,268
Waste Water Improvements	2.50%	189,118	-	22,619	166,499	18,500
		<u>\$ 460,874</u>	<u>\$ 111,400</u>	<u>\$ 145,419</u>	<u>\$ 426,855</u>	<u>\$ 47,768</u>

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

<u>Water Revenue Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>
2018	\$ 8,200	\$ 4,294
2019	8,500	4,045
2020	8,700	3,796
2021	9,000	3,521
2022	9,200	3,247
2023-2027	50,500	11,864
2028-2032	46,856	3,708
	<u>\$ 140,956</u>	<u>\$ 34,475</u>

<u>Waste Water Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>
2018	\$ 18,500	\$ 3,700
2019	18,500	3,238
2020	18,500	2,775
2021	19,500	2,312
2022	20,000	1,825
2023-2027	52,999	2,750
	<u>\$ 147,999</u>	<u>\$ 16,600</u>

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017 AND 2016

		First and Farmers		
		Principal	Interest	
	2018	\$ 21,774	\$	2,145
	2019	22,292		1,627
	2020	22,823		1,096
	2021	23,243		553
		\$ 90,132	\$	5,421

		Total		
		Principal	Interest	Total
	2018	\$ 48,474	\$ 10,139	\$ 58,613
	2019	49,292	8,910	58,202
	2020	50,023	7,667	57,690
	2021	51,743	6,386	58,129
	2022	29,200	5,072	34,272
	2023-2027	103,499	14,614	118,113
	2028-2032	46,856	3,708	50,564
		\$ 379,087	\$ 56,496	\$ 435,583

Outstanding debt at December 31, 2017 and 2016 consists of the following issues:

Governmental Activities:

	2017	2016
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.	\$ 1,920,000	\$ 2,100,000
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.	85,482	97,095
Total Bonds Payable:	\$ 2,005,482	\$ 2,197,095
Notes Payable:		
\$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.	\$ 27,951	\$ 41,515
Total Notes Payable:	\$ 27,951	\$ 41,515

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017 AND 2016

Business-Type Activities	2017	2016
Revenue Bonds:		
\$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%	\$ 105,000	\$ 120,000
\$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%	16,000	17,500
\$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%	26,999	28,999
\$300,000 Revenue Bonds of 1993-1 due in annual installments of \$4,500 to \$12,000 through November 9, 2032; interest at 3%.	140,956	148,956
Total Revenue Bonds:	\$ 288,955	\$ 315,455
Notes Payable:		
\$111,400 Note Payable for First and Farmers due in annual installments of \$23,919 through December 1, 2021; interest at 2.38%	\$ 90,132	\$ 111,400
Total Notes Payable:	\$ 90,132	\$ 111,400

NOTE 4 - FUND DEFICITS

For the years ended December 31, 2017 and 2016, various funds of the City were in a deficit fund balance or net position as listed in the following schedule. The City will eliminate the deficit with future revenues and transfers from other funds.

	2017	2016
General	\$ 250,779	\$ 172,368
Highway	3,386	-
TIF	134,868	122,138
	\$ 389,033	\$ 294,506

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

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017 AND 2016

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.

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, 2017 and 2016, 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, 2017 and 2016, transfers were made as follows:

Transfers	<u>2017</u>	<u>2016</u>
From General Fund to		
Water Operating	\$ -	\$ 14,000
Highway Fund	12,742	-
	<u>\$ 12,742</u>	<u>\$ 14,000</u>
To General Fund		
Special Assessment Deficiency		<u>\$ 49</u>
From Capital Projects 2014 Street Improvement		
To Debt Service Fund 2014 Street Improvement		<u>\$ 21,394</u>

2016 transfers - Funds transferred from the general fund to the water fund was to aid in the payment of debt. Funds transferred from the capital projects fund to the debt service fund were to close the 2014 street improvement project and aid in the payment of bond principal and interest.

2017 transfer-The funds were transferred from the general fund to the highway fund to provide funds for payment of a street project.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017 AND 2016

Interfund Balances

Following is a schedule of interfund balances:

Due From Other Funds	<u>2017</u>	<u>2016</u>
General Fund	\$ 13,179	\$ 13,211
Sales Tax-City Fund	150,344	134,930
Highway Fund	-	9,000
Sales Tax-EDC Fund	69,128	59,554
Street/Storm Sewer 1998-1, 2 Fund	178,822	178,822
2014 Street Improvement	114,968	-
City Share - Special Assessments	48,860	41,042
Emergency	18,316	15,916
Special Assessment Deficiency	15,544	13,455
Penalty and Interest	20,004	14,633
Water Reserve Fund	50,543	50,543
Sewer Operating	13,991	10,047
Sewer Reserve Fund	37,718	37,718
Garbage Operating	14,063	5,044
Mosquito	13,742	12,683
Water Meter Deposits	12,977	12,977
Garbage Surcharge	6,164	6,164
	<u>\$ 778,363</u>	<u>\$ 615,739</u>
Due to Other Funds	<u>2017</u>	<u>2016</u>
General Fund	\$ 266,486	\$ 185,579
Highway Fund	3,386	-
TIF Fund	134,868	122,138
Water Operating Fund	373,623	308,022
	<u>\$ 778,363</u>	<u>\$ 615,739</u>

NOTE 8 - NEW PRONOUNCEMENTS

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.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017 AND 2016

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 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.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2017 AND 2016

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.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are 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 September 28, 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, 2017

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 75,346	\$ 75,346	\$ 75,457	\$ 111
Licenses and Permits	-	-	6,650	6,650
Intergovernmental	64,600	64,600	43,011	(21,589)
Fine and Forfeits	50	50	-	(50)
Interest	300	300	79	(221)
Miscellaneous Revenue	5,550	5,550	6,166	616
Total Revenues	<u>145,846</u>	<u>145,846</u>	<u>131,363</u>	<u>(14,483)</u>
EXPENDITURES				
Current:				
General Government	141,850	141,850	112,674	29,176
Public Safety	58,000	58,000	54,734	3,266
Public Works	8,000	8,000	15,227	(7,227)
Debt Service:				
Principal Retirement	-	-	13,564	(13,564)
Interest and Service Charges	-	-	833	(833)
Total Expenditures	<u>207,850</u>	<u>207,850</u>	<u>197,032</u>	<u>10,818</u>
Revenues Over (Under) Expenditures	<u>(62,004)</u>	<u>(62,004)</u>	<u>(65,669)</u>	<u>(3,665)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers (Out)	-	-	(12,742)	(12,742)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(12,742)</u>	<u>(12,742)</u>
Net Change in Fund Balance	(62,004)	(62,004)	(78,411)	(16,407)
Fund Balance - January 1	<u>(172,368)</u>	<u>(172,368)</u>	<u>(172,368)</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ (234,372)</u></u>	<u><u>\$ (234,372)</u></u>	<u><u>\$ (250,779)</u></u>	<u><u>\$ (16,407)</u></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, 2017

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 59,500	\$ 59,500	\$ 44,183	\$ (15,317)
Total Revenues	<u>59,500</u>	<u>59,500</u>	<u>44,183</u>	<u>(15,317)</u>
EXPENDITURES				
Current:				
General Government	34,915	34,915	28,769	6,146
Total Expenditures	<u>34,915</u>	<u>34,915</u>	<u>28,769</u>	<u>6,146</u>
Net Change in Fund Balance	24,585	24,585	15,414	(9,171)
Fund Balance - January 1	<u>134,930</u>	<u>134,930</u>	<u>134,930</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 159,515</u>	<u>\$ 159,515</u>	<u>\$ 150,344</u>	<u>\$ (9,171)</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, 2017

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 45,000	\$ 45,000	\$ 35,567	\$ (9,433)
Total Revenues	<u>45,000</u>	<u>45,000</u>	<u>35,567</u>	<u>(9,433)</u>
EXPENDITURES				
Current:				
Public Works	65,000	65,000	62,531	2,469
Total Expenditures	<u>65,000</u>	<u>65,000</u>	<u>62,531</u>	<u>2,469</u>
Revenues Over (Under) Expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>(26,964)</u>	<u>(6,964)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	12,742	12,742
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>12,742</u>	<u>12,742</u>
Net Change in Fund Balance	(20,000)	(20,000)	(14,222)	5,778
Fund Balance - January 1	<u>10,836</u>	<u>10,836</u>	<u>10,836</u>	<u>-</u>
Fund Balance - December 31	<u>\$ (9,164)</u>	<u>\$ (9,164)</u>	<u>\$ (3,386)</u>	<u>\$ 5,778</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, 2017

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 9,500	\$ 9,500	\$ 9,049	\$ (451)
Total Revenues	<u>9,500</u>	<u>9,500</u>	<u>9,049</u>	<u>(451)</u>
EXPENDITURES				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	9,500	9,500	9,049	(451)
Fund Balance - January 1	<u>60,079</u>	<u>60,079</u>	<u>60,079</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 69,579</u>	<u>\$ 69,579</u>	<u>\$ 69,128</u>	<u>\$ (451)</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, 2016

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 75,346	\$ 75,346	\$ 72,613	\$ (2,733)
Licenses and Permits	-	-	6,608	6,608
Intergovernmental	64,600	64,600	48,923	(15,677)
Fine and Forfeits	50	50	-	(50)
Interest	300	300	137	(163)
Miscellaneous Revenue	5,550	5,550	3,870	(1,680)
Total Revenues	<u>145,846</u>	<u>145,846</u>	<u>132,151</u>	<u>(13,695)</u>
EXPENDITURES				
Current:				
General Government	141,850	141,850	82,416	59,434
Public Safety	58,000	58,000	59,852	(1,852)
Public Works	8,000	8,000	14,299	(6,299)
Debt Service:				
Principal Retirement	-	-	13,294	(13,294)
Interest and Service Charges	-	-	1,105	(1,105)
Total Expenditures	<u>207,850</u>	<u>207,850</u>	<u>170,966</u>	<u>36,884</u>
Revenues Over (Under) Expenditures	<u>(62,004)</u>	<u>(62,004)</u>	<u>(38,815)</u>	<u>23,189</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	-	49	49
Operating Transfers (Out)	-	-	(14,000)	(14,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(13,951)</u>	<u>(13,951)</u>
Net Change in Fund Balance	(62,004)	(62,004)	(52,766)	9,238
Fund Balance - January 1	<u>(119,602)</u>	<u>(119,602)</u>	<u>(119,602)</u>	<u>-</u>
Fund Balance - December 31	<u>\$ (181,606)</u>	<u>\$ (181,606)</u>	<u>\$ (172,368)</u>	<u>\$ 9,238</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, 2016

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 59,500	\$ 59,500	\$ 63,209	\$ 3,709
Total Revenues	<u>59,500</u>	<u>59,500</u>	<u>63,209</u>	<u>3,709</u>
EXPENDITURES				
Current:				
General Government	34,915	34,915	38,968	(4,053)
Total Expenditures	<u>34,915</u>	<u>34,915</u>	<u>38,968</u>	<u>(4,053)</u>
Net Change in Fund Balance	24,585	24,585	24,241	(344)
Fund Balance - January 1	<u>110,689</u>	<u>110,689</u>	<u>110,689</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 135,274</u>	<u>\$ 135,274</u>	<u>\$ 134,930</u>	<u>\$ (344)</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, 2016

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 45,000	\$ 45,000	\$ 33,621	\$ (11,379)
Total Revenues	<u>45,000</u>	<u>45,000</u>	<u>33,621</u>	<u>(11,379)</u>
EXPENDITURES				
Current:				
Public Works	65,000	65,000	50,664	14,336
Total Expenditures	<u>65,000</u>	<u>65,000</u>	<u>50,664</u>	<u>14,336</u>
Net Change in Fund Balance	(20,000)	(20,000)	(17,043)	2,957
Fund Balance - January 1	<u>27,879</u>	<u>27,879</u>	<u>27,879</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 7,879</u>	<u>\$ 7,879</u>	<u>\$ 10,836</u>	<u>\$ 2,957</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, 2016

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 17,500	\$ 17,500	\$ 13,488	\$ (4,012)
Total Revenues	<u>17,500</u>	<u>17,500</u>	<u>13,488</u>	<u>(4,012)</u>
EXPENDITURES				
Current:				
General Government	21,500	21,500	18,190	3,310
Total Expenditures	<u>21,500</u>	<u>21,500</u>	<u>18,190</u>	<u>3,310</u>
Net Change in Fund Balance	(4,000)	(4,000)	(4,702)	(702)
Fund Balance - January 1	<u>64,781</u>	<u>64,781</u>	<u>64,781</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 60,781</u>	<u>\$ 60,781</u>	<u>\$ 60,079</u>	<u>\$ (702)</u>

See Notes to the Budgetary Comparison Schedules

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
DECEMBER 31, 2017 AND 2016

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.

CITY OF PORTLAND, NORTH DAKOTA
NOTES TO THE BUDGETARY COMPARISON SCHEDULES - CONTINUED
DECEMBER 31, 2017 AND 2016

NOTE 2 – EXPENDITURES IN EXCESS OF BUDGET

Expenditures exceeded budget as follows:

December 31, 2017

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Public Works	\$ 8,000	\$ 15,227	\$ 7,227
Debt Service-Principal	-	13,564	13,564
Debt Service-Interest	-	833	833

December 31, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Public Safety	\$ 58,000	\$ 59,852	\$ 1,852
Public Works	8,000	14,299	6,299
Debt Service-Principal	-	13,294	13,294
Debt Service-Interest	-	1,105	1,105
City Sales Tax			
General Government	34,915	38,968	4,053

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, 2017

	<u>City Share - Special Assessments</u>	<u>Emergency</u>	<u>Special Assessment Deficiency</u>	<u>Penalty & Interest</u>	<u>Total Governmental</u>
ASSETS					
Due From Other Funds	\$ 48,860	\$ 18,316	\$ 15,544	\$ 20,004	\$ 102,724
Total Assets	<u>\$ 48,860</u>	<u>\$ 18,316</u>	<u>\$ 15,544</u>	<u>\$ 20,004</u>	<u>\$ 102,724</u>
LIABILITIES					
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE					
Restricted:					
Special Revenue	48,860	18,316	15,544	20,004	102,724
Total Fund Balance (Deficit)	<u>48,860</u>	<u>18,316</u>	<u>15,544</u>	<u>20,004</u>	<u>102,724</u>
Total Liabilities and Fund Balance	<u>\$ 48,860</u>	<u>\$ 18,316</u>	<u>\$ 15,544</u>	<u>\$ 20,004</u>	<u>\$ 102,724</u>

CITY OF PORTLAND, NORTH DAKOTA
COMBINING BALANCE SHEET – MODIFIED CASH BASIS
NON-MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2017

	<u>Mosquito</u>	<u>Water Meter Deposits</u>	<u>Garbage Surcharge</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ -	\$ 1,400	\$ 1,172	\$ 2,572
Due From Other Funds	13,742	12,977	6,164	32,883
Total Current Assets	<u>13,742</u>	<u>14,377</u>	<u>7,336</u>	<u>35,455</u>
 TOTAL ASSETS	 <u>\$ 13,742</u>	 <u>\$ 14,377</u>	 <u>\$ 7,336</u>	 <u>\$ 35,455</u>
 LIABILITIES				
Current Liabilities				
Other Payables	\$ -	\$ 6,360	\$ -	\$ 6,360
Total Current Liabilities	<u>-</u>	<u>6,360</u>	<u>-</u>	<u>6,360</u>
 NET POSITION				
Unrestricted	<u>13,742</u>	<u>8,017</u>	<u>7,336</u>	<u>29,095</u>
TOTAL NET POSITION	<u>\$ 13,742</u>	<u>\$ 8,017</u>	<u>\$ 7,336</u>	<u>\$ 29,095</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, 2017

	<u>City Share - Special Assessments</u>	<u>Emergency</u>	<u>Special Assessment Deficiency</u>	<u>Penalty & Interest</u>	<u>Total Governmental</u>
REVENUES					
Taxes	\$ 7,818	\$ 2,400	\$ 2,089	\$ 3,313	\$ 15,620
Total Revenues	<u>7,818</u>	<u>2,400</u>	<u>2,089</u>	<u>3,313</u>	<u>15,620</u>
EXPENDITURES					
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>7,818</u>	<u>2,400</u>	<u>2,089</u>	<u>3,313</u>	<u>15,620</u>
Net Change in Fund Balance	7,818	2,400	2,089	3,313	15,620
Fund Balance - January 1	<u>41,042</u>	<u>15,916</u>	<u>13,455</u>	<u>16,691</u>	<u>87,104</u>
Fund Balance - December 31	<u>\$ 48,860</u>	<u>\$ 18,316</u>	<u>\$ 15,544</u>	<u>\$ 20,004</u>	<u>\$ 102,724</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, 2017

	<u>Mosquito Fund</u>	<u>Water Meter Deposits Fund</u>	<u>Garbage Surcharge Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues:				
Charges for Services	\$ 2,976	\$ 500	\$ 588	\$ 4,064
Operating Expenses:				
Operating Costs	1,917	-	-	1,917
Total Operating Expenses	1,917	-	-	1,917
Operating Income (Loss)	1,059	500	588	2,147
Net Income (Loss)	1,059	500	588	2,147
Net Position, January 1	12,683	7,517	6,748	26,948
Net Position, December 31	<u>\$ 13,742</u>	<u>\$ 8,017</u>	<u>\$ 7,336</u>	<u>\$ 29,095</u>

CITY OF PORTLAND, NORTH DAKOTA
COMBINING BALANCE SHEET – MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	<u>City Share - Special Assessments</u>	<u>Emergency</u>	<u>Special Assessment Deficiency</u>	<u>Penalty & Interest</u>	<u>Total Governmental</u>
ASSETS					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 2,058	\$ 2,058
Due From Other Funds	41,042	15,916	13,455	14,633	85,046
	<u>41,042</u>	<u>15,916</u>	<u>13,455</u>	<u>14,633</u>	<u>85,046</u>
Total Assets	<u>\$ 41,042</u>	<u>\$ 15,916</u>	<u>\$ 13,455</u>	<u>\$ 16,691</u>	<u>\$ 87,104</u>
LIABILITIES					
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE					
Restricted:					
Special Revenue	41,042	15,916	13,455	16,691	87,104
	<u>41,042</u>	<u>15,916</u>	<u>13,455</u>	<u>16,691</u>	<u>87,104</u>
Total Fund Balance (Deficit)	<u>41,042</u>	<u>15,916</u>	<u>13,455</u>	<u>16,691</u>	<u>87,104</u>
Total Liabilities and Fund Balance	<u>\$ 41,042</u>	<u>\$ 15,916</u>	<u>\$ 13,455</u>	<u>\$ 16,691</u>	<u>\$ 87,104</u>

CITY OF PORTLAND, NORTH DAKOTA
COMBINING BALANCE SHEET – MODIFIED CASH BASIS
NON-MAJOR ENTERPRISE FUNDS
DECEMBER 31, 2016

	<u>Mosquito</u>	Water Meter <u>Deposits</u>	Garbage <u>Surcharge</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ -	\$ 900	\$ 584	\$ 1,484
Due From Other Funds	12,683	12,977	6,164	31,824
Total Current Assets	<u>12,683</u>	<u>13,877</u>	<u>6,748</u>	<u>33,308</u>
 TOTAL ASSETS	 <u>\$ 12,683</u>	 <u>\$ 13,877</u>	 <u>\$ 6,748</u>	 <u>\$ 33,308</u>
 LIABILITIES				
Current Liabilities				
Other Payables	\$ -	\$ 6,360	\$ -	\$ 6,360
Total Current Liabilities	<u>-</u>	<u>6,360</u>	<u>-</u>	<u>6,360</u>
TOTAL LIABILITIES	<u>-</u>	<u>6,360</u>	<u>-</u>	<u>6,360</u>
 NET POSITION				
Unrestricted	<u>12,683</u>	<u>7,517</u>	<u>6,748</u>	<u>26,948</u>
TOTAL NET POSITION	<u>\$ 12,683</u>	<u>\$ 7,517</u>	<u>\$ 6,748</u>	<u>\$ 26,948</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, 2016

	City Share - Special Assessments	Emergency	Special Assessment Deficiency	Penalty & Interest	Total Governmental
REVENUES					
Taxes	\$ 7,693	\$ 2,358	\$ 2,055	\$ 2,058	\$ 14,164
Total Revenues	<u>7,693</u>	<u>2,358</u>	<u>2,055</u>	<u>2,058</u>	<u>14,164</u>
EXPENDITURES					
Current:					
General Government	1,400	-	-	-	1,400
Total Expenditures	<u>1,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,400</u>
Revenues Over (Under) Expenditures	6,293	2,358	2,055	2,058	12,764
OTHER FINANCING SOURCES (USES)					
Operating Transfers (Out)	-	-	(49)	-	(49)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(49)</u>	<u>-</u>	<u>(49)</u>
Net Change in Fund Balance	6,293	2,358	2,006	2,058	12,715
Fund Balance - January 1	<u>34,749</u>	<u>13,558</u>	<u>11,449</u>	<u>14,633</u>	<u>74,389</u>
Fund Balance - December 31	<u>\$ 41,042</u>	<u>\$ 15,916</u>	<u>\$ 13,455</u>	<u>\$ 16,691</u>	<u>\$ 87,104</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, 2016

	<u>Mosquito Fund</u>	<u>Water Meter Deposits Fund</u>	<u>Garbage Surcharge Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues:				
Charges for Services	\$ 2,862	\$ 900	\$ 584	\$ 4,346
Operating Expenses:				
Operating Costs	3,053	-	-	3,053
Total Operating Expenses	<u>3,053</u>	<u>-</u>	<u>-</u>	<u>3,053</u>
Operating Income (Loss)	<u>(191)</u>	<u>900</u>	<u>584</u>	<u>1,293</u>
Net Income (Loss)	(191)	900	584	1,293
Net Position, January 1	<u>12,874</u>	<u>6,617</u>	<u>6,164</u>	<u>25,655</u>
Net Position, December 31	<u>\$ 12,683</u>	<u>\$ 7,517</u>	<u>\$ 6,748</u>	<u>\$ 26,948</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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 28, 2018, which contained an adverse opinion on governmental activities, business-type activities, water operating, and sewer operating. An adverse opinion was issued over governmental activities, business-type activities, water operating, and sewer operating for the year ended December 31, 2017 and 2016 due to management not recording capital assets and the related depreciation expense for those assets, which should be included in order to conform with the modified cash basis of accounting.

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.

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. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2017-001, 2017-002, and 2017-003 to be material weaknesses.

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**

September 28, 2018

CITY OF PORTLAND, NORTH DAKOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

Material Weakness 2017-001 – 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 2017-002 – 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, 2017 AND 2016

Response:

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

Material Weakness 2017-003 – 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.